

# Record

H119 results

## Broadening product and generating interest

Record's average assets under management equivalent (AUME) were stable in the first half. Management fees were modestly lower as a result of a mix change towards lower management fee rate products, although some of these are capable of earning performance fees. Evidencing the potential to offset management fees forgone, the period saw crystallisation of a performance fee which allowed profit to increase by over 6%. For the future Record's continued focus on new and enhanced products should help defend and increase the client base and AUME levels while performance fees could generate positive earnings surprises.

| Year end | Revenue (£m) | PBT* (£m) | EPS* (p) | DPS** (p) | P/E (x) | Yield (%) |
|----------|--------------|-----------|----------|-----------|---------|-----------|
| 03/17    | 23.0         | 7.9       | 2.90     | 2.00      | 11.1    | 6.2       |
| 03/18    | 23.8         | 7.3       | 2.98     | 2.30      | 10.8    | 7.2       |
| 03/19e   | 23.7         | 6.7       | 2.69     | 2.30      | 11.9    | 7.2       |
| 03/20e   | 22.4         | 5.7       | 2.31     | 2.32      | 13.9    | 7.2       |

Note: \*EPS are diluted and \*\*DPS excludes special dividends.

## H119 results

Record's first half results showed total revenue up 3.4% to £12.6m including a performance fee of £1m. We calculate that average AUME in sterling terms was broadly similar to H118. Management fees alone were down 4.5%, partly reflecting greater adoption of the enhanced passive hedging product: some of these mandates carry a lower management fee but are capable of earning performance fees. Also affecting revenue was last year's termination or switch from dynamic to passive hedging by UK clients. Costs were held steady allowing pre-tax profit to increase by 6.5% and diluted EPS by 5.9%. The interim dividend was unchanged at 1.15p and Record remains committed to its policy of paying out excess earnings in special dividends. The group retains a buffer of c £14m over its regulatory requirement and own cash (excluding cash in seed funds) of £17.5m.

## Outlook: Product range and services develop further

Uncertain macro conditions continue to facilitate the marketing of Record's services. Examples of work to innovate and broaden the product range include: extension of the licensing agreement with WisdomTree for a new range of ETFs, a framework for hedging EM currencies, a new range-trading strategy within Multi-Strategy and the development of ways of integrating ESG factors into currency management. In Q319, \$2.5bn of passive hedging mandates are set to terminate but Record reports a good range of client prospects spread by type of client, product and geography.

## Valuation

Record shares trade at a below peer-group average EV/EBITDA multiple for the current calendar year (7.0x) and similar to the peer average for FY20 (8.5x). Our estimates exclude potential AUME inflows and uncrystallised performance fees.

## Financial services

4 December 2018

**Price** 32.15p  
**Market cap** £64m

|                                     |        |
|-------------------------------------|--------|
| Net cash (£m) at end-September 2018 | 22.8   |
| Shares in issue                     | 199.1m |
| Free float                          | 32%    |
| Code                                | REC    |
| Primary exchange                    | LSE    |
| Secondary exchange                  | N/A    |

## Share price performance



|                  |       |        |        |
|------------------|-------|--------|--------|
| %                | 1m    | 3m     | 12m    |
| Abs              | (4.0) | (22.6) | (33.4) |
| Rel (local)      | (3.0) | (17.1) | (30.7) |
| 52-week high/low | 51.1p | 29.5p  |        |

## Business description

Record is a specialist independent currency manager that provides a number of products and services, including passive and dynamic hedging, and a range of currency for return strategies, including funds and customised segregated accounts.

## Next event

|                     |                 |
|---------------------|-----------------|
| Q319 trading update | 18 January 2019 |
|---------------------|-----------------|

## Analysts

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## Company profile

Founded in 1983 by chairman Neil Record, the company's main activity is the provision of currency hedging services to clients, including public and private defined benefit pension schemes and other institutional investors. Other contributors to revenue are currency for return, multi-product and related services.

In H119, passive hedging accounted for 53% of management fees. Passive hedging mandates tend to be sticky and we estimate that revenues from these clients will cover c 85% of Record's operating expenditure before variable remuneration in the current year. Record emphasises that its passive hedging mandates are tailored to customer requirements and may include additional services such as collateral management. Dynamic hedging also targets systematic reduction of currency risk while seeking to modify the level of hedging to allow clients to gain some benefit from weakness in their own currency. Currency for return strategies aim to exploit stable inefficiencies in currency markets and include a number of strategies: forward rate bias, emerging market currencies, momentum, value and, recently introduced, range-trading (together "multi-strategy"). The Multi-product category includes mandates where hedging and return-seeking strategies are combined on a bespoke basis.

