22 June 2023

Alpha Financial Markets Consulting plc

("Alpha", the "Company" or the "Group")

AUDITED RESULTS FOR THE YEAR ENDED 31 MARCH 2023

Excellent double-digit organic growth across all regions

Alpha Financial Markets Consulting plc (AIM:AFM), a leading global provider of specialist consultancy services to the asset management, wealth management and insurance industries, is pleased to report its audited results for the 12 months ended 31 March 2023 (FY 23).

Financial highlights[1]

- Revenue increased by 44.8% to £228.7m (FY 22: £158.0m) and net fee income[2] increased by 43.9% to £227.2m (FY 22: £157.8m), or 36.1% on a constant currency basis. On an organic[3] basis, net fee income grew by 39.6%
- Gross profit increased by 35.4% to £80.4m (FY 22: £59.4m) at 35.4% margin[2] (FY 22: 37.6%), reflecting the easing of utilisation to target levels, alongside continued investment in our growing team
- Adjusted[2] EBITDA increased by 37.5% to £46.6m (FY 22: £33.9m) with 20.5% margin largely consistent with FY 22's 21.5%
- Adjusted profit before tax increased by 38.6% to £44.0m (FY 22: £31.8m)
- Adjusted earnings per share increased by 36.4% to 29.27p (FY 22: 21.46p)
- On a statutory basis, profit before tax increased to £25.8m (FY 22: £14.9m) and basic earnings per share increased to 15.82p (FY 22: 7.69p)
- Good adjusted cash conversion of 74.0% (FY 22: 112.1%) with adjusted cash generated from operating activities of £32.9m (FY 22: £36.0m), reflecting specific cash outflows, alongside good underlying working capital management
- Robust balance sheet with a net cash balance as at 31 March 2023 of £59.2m (31 March 2022: £63.5m)
- In view of Alpha's performance and cash position at the year end, the Board is recommending a final dividend of 10.50p (FY 22: 7.50p)

	12 months to **31 March 2023**	*12 months to* **31 March 2022**	**Change**
Revenue	**£228.7m**	£158.0m	44.8%
Gross profit	**£80.4m**	£59.4m	35.4%
Adjusted EBITDA	**£46.6m**	£33.9m	37.5%
Adjusted profit before tax	**£44.0m**	£31.8m	38.6%
Profit before tax	**£25.8m**	£14.9m	73.2%
Adjusted EPS	**29.27p**	21.46p	36.4%
Basic EPS	**15.82p**	7.69p	105.7%
Total dividend per share	**14.20p**	10.40p	36.5%

Operational highlights

- Double-digit organic net fee income growth across all regions, including North America, a key strategic region for the Group
- Continued strong growth of client relationships, with the number of clients[4] that the Group has worked with increasing to 874 (FY 22: 718) and new client wins spanning the Group's global businesses
- Continued growth in the Group's insurance offering, supported by the appointment of a Global Head of Insurance Consulting to further the expansion of the proposition
- Investment in the best talent: consultant[5] headcount increased to 994 (FY 22: 760), including the addition of 13 new directors[6]
- CEO succession plan and relevant governance changes implemented, including the appointment of a new Global Head of Asset & Wealth Management Consulting
- Post-year end acquisition of Shoreline, an APAC-based asset and wealth management consultancy, completed in May 2023; integration initiated and progressing well

Outlook

- Alpha has performed extremely well in the year against a backdrop of ongoing macro-economic uncertainty, and the long-term structural growth drivers that underpin demand for Alpha's services remain very strong
- Alpha has the best consultants in its chosen industries and an excellent global reputation to address the demand created from those drivers
- In recent months, the global consulting market has experienced increased levels of competition as a result of overcapacity, which we expect to be the market backdrop in the short term
- As the global consulting market balances supply with overall demand, the Group will continue to manage appropriately its discretionary spend and hire selectively to invest for the future, in line with our 2028 strategic ambition to double the business

- While we currently see higher levels of competition and a lengthening sales cycle, we are confident that Alpha's strong client proposition and business strategy will continue to drive market share growth
- The Group enters FY 24 with resilient trading and a good pipeline of new business opportunities, and the Board remains confident of delivering full-year results in line with current market expectations

Commenting on the results, Luc Baqué, Chief Executive Officer, said:

"I am very pleased by the financial performance of the business over the year; the Group has exceeded expectations and achieved excellent organic growth across all regions, in particular North America. I am excited to take the helm of Alpha and have the honour of leading its fabulous team; and I am thankful to Euan for his excellent leadership over the last decade and look forward to building on the Group's continued success and leading it through the next growth chapter.