We have collated Record's detailed disclosure analysing AUME and management fee exposure in Exhibit 1.

| Exhibit 1: Record profile in numbers (H119)  |             |                         |                      |                         |           |
|--|-------------|-------------------------|----------------------|-------------------------|-----------|
| Analysis by strategy   |             |                         |                      |                         |           |
|  |             | AUME (%)                | Management fees (%)* |                         | Fees (bp) |
| Dynamic hedging  |             | 7.1                     | 20.6                 |                         | 14        |
| Passive hedging  |             | 83.7                    | 52.5                 |                         | 3         |
| Currency for return  |             | 3.9                     | 7.9                  |                         | 11        |
| Multi-product  |             | 4.9                     | 19.0                 |                         | 19        |
| Cash   |             | 0.4                     | N/A                  |                         | N/A       |
| Total  |             | 100.0                   | 100.0                |                         | 4.9       |
| Value  |             | \$61.8bn                | £11.4m               |                         |           |
| Client analysis  |             |                         |                      |                         |           |
| Number (by financial year)   |             | Type                    | % AUME               | Concentration           | % fees    |
| 2014   | 48          | Public pension funds    | 42                   | Top 10                  | 75        |
| 2015   | 55          | Corporate pension funds | 39                   | Next 10                 | 18        |
| 2016   | 58          | Foundations & trusts    | 8                    | Balance                 | 7         |
| 2017   | 59          | Other                   | 11                   |                         |           |
| 2018   | 60          |                         |                      |                         |           |
| H119   | 66          |                         | 100                  |                         | 100       |
| Geographical analysis  |             |                         |                      | AUME progression (\$bn) |           |
| By Country   | Mgmt fees % |                         | % AUME               | 2014                    | 2015      |
| Switzerland  | 46          | Europe and RoW          | 77                   | 2015                    | 51.9      |
| USA  | 26          | North America           | 12                   | 2016                    | 55.4      |
| UK   | 8           | UK                      | 11                   | 2017                    | 52.9      |
| Other  | 20          |                         |                      | 2018                    | 58.2      |
|  | 100         |                         | 100                  | H119                    | 62.2      |
|  |             |                         |                      |                         | 61.8      |
| Underlying asset class exposure of dynamic and passive hedging AUME (%)                      |             |                         |                      |                         |           |
|  | Dynamic     |                         | Passive              | Est. % of hedging fees  |           |
| Equity   | 95          |                         | 27                   | 46                      |           |
| Fixed income   | -           |                         | 41                   | 29                      |           |
| Other  | 5           |                         | 32                   | 24                      |           |
|  | 100         |                         | 100                  | 100                     |           |
| Source: Record. Edison Investment Research. Note: *Management fees exclude performance fees. |             |                         |                      |                         |           |

Source: Record, Edison Investment Research. Note: \*Management fees exclude performance fees.

The first section of the table underlines the predominance of hedging for both AUME and fees, despite the relatively low fee rate applied in passive hedging. The client analysis shows that the number of clients has increased noticeably since 2013, albeit the level was broadly stable between

FY16 and FY18. The institutional nature of the market Record is addressing means there is quite a high concentration of fees from the top 10 clients (75%). The third section highlights the importance of Switzerland as a market (primarily for hedging services) and the progression of AUME in recent years. Finally, the analysis of the exposure of the dynamic and passive hedging mandates to different underlying asset classes shows that, on our estimate, around 46% of hedging fees are related to equity assets and approaching 30% to fixed income assets.