Whilst we have recently seen a lengthening sales cycle and higher levels of competition, we enter FY 24 with resilient trading and a good pipeline of new business opportunities. Our compelling proposition to clients, leading talent base and clear growth strategy give us confidence as we progress towards our 2028 strategic goals."

Commenting on the results, Euan Fraser, Chief Executive Officer to 31 March 2023, **said:**

"The past financial year covers the final year of my decade as Alpha's CEO. I am delighted that the Group has experienced such strong growth and a set of financial results that exceeded our expectations. The Group has also achieved, well ahead of plan, the ambition we set out in 2020 to double in size.

I am extremely proud of everyone in the Alpha team for reaching that landmark and I am certain many more will follow. It has been an incredible journey and a huge honour being CEO. Alpha is in very good hands with Luc Baqué – and I for one cannot wait to see where the outstanding talent, commitment and expertise across the Group takes Alpha next."

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Analyst presentation:

A results presentation will take place at 9.30 a.m. today by conference call. Those wishing to attend should email AlphaFMC@camarco.co.uk.

The full-year results and a copy of the presentation slides, for those unable to attend, will be available on the Company website at https://alphafmc.com/investors/reports-presentations/.

About Alpha FMC:

Headquartered in the UK and quoted on the AIM of the London Stock Exchange, Alpha is a leading global provider of specialist consultancy services to the asset management, wealth management and insurance industries.

It has the largest dedicated team in those industries, with approximately 1,000 consultants globally, operating from 17 client-facing offices[7] spanning the UK, North America, Europe and APAC. Alpha has worked with all of the world's top 20 and 80% of the world's top 50 asset managers by AUM[8], along with a wide range of insurance and other buy-side firms.

1 All financial and operating highlights relate to the year ended 31 March 2023 ("FY 23") and the comparative period is 31 March 2022 ("FY 22") unless otherwise specified. All rounding and percentage change calculations are from the basis of the financial statements in £'000s
2 The Group uses alternative performance measures ("APMs") to provide stakeholders further metrics to aid understanding of the underlying trading performance of the Group. Margins are expressed as a percentage of net fee income. Refer to note 3 for further details
3 Organic net fee income growth excludes Lionpoint's current year net fee income contribution prior to the acquisition anniversary. Refer to note 3 for further details
4 Client numbers are cumulative and have been updated to include all client relationships from acquisitions
5 "Consultants" and "headcount" refer to fee-earning consultants at the year end: employed consultants plus utilised contractors in client-facing roles
6 "Directors" refers to fee-generating directors at the year end. All director increases are presented as net
7 Group uses "office" to refer to office location; that is, if there are multiple offices in one location, they will be counted as one office
8 "World's top 20" and "world's top 50" refer to Investment & Pensions Europe, "Top 500 Asset Managers 2022"

Chairman's Report

Alpha has demonstrated the strength of its strategy and business model over the past year. We have a clear and compelling set of objectives and are laying strong foundations to achieve our ambitious growth plans.

Since joining London's Alternative Investment Market ("AIM") in October 2017, Alpha has achieved an unbroken record of growth in revenues and profits as a public company. I am therefore delighted to present the Group's Annual Report & Accounts for the year to 31 March 2023, which demonstrates another excellent year across all activities and geographies. This outcome has been delivered by the extraordinary skill and dedication of Alpha's employees all over the world.

But before I proceed to talk about governance, the year in review and outlook, I must thank Euan Fraser for his outstanding performance as Chief Executive Officer. He has presided over another excellent year of growth – across our financial KPIs, client relationships, business proposition and talent base. The last 10 years under Euan's leadership as CEO are a very successful period in Alpha's rich story in which the platform for long-term growth for our investors, clients and Alpha's people has been built and proven. The Board[9] and I are delighted to retain Euan as a strategic adviser. I know that, in Luc Baqué, the Group has chosen a very worthy successor with the vision, skills and capabilities to take the business through its next chapter of growth.

Strategy

For the next phase of Alpha's growth plan, the Group has set the target of doubling the size of the business again by 2028, leveraging the same growth strategy that has served it well so far: scaling up and broadening the client proposition, rolling out the client proposition globally, and making selective acquisitions.

The objective is to build out a multi-boutique model with a strong culture of cross-selling the Group's services so that it progressively deepens its relationship with each client. The Board believes this approach will deliver outstanding client service and provide the best opportunities for long-term growth.

In delivering this strategy, Alpha's ability to attract and retain the world's best specialist consulting talent remains fundamental to the successful realisation of its ambitions. The Group therefore provides a highly attractive offering encompassing competitive compensation, career development, high-quality work in multiple geographies, recognition and support. These factors, alongside a focus on offering an excellent corporate culture and inclusive working environment for all employees, have helped the Group to increase its consultant numbers by 234 during the year, bringing the total to 994.

Overview of the financial year

The Group has achieved the strategic goal set in November 2020 to double in size over the four years to November 2024. Reaching this target so quickly underlines the strength and relevance of the Group's proposition, the market-leading expertise of its people and the quality of the executive team.

During the past year, Alpha made excellent progress in all three areas of its strategic growth agenda. The Group has further broadened its proposition with particularly strong growth in Insurance Consulting and, through Lionpoint, services for alternatives clients. Geographic expansion is also progressing well, with excellent progress in North America, the Group's key strategic growth region. Alpha's third growth pillar, selective acquisitions, made its latest advance following the year end with the acquisition of Shoreline, an asset and wealth management consultancy based in Sydney. The addition of Shoreline makes Alpha the leading specialist asset and wealth management consultancy in APAC.

The Group delivered an excellent trading performance during FY 23, continuing the progress we reported at the half year and achieving double-digit growth in revenues and profits. Net fee income increased by 43.9% to £227.2m (FY 22: £157.8m) and 39.6% on an organic basis. Revenue also increased 44.8% to £228.7m (FY 22: £158.0m). Adjusted EBITDA increased by 37.5% to £46.6m (FY 22: £33.9m) and operating profit increased by 61.1% to £28.6m (FY 22: £17.8m), which fed through to the Group's healthy net cash position of £59.2m (FY 22: £63.5m) at the year end, leaving the Group well positioned to fund its growth initiatives over the coming year and beyond.

Governance and the Board

Strong governance, integrity and business ethics are critical to the Group's long-term success and its ability to generate sustainable value for our investors and other stakeholders. These considerations are fundamental to how the Board manages its discussions and decisions both as a Board and as individual committees, and we continue to improve governance aspects alongside the Group's growth.

The Board also considers ESG[10] as an important aspect of the Group's governance and risk management framework, and recognises its responsibility to guide Alpha's approach, and ensure it complies with regulatory requirements and meeting the expectations of its stakeholders. With this in mind, the Board has now established an ESG Committee, which is chaired by Jill May. The Committee oversees all components of Alpha's corporate ESG agenda, and we are delighted to have welcomed both a dedicated Global Sustainability Manager and a Global Diversity & Inclusion Manager to support our planning, progress and reporting linked to this important area. Among the key topics that the Group is currently focussing on are its preparations to start reporting under the framework set out by the Task Force on Climate-Related Financial Disclosures ("TCFD"), and the further development and global roll-out of our D&I programme and supporting disclosures.

On 1 April 2023, Luc Baqué succeeded Euan Fraser as Chief Executive Officer and joined the Board. On stepping down from the CEO role, Euan became a strategic adviser to the Board and we are delighted to maintain access to his strong industry relationships and knowledge of the Group. Alongside the growth of the Group, to ensure that the Board has suitable support and advice, we are also very pleased to have appointed an internal company secretary to work alongside Prism CoSec.

Dividend

Alpha performed ahead of market expectations in FY 23 and the Board is therefore recommending a 40.0% increase in the final dividend to 10.50p per share, bringing the total for the year to 14.20p, an increase of 36.5% compared with the 10.40p paid in respect of FY 22, in line with the Group's dividend policy. Subject to shareholder approval at the Annual General Meeting ("AGM"), to be held on 6 September 2023, the final dividend will be paid on 19 September 2023 to shareholders on the register at close of business on 8 September 2023.