## Recent AUME changes and first half results

### AUME

As announced in its October trading update, Record's AUME (in US\$ terms) was down slightly during H119 with neutral net flows for this period. Market movements (see underlying asset exposures in Exhibit 1) were positive while a negative FX move more than offset a positive scaling effect for mandates with a volatility target. This left a small overall reduction in the six months of \$0.4bn or 1% (see Exhibit 2 for further details). Reflecting weakness in the pound, AUME in sterling terms increased by 7% during the first half and by 4% compared with end-H118. Based on reported quarter-end figures, we calculate that sterling-denominated average AUME increased by c 1% for H119 versus H118.

| <b>Exhibit 2: AUME changes</b>                  |             |             |             |              |              |              |
|---|-------------|-------------|-------------|--------------|--------------|--------------|
| Year-end March                                  | Q418        | Q119        | Q219        | Q119         | Q219         | H119         |
| \$bn  | AUME        | AUME        | AUME        | Net flows    | Net flows    | Net flows    |
| Dynamic hedging                                 | 4.3         | 4.3         | 4.4         | 0.4          | 0.0          | 0.4          |
| Passive hedging                                 | 53.0        | 52          | 51.7        | (0.4)        | (0.6)        | (1.0)        |
| Currency for return                             | 1.6         | 2.3         | 2.4         | 0.6          | 0.0          | 0.6          |
| Multi-product                                   | 3.0         | 3.0         | 3.0         | 0.0          | 0.0          | 0.0          |
| Cash and futures                                | 0.3         | 0.3         | 0.3         | 0.0          | 0.0          | 0.0          |
| <b>Total</b>                                    | <b>62.2</b> | <b>61.9</b> | <b>61.8</b> | <b>0.6</b>   | <b>(0.6)</b> | <b>0.0</b>   |
| Markets   |             |             |             | 1.2          | 0.1          | 1.3          |
| FX and scaling for mandate volatility targeting |             |             |             | (2.1)        | 0.4          | (1.7)        |
| <b>Total change</b>                             |             |             |             | <b>(0.3)</b> | <b>(0.1)</b> | <b>(0.4)</b> |
| Source: Record, Edison Investment Research      |             |             |             |              |              |              |

### H119 results

The profit and loss for H119 with analysis of changes since H118 and H218 is set out in Exhibit 3. Comments on key areas are given in the following paragraphs with comparisons between H119 and H118 unless stated.

**Revenue** in total was £12.6m, vs £12.2m in H118 (+3%). There was a performance fee of £1m crystallised in the first quarter relating to performance in the six-month period to end June. There were no performance fees in the prior year period and none were earned in the second quarter. While average AUME was broadly stable in sterling terms, management fee income of £11.4m was down 4.5% partly reflecting clients moving to enhanced passive hedging mandates, some of which earn lower management fees but are capable of earning performance fees. The termination or switch from dynamic to passive hedging by UK clients last year also affected revenues.

**Fee margins** on a like-for-like basis were reported to be broadly stable (see top right section of Exhibit 1 for H119 levels) although mix changes between and within categories has resulted in movements in the averages. While the rounded margin for passive hedging is unchanged at 3bp we calculate a small reduction from 3.3bp to 3.1bp reflecting the adoption of enhanced passive hedging already highlighted. The most prominent change has been in currency for return where the average fell from 17bp to 11bp reflecting the addition of a new mandate with a management/performance fee structure, the scaling up of AUME for mandates with volatility targets

(here the fee does not change with AUME so the margin contracts or expands with scaling) and a bespoke mandate with a lower fee rate commensurate with its specification. The overall average we calculate for H119 is 5.2bp compared with 5.4bp for the prior year period or 5.1bp for FY18.

**Administrative costs** were virtually unchanged with personnel costs before group profit share up 3% and other costs down £0.2m, which is equivalent to the one-off costs related to the tender offer incurred in the same period last year.

This allowed **pre-tax profits** to increase by 6.5% to £4m and after a higher tax charge (20% versus 15%) earnings per share (diluted) increased from 1.52p to 1.61p (+5.9%).

The interim **dividend** was unchanged at 1.15p and the group remains committed to its policy of paying out excess earnings subject to capital and investment requirements.

| <b>Exhibit 3: H119 P&amp;L analysis</b> |               |               |               |                |                |
|---|---------------|---------------|---------------|----------------|----------------|
| £000                                    | H118          | H218          | H119          | Change vs H118 | Change vs H218 |
| Dynamic hedging                         | 2,801         | 2,310         | 2,351         | -16.1%         | 1.8%           |
| Passive hedging                         | 6,400         | 6,169         | 5,999         | -6.3%          | -2.8%          |
| Currency for return                     | 826           | 977           | 899           | 8.8%           | -8.0%          |
| Multi-product                           | 1,927         | 2,087         | 2,172         | 12.7%          | 4.1%           |
| <b>Management fees</b>                  | <b>11,954</b> | <b>11,543</b> | <b>11,421</b> | <b>-4.5%</b>   | <b>-1.1%</b>   |
| Performance fees                        | 0             | 0             | 1,048         | N/A            | N/A            |
| Other income                            | 249           | 88            | 155           | -37.8%         | 76.1%          |
| <b>Total revenue</b>                    | <b>12,203</b> | <b>11,631</b> | <b>12,624</b> | <b>3.4%</b>    | <b>8.5%</b>    |
| Cost of sales                           | -165          | -146          | -194          | 17.6%          | 32.9%          |
| Gross profit                            | 12,038        | 11,485        | 12,430        | 3.3%           | 8.2%           |
| Administrative expenses                 | -8,330        | -8,094        | -8,295        | -0.4%          | 2.5%           |
| Other income/expense                    | 49            | 124           | -138          | N/A            | N/A            |
| <b>Operating profit</b>                 | <b>3,757</b>  | <b>3,515</b>  | <b>3,997</b>  | <b>6.4%</b>    | <b>13.7%</b>   |
| Net finance income                      | 36            | 20            | 41            | 13.9%          | 105.0%         |
| <b>Profit before tax</b>                | <b>3,793</b>  | <b>3,535</b>  | <b>4,038</b>  | <b>6.5%</b>    | <b>14.2%</b>   |
| Taxation                                | -553          | -629          | -822          | 48.6%          | 30.7%          |
| Profit after tax                        | 3,240         | 2,906         | 3,216         | -0.7%          | 10.7%          |
| <b>Diluted EPS (p)</b>                  | <b>1.52</b>   | <b>1.39</b>   | <b>1.61</b>   | <b>5.9%</b>    | <b>16.1%</b>   |
| DPS (p)                                 | 1.15          | 1.65          | 1.15          |                |                |
| Tax rate                                | 15%           | 18%           | 20%           |                |                |

Source: Record, Edison Investment Research

Turning to performance, Exhibit 4 sets out currency for return fund, index and composite performance in the half year and since inception. Unsurprisingly, the recent pronounced weakness in emerging markets is evident in the emerging markets strategy while the newly launched Multi-Strategy Fund has had a weak start. Despite a weaker period in the half year both the FTSE FRB Index Fund and the Multi-Strategy Composite remain in positive territory since inception.

| <b>Exhibit 4: Currency for return investment performance to 30 September 2018</b> |         |                  |              |                  |           |
|---|---------|------------------|--------------|------------------|-----------|
|   | Gearing | Half-year return | Return SI pa | Volatility SI pa | Inception |
| <b>Fund</b>   |         |                  |              |                  |           |
| Record FTSE FRB10 Index Fund  | 1.8     | 1.55%            | 1.55%        | 6.88%            | Dec-10    |
| Record Emerging Market Currency Fund  | 1.0     | -3.61%           | 0.93%        | 6.39%            | Dec-10    |
| Record Currency Multi-Strategy Fund   |         | -9.60%           | N/A          | N/A              | Feb-18    |
| <b>Index/Composite returns</b>  |         |                  |              |                  |           |
| FTSE Currency FRB10 GBP excess return   |         | 0.77%            | 2.21%        | 4.54%            | Dec-87    |
| Record Multi-Strategy Composite (4% target volatility)                            |         | -3.67%           | 0.97%        | 2.68%            | Jul-12    |

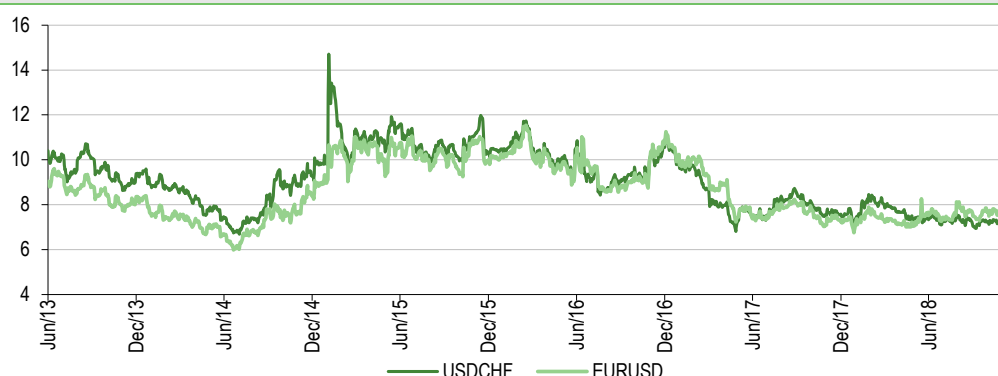
Source: Record. Note: All GBP base apart from Record Multi-Strategy Composite, which is on a US\$ base and shows excess returns gross of fees.