Outlook

The Board is delighted with the Group's performance over the past year. Alpha has delivered a set of excellent results against a backdrop of macro-economic uncertainty, and has entered the current year with both a good pipeline across the Group and clear plans to achieve its strategic ambitions of doubling the business by 2028.

Although we are facing continuing macro-economic uncertainty and some increased competition in the global consulting market, the structural drivers that underpin growth and demand for the Group's services over the medium to long term remain strong. This, together with the Group's market-leading consulting talent and the growing number of client relationships, means the Group remains confident of further progress. On behalf of the Board, I would like to thank everyone at Alpha for their fantastic contributions in another successful year.

Ken Fry
Chairman

22 June 2023

[9] The "Board" is Alpha's Board of Directors, also referred to as the "Board of Directors", the "Alpha Board" and the "Directors"
[10] Environment, Social, Governance ("ESG")

Chief Executive Officer’s Report

Alpha’s teams around the world have delivered another outstanding performance and record year of results. I want to start by thanking our people everywhere for their fantastic contribution and, on behalf of us all, to thank Euan Fraser for his vision and leadership throughout the past decade. Euan has successfully steered the Group through 10 years of growth, including the excellent performance of the last financial year.

Since AIM admission, we have made great strides and have doubled the size of the business since 2020. My intention as Chief Executive Officer is to continue building on our successes to date.

As Euan led the Group as Chief Executive Officer during the financial year under review, we have both contributed to this report this year.

Our growth strategy

In meeting the Group’s previous target – to double the size of the business by November 2024 – we diversified and strengthened across multiple dimensions: by consulting activity, by client sector and by geography; growing both organically and through complementary acquisitions.

At our capital markets event in March 2023, we announced an evolution of that strategy and a refreshed ambition to double the size of Alpha again over the next five years, while maintaining our record of profitable growth and targeting a consistent adjusted EBITDA margin. The key pillars that will enable us to achieve that strategic ambition are: further expansion in asset and wealth management consulting, particularly in North America; the global scale-up and roll-out of our Insurance Consulting business; and making selective acquisitions.

Over the next five years, growth in these important areas and markets will continue to be our focus and the potential further opportunity is significant.

The year in review

The past year was one of strong performance across all regions and business activities, despite the ongoing macro-economic uncertainty. We saw further excellent progress across the key growth pillars of North America, insurance consulting and acquisitions.

We have continued to execute on our strategy of launching new service areas and consulting practices, rolling them out globally and delivering strong organic growth by investing in our people and expertise. We have invested nearly 20 years in creating a leading position as a consultancy and we see continued demand to expand the business and provide an even more comprehensive service to clients globally.

	12 months to **31 March 2023**	*12 months to* **31 March 2022**	**Change**
Net fee income			
UK	**£87.1m**	£72.1m	20.9%
North America	**£91.1m**	£46.9m	94.2%
Europe & APAC	**£49.0m**	£38.8m	26.0%
Year-end totals	**£227.2m**	£157.8m	43.9%

	12 months to **31 March 2023**	*12 months to* **31 March 2022**	**Change**
Gross profit			
UK	**£35.0m**	£30.6m	14.3%
North America	**£30.0m**	£15.4m	95.7%
Europe & APAC	**£15.4m**	£13.4m	14.6%
Year-end totals	**£80.4m**	£59.4m	35.4%

Regionally, we have achieved meaningful growth in all our geographic regions, fuelled by the excellent reputation and appeal of Alpha's leading client proposition, which we continue to extend. Thanks to the robust structural drivers of demand in the core markets in which we operate, including growth in assets and insurance policies, cost pressure, regulation, technology breakthroughs, and changes in societal expectations, we believe that the Group has the potential and the scope to continue to grow and gain market share.

Continuing on the momentum of the previous year, North America became our largest region by net fee income, achieving net fee income growth of 94.2% overall, mostly organically, and 71.7% on a constant currency basis. This is a key pillar of our growth strategy and we are delighted with our progress in the very sizeable North America market. The strong progress is due to our industry knowledge, deep expertise and highly talented team, which encompasses consultants who are specialists in asset and wealth management, technology and alternatives, through the Lionpoint business.