Record has also provided figures showing that its enhanced passive hedging strategy has added value for clients relative to a fixed tenor benchmark. This shows the strategy adding 3bp in the six months to end September and 13bp per annum in the period since inception in October 2014. The performance fee crystallised in the first quarter is also likely to be a positive indicator on this front although Record does not specify the type of mandate(s) that generated the fee.

## Outlook, estimate changes

The macro backdrop remains generally supportive for Record in its conversations with potential clients. Currency volatility between the euro, US dollar and Swiss franc (Exhibit 5) has actually been subdued compared with recent history, but prevailing geopolitical uncertainties highlight the potential for tail risks to emerge. This, together with Record's own work on enhancing service levels and developing new products, has contributed to a good spread of interest from potential clients spread by geography, product and type of fund.

**Exhibit 5: Implied volatility for one year at the money options CHF and EUR vs USD**



Source: Bloomberg. Note: CHF = Swiss franc, EUR = euro, USD = US\$.

In its Q219 trading update Record announced that it had been given notification of termination of passive hedging mandates for two commercial relationships that will affect up to seven clients (counted as separate legal entities) and up to \$2.5bn of AUME (4.8% of passive hedging AUME at end H119). The outflow is expected to take place during the current quarter and, although pricing pressures remain a feature in this product area in particular, these terminations reflect specific developments relating to the underlying funds. These included a decision to move investments into a unitised structure as part of which the client will use the administrator to provide a hedging service.

As shown below, our estimates are barely changed following the adjustments we made with the trading update in October. Further details are set out in the financial summary.

**Exhibit 6: Estimate changes**

|        | Revenue (£m) |      |       | PBT (£m)* |     |       | EPS (p)* |      |       | DPS (p)** |      |       |
|--------|--------------|------|-------|-----------|-----|-------|----------|------|-------|-----------|------|-------|
|        | Old          | New  | % chg | Old       | New | % chg | Old      | New  | % chg | Old       | New  | % chg |
| 03/19e | 23.4         | 23.7 | 1%    | 6.6       | 6.7 | 1%    | 2.69     | 2.69 | 0%    | 2.30      | 2.30 | 0%    |
| 03/20e | 22.4         | 22.4 | 0%    | 5.7       | 5.7 | 0%    | 2.31     | 2.31 | 0%    | 2.32      | 2.32 | 0%    |

Source: Edison Investment Research. Note: \*Normalised. \*\*Dividend excludes any special payment.

The group figure for net cash and money market instruments managed as cash was similar to the year-end figure at £22.8m. Stripping out the cash held by seed funds (non-controlling interests) gives an own cash figure of £17.5m.

## Valuation

Exhibit 7 provides an updated version of our valuation table showing Record in the context of a group of UK asset managers. Record is clearly differentiated by its role as a specialist currency manager but its fees are primarily based on the size of AUME so, like the asset managers, it is exposed to movements in underlying equity and fixed income markets and flows.

**Exhibit 7: Earnings and EBITDA multiples for UK fund managers**

|                          | Price (p) | Market capitalisation (£m) | P/E (x)     | EV/EBITDA (x) |
|--------------------------|-----------|----------------------------|-------------|---------------|
| Ashmore                  | 379       | 2,700                      | 16.7        | 11.2          |
| City of London Inv Group | 387       | 103                        | 9.9         | 6.5           |
| Impax Asset Management   | 206       | 268                        | 15.2        | 36.6          |
| Jupiter                  | 328       | 1,501                      | 10.2        | 6.0           |
| Liontrust                | 628       | 317                        | 13.9        | 13.3          |
| Man Group                | 150       | 2,346                      | 9.5         | 8.0           |
| Polar Capital            | 518       | 488                        | 11.7        | 9.2           |
| Schroders                | 2,590     | 7,171                      | 11.7        | 10.1          |
| <b>Average</b>           |           |                            | <b>12.4</b> | <b>12.6</b>   |
| <b>Record</b>            | <b>32</b> | <b>63</b>                  | <b>11.7</b> | <b>6.8</b>    |

Source: Thomson Reuters, Edison Investment Research. Note: P/E and EV/EBITDA based on calendar 2018 estimated earnings and last reported EBITDA, respectively. Priced as at 3 December 2018.