We successfully grew our North America team by 32.0% to 342 consultants by the year end. We also expanded our North America client base, across the traditional and private markets, adding 72 clients in the year, including a number of the world's largest asset managers. The Group has now worked with 88% of the top 25 North America asset managers[11] and continues to broaden and deepen these relationships. We see significant growth potential in the world's largest asset management market to continue to grow the Group's market share in that region.

Our businesses in the UK and Europe & APAC also delivered excellent performances, increasing net fee income by 20.9% and 26.0% respectively, while continuing to win and deliver market-defining projects**.** We retain our market-leading position in the UK as consultants to the asset and wealth management industry, with the Group's established practices, including Investments, Operations and Client & Digital[12], contributing well, and adding 47 clients across the region. In Europe & APAC, our best-in-class service offering continues to attract new clients, with 37 new clients added in the year.

Our second key growth pillar, expanding our Insurance Consulting business, also continued its strong momentum and ended FY 23 with 81 people across the UK and Europe, up from 50 in FY 22, and added 10 clients in the year. The General Insurance & Specialty offering launched last year has continued to gain traction this year, and we were delighted to welcome a third director dedicated to this client segment to drive further growth. The Group also made further progress in building out the Insurance Consulting proposition with the launch of a Retail Distribution & Advice practice, which helps financial advisers, investment platforms and life and pensions providers transform and grow their businesses.

We see significant market potential in the insurance industry and, ultimately, believe that our offering could grow to a similar size to Alpha's asset and wealth management consulting business in the medium to long term. In FY 24, we will also be progressing the launch of our Insurance Consulting proposition in the US.

Other notable additions to the Group's client proposition during the past year include the Enterprise Transformation practice, which helps asset and wealth management clients address issues and challenges around reconfiguring global operating models and cost structures. Meanwhile, the continued development of Alpha's Data Science proposition recognises the importance of data-driven insights in differentiating and scaling our clients' businesses.

We have also continued the ongoing development of our technology services proposition, including Axxsys. Almost all the consulting engagements we undertake with asset managers, wealth managers and insurance clients lead to a requirement for technology services and there is strong demand for software solutions and technology experts with deep sector knowledge. Aiviq presents an attractive data solutions and product proposition for asset managers and continues to add clients. We see further potential in this offering, although it remains currently a small part of the Group.

Alongside the Group's organic growth, we are very pleased with the strong contributions from our acquisitions. Lionpoint, the alternative assets consultancy acquired in May 2021, continued to grow very strongly, benefiting from excellent synergies between Lionpoint and our other businesses as alternatives become an increasingly mainstream part of the asset management landscape. Demonstrating this, Lionpoint added 93 new clients globally in the year, including several of the largest alternative investments managers, and increased its headcount by 43.9% to end the year with 285 consultants globally.

After the year end, we were delighted to acquire Shoreline, a specialist APAC asset and wealth management consultancy headquartered in Sydney. The acquisition, which included a team of nearly 20 people, was completed smoothly after the year end under the oversight of our Asset & Wealth Management consulting leadership team; and the integration is now under way and progressing well. Shoreline's client base, capabilities and company culture are highly complementary to Alpha, strengthening the Group's existing offerings and creating the leading specialist asset and wealth management consulting firm in the region. We look forward to working with the Shoreline team and growing the APAC business further.

We are delighted with the progress in the year across our three key growth pillars and the wider business and look forward to continuing to progress globally in delivering the next phase of the Group's growth.

Financial performance summary

This robust performance across all our business areas produced full-year financial results that were ahead of market expectations. Group net fee income increased 43.9% to £227.2m (FY 22: £157.8m), on a mostly organic basis, and 36.1% on a constant currency basis.

Adjusted EBITDA increased by 37.5% to £46.6m (FY 22: £33.9m) and adjusted profit before tax rose 38.6% to £44.0m (FY 22: £31.8m), while achieving adjusted EBITDA margin at 20.5% (FY 22: 21.5%). As expected, strong demand for our services allowed us to balance rising costs and a gradual reduction in our consultant utilisation towards more normal levels, alongside increases in our day rates. Adjusted earnings per share ("EPS") also increased by 36.4% to 29.27p (FY 22: 21.46p).

On a statutory basis, revenue increased 44.8% to £228.7m (FY 22: £158.0m), operating profit increased 61.1% to £28.6m (FY 22: £17.8m) and profit before tax increased 73.2% to £25.8m (FY 22: £14.9m). Basic EPS more than doubled in the year to 15.82p (FY 22: 7.69p). A reconciliation between these statutory and adjusted performance measures is set out in the Chief Financial Officer's Report and note 3 to the consolidated financial statements.

Alpha continues to generate good cash flows and net cash ended the year at £59.2m (FY 22: £63.5m). We are also delighted to recommend a 10.50p full-year dividend in line with our policy to pay out approximately 50% of adjusted profits.

Our people

To oversee the execution of our 2028 growth strategy, we have strengthened our executive team. Joe Morant moves from Head of Asset & Wealth Management Consulting in North America to take global responsibility for this business. Nick Fienberg takes charge of technology services and Lionpoint, which covers both management consulting and technology services to the alternatives sector. Stuart McNulty, who successfully led our UK Asset & Wealth Management business for many years and oversaw the launch of our Insurance Consulting business there, becomes Global Head of Insurance Consulting.

We have also strengthened our operational capabilities during the past year to support the delivery of our growth targets by appointing a Group Managing Director, a Global Operations Director, a Global Head of Risk, a Group and a Divisional Finance Director.

Our consultants are the best in our industry and are the key to the Group's success. Attracting, developing, motivating and celebrating talented people at all levels are among our most important strategic objectives and ones to which we give much thought and attention. Over the past year, we increased our global consulting team to 994 (FY 22: 760), adding 234 new consultants (FY 22: 189) and 13 new directors (FY 22: 20), excluding additions as part of the Lionpoint acquisition in the prior year.

	As at **31 March 2023**	*As at* **31 March 2022**	**Change**
Consultant headcount			
UK	**394**	287	37.3%
North America	**342**	259	32.0%
Europe & APAC	**258**	214	20.6%
Year-end totals	**994**	760	30.8%

Clients come to us because of the specialist knowledge and experience of our consulting teams and their determination to deliver excellent outcomes that solve clients' problems. Thanks to our market-leading talent and reputation for delivery excellence, we build strong client relationships that yield major cross-selling opportunities as we extend our range of practices and services. This enables us to generate consistently strong organic growth – a powerful business model that is the foundation of our plan to achieve the ambitious goals we have set for 2028.

Maintaining our inclusive and meritocratic culture is therefore essential and we are especially pleased that our emphasis on people and culture has helped make the integration of Lionpoint in the prior year, our largest acquisition to date, so successful. We are also delighted to be welcoming 19 new consultants to the Group as part of our recent acquisition of Shoreline.

ESG focus

We continue to be very excited and supportive of the progress that the asset management, wealth management and insurance industries are making when it comes to both sustainable investing and assessing broader ESG commitments. As a business, we are sharpening our focus on ESG and enhancing our approaches, operations and policies to be able to embrace the necessary changes and report upon them effectively.

The Group adopted the SASB framework in 2019 and we have reported on our adherence to those standards each year since. We are continuing to advance our environmental work and response to climate change. This includes improvements to our data collection and analysis, which will support us in setting out and progressing a journey towards net zero, a key focus of Alpha's ESG roadmap. To support this and ensure progress, we have added responsible business oversight to our global business operations team, including a Global Sustainability Manager and a Global Diversity & Inclusion Manager, who took up their roles during FY 23.

Current trading and outlook

FY 23 was a year of further strong growth globally. Substantial progress was achieved across our three key growth pillars and the business more generally, and we enter FY 24 as a leading global management consultancy of almost 1,000 consultants.

We are mindful of the uncertainties presented by the global macro picture, including the war in Ukraine and the recessionary outlook in many economies. We have also recently seen a lengthening sales cycle and increased competition as a result of the current overcapacity in the global consulting market. This is expected to be a short-term backdrop, while the consulting market balances supply with overall demand. The medium to long-term outlook for our key client markets is positive, with the structural drivers of demand and growth remaining strong.

Against this backdrop, the Group enters FY 24 with resilient current trading and a good pipeline of new business opportunities. These factors, coupled with the Group's compelling proposition to clients, give us confidence in delivering full year results in line with current market expectations and progressing towards our 2028 strategic goals.

We have a clear growth strategy, excellent client relationships and the most talented group of consultants in our industry. We therefore look to the future with great optimism.