Record shares trade on a calendar 2018 P/E multiple that is below the group average, as is the historical EV/EBITDA ratio. The earnings for calendar 2018 do benefit from a proportion of the £1m performance fee mentioned earlier and our FY20 Record earnings estimate does not include any performance fees; for that year Record is trading on a P/E of 13.9x and an EV/EBITDA of 8.5x compared with peer multiples of 11.5x and 8.3x respectively.

**Exhibit 8: Financial summary**

| £'000s   | March | 2015     | 2016     | 2017     | 2018     | 2019e    | 2020e    |
|--|-------|----------|----------|----------|----------|----------|----------|
| <b>PROFIT &amp; LOSS</b>                             |       |          |          |          |          |          |          |
| Revenue (underlying)                                 |       | 20,865   | 21,246   | 22,952   | 23,834   | 23,683   | 22,418   |
| Revenue  |       | 21,057   | 21,134   | 22,952   | 23,834   | 23,683   | 22,418   |
| Operating expenses                                   |       | (13,521) | (14,344) | (15,365) | (16,735) | (16,940) | (16,829) |
| Other income/(expense)                               |       | 0        | 0        | 157      | 173      | (138)    | 0        |
| Operating Profit (before amort. and except.)         |       | 7,536    | 6,790    | 7,744    | 7,272    | 6,605    | 5,589    |
| Finance income                                       |       | 146      | 143      | 112      | 56       | 92       | 91       |
| Profit Before Tax                                    |       | 7,682    | 6,933    | 7,856    | 7,328    | 6,697    | 5,680    |
| Taxation   |       | (1,708)  | (1,523)  | (1,540)  | (1,182)  | (1,339)  | (1,079)  |
| Minority interests                                   |       | (192)    | 131      | 0        | 0        | 0        | 0        |
| Attributable profit                                  |       | 5,782    | 5,541    | 6,316    | 6,146    | 5,358    | 4,601    |
| Normalised revenue (underlying)                      |       | 20,865   | 21,246   | 22,952   | 23,834   | 23,683   | 22,418   |
| Operating expenses (excl. dep'n and amortisation)    |       | (13,206) | (14,023) | (15,023) | (16,430) | (16,655) | (16,544) |
| EBITDA   |       | 7,659    | 7,223    | 7,929    | 7,404    | 7,028    | 5,874    |
| Depreciation and amortisation                        |       | (315)    | (321)    | (342)    | (305)    | (285)    | (285)    |
| Other income/(expense)                               |       | 0        | 0        | 157      | 173      | (138)    | 0        |
| Normalised Operating profits                         |       | 7,344    | 6,902    | 7,744    | 7,272    | 6,605    | 5,589    |
| Finance income                                       |       | 146      | 143      | 112      | 56       | 92       | 91       |
| Profit Before Tax (norm)                             |       | 7,490    | 7,045    | 7,856    | 7,328    | 6,697    | 5,680    |
| Normalised revenue/AuME (excl. perf fees) bps        |       | 6.2      | 6.0      | 5.2      | 5.1      | 4.8      | 4.8      |
| Normalised operating margin (%)                      |       | 35.2     | 32.5     | 33.7     | 30.5     | 27.9     | 24.9     |
| Average Number of Shares Outstanding (m)             |       | 218.4    | 217.9    | 218.0    | 206.5    | 199.1    | 199.1    |
| Basic EPS (p)  |       | 2.66     | 2.55     | 2.91     | 3.03     | 2.73     | 2.34     |
| EPS - normalised (p)                                 |       | 2.65     | 2.54     | 2.90     | 2.98     | 2.69     | 2.31     |
| Dividend per share (p)                               |       | 1.65     | 1.65     | 2.00     | 2.30     | 2.30     | 2.32     |
| Special dividend per share (p)                       |       | 0.00     | 0.00     | 0.91     | 0.50     | 0.43     | 0.00     |
| Total dividend (p)                                   |       | 1.65     | 1.65     | 2.91     | 2.80     | 2.73     | 2.32     |
| <b>BALANCE SHEET</b>                                 |       |          |          |          |          |          |          |
| Fixed Assets   |       | 3,273    | 423      | 1,228    | 2,339    | 2,212    | 2,217    |
| Intangible Assets                                    |       | 504      | 299      | 245      | 228      | 363      | 448      |
| Tangible Assets                                      |       | 129      | 81       | 881      | 910      | 740      | 660      |
| Investments  |       | 2,567    | 0        | 0        | 1,115    | 1,075    | 1,075    |
| Deferred tax assets                                  |       | 73       | 43       | 102      | 86       | 34       | 34       |
| Current Assets                                       |       | 37,053   | 40,541   | 44,247   | 29,737   | 30,767   | 29,969   |
| Debtors  |       | 6,324    | 5,695    | 6,972    | 6,775    | 7,381    | 7,510    |
| Cash   |       | 12,010   | 21,720   | 19,120   | 12,498   | 13,405   | 12,477   |
| Money market instruments                             |       | 18,100   | 13,020   | 18,102   | 10,198   | 9,804    | 9,804    |
| Other  |       | 619      | 106      | 53       | 266      | 178      | 178      |
| Current Liabilities                                  |       | (4,522)  | (3,256)  | (8,644)  | (5,525)  | (6,729)  | (6,789)  |
| Creditors  |       | (2,949)  | (2,372)  | (3,013)  | (2,630)  | (3,443)  | (3,503)  |
| Financial liabilities                                |       | 0        | 0        | (4,779)  | (2,467)  | (2,361)  | (2,361)  |
| Other  |       | (1,573)  | (884)    | (852)    | (428)    | (925)    | (925)    |
| Net Assets   |       | 35,804   | 37,708   | 36,831   | 26,551   | 26,251   | 25,397   |
| Minority interests                                   |       | 3,876    | 4,019    | 0        | 0        | 0        | 0        |
| Net assets attributable to ordinary shareholders     |       | 31,928   | 33,689   | 36,831   | 26,551   | 26,251   | 25,397   |
| No of shares at year end                             |       | 217.5    | 217.2    | 221.4    | 199.1    | 199.1    | 199.1    |
| NAV per share p                                      |       | 14.7     | 15.5     | 16.6     | 13.3     | 13.2     | 12.8     |
| <b>CASH FLOW</b>                                     |       |          |          |          |          |          |          |
| Operating Cash Flow                                  |       | 6,472    | 5,509    | 7,107    | 2,746    | 6,318    | 4,726    |
| Capex  |       | (128)    | (29)     | (899)    | (236)    | (50)     | (140)    |
| Cash flow from investing activities                  |       | 0        | (39)     | (189)    | (82)     | (200)    | (150)    |
| Dividends  |       | (3,266)  | (3,750)  | (3,592)  | (6,810)  | (5,541)  | (5,454)  |
| Other financing activities                           |       | (2,571)  | 7,737    | (5,163)  | (2,386)  | 106      | 91       |
| Other  |       | 0        | 282      | 136      | 146      | 274      | 0        |
| Net Cash Flow  |       | 507      | 9,710    | (2,600)  | (6,622)  | 907      | (927)    |
| Opening cash/(net debt)                              |       | 11,503   | 12,010   | 21,720   | 19,120   | 12,498   | 13,405   |
| Other  |       | 0        | 0        | 0        | 0        | 0        | 0        |
| Closing net (debt)/cash                              |       | 12,010   | 21,720   | 19,120   | 12,498   | 13,405   | 12,477   |
| Closing net (debt)/cash inc money market instruments |       | 30,110   | 34,740   | 37,222   | 22,696   | 23,209   | 22,281   |
| <b>AUME</b>  |       |          |          |          |          |          |          |
| Opening (\$'bn)                                      |       | 51.9     | 55.4     | 52.9     | 58.2     | 62.2     | 63.3     |
| Net new money flows                                  |       | 2.9      | (1.4)    | 3.1      | (1.2)    | 0.0      | 0.0      |
| Market/other   |       | 0.6      | (1.1)    | 2.2      | 5.2      | 1.1      | 1.2      |
| Closing (\$'bn)                                      |       | 55.4     | 52.9     | 58.2     | 62.2     | 63.3     | 64.5     |

Source: Company accounts, Edison Investment Research



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