Luc Baqué
Chief Executive Officer

22 June 2023

[11] "Top 25" refers to Investment & Pensions Europe, "Top 500 Asset Managers 2022" where the asset manager country is US or Canada, as defined in the report
[12] Practice name changed from Distribution to Client & Digital to better reflect the complete client proposition

Chief Financial Officer's Report

Alpha has delivered another year of strong growth, with net fee income up by 43.9% and adjusted EPS increasing by 36.4% in FY 23. The Group has delivered double-digit growth across all geographic regions on an organic basis, with the strongest growth in our key North America region. The balance sheet remains robust, with good cash generation, and the Group ends the year well positioned.

Group Results

I am delighted to report another strong year of growth for the Group across all regions, both organically and including Lionpoint, which was acquired in the previous year.

	12 months to **31 March 2023**	*12 months to* **31 March 2022**	**Change**
Revenue	**£228.7m**	£158.0m	44.8%
Net fee income	**£227.2m**	£157.8m	43.9%
Gross profit	**£80.4m**	£59.4m	35.4%
Operating profit	**£28.6m**	£17.8m	61.1%
Adjusted EBITDA	**£46.6m**	£33.9m	37.5%
Adjusted EBITDA margin	***20.5%***	*21.5%*	(100 bps)
Adjusted profit before tax	**£44.0m**	£31.8m	38.6%
Profit before tax	**£25.8m**	£14.9m	73.2%
Adjusted EPS	**29.27p**	21.46p	36.4%
Adjusted diluted EPS	**27.37p**	20.23p	35.3%
Basic EPS	**15.82p**	7.69p	105.7%

Revenue

The Group delivered 43.9% net fee income growth in the year, including a 39.6% organic contribution. Revenue also grew 44.8%, including increased rechargeable client expenses, compared to the prior year.

Overall, the Group's revenue and net fee income growth reflects average consultant headcount growth, average consultant utilisation returning to target levels as planned, alongside improving consultant day rates overall and some assistance from currency translation. Revenue and net fee income grew in all geographic regions, mostly on an organic basis, with the remaining inorganic contribution from the acquisition of Lionpoint in the prior year.

North America delivered the strongest regional growth, ending the year as the largest geographic region in the Group by net fee income. In the year, net fee income grew 94.2% overall and 83.3% on an organic basis. On a constant currency basis North America net fee income growth was 71.7% overall. Lionpoint continued to perform well in the year and contributed significantly to

North America net fee income, adding a further 51 consultants to its North America team in the year. The North America business overall continued to expand its domestic client base, as well as successfully capturing client demand through a number of cross-selling opportunities with its existing clients. The strongly growing consultant team was well deployed, while also improving consultant day rates.

Europe & APAC also delivered another year of strong growth. The region grew net fee income by 26.0% on the previous year, 24.4% on an organic basis and, on a constant currency basis, the region reported 21.3% growth overall. This growth was delivered across the region with the Europe team generally well deployed, complemented by further good progress growing the APAC business.

The UK business grew net fee income 20.9% overall and 19.3% organically. This strong UK organic performance benefited from solid client demand across the full range of Alpha practices, including substantial contributions from our established Investments, Client & Digital and Operations teams. Within the UK results, Alpha's data solutions business, Aiviq, increased its client base and revenue in the year, and continues to focus on building further scale.

Alpha continues to support clients in some of the largest, most challenging and interesting projects across the industry. Alpha's revenue is driven by continuing strong demand in its established practices, as well as progress in newer areas. Alpha's Insurance and Technology Consulting businesses also made good progress in the year by winning a number of projects both with existing and new client relationships.

Alpha's growth was supported by further investment in global consultant headcount. The number of consultants reached 994 by the year end (FY 22: 760). Of this 234 consultant team increase, Lionpoint added 87 to the Group globally.

Group profitability

Group profits also grew strongly. Group gross profit was £80.4m (FY 22: £59.4m), increasing by 35.4% over the previous year and 28.7% on a constant currency basis.

Gross profit margin was 35.4% (FY 22: 37.6%), mainly reflecting the easing of utilisation to target levels, alongside continued investment in our consultants while maintaining competitive remuneration packages, partially offset by improving consultant day rates across all regions.

North America maintained a consistent gross profit margin of 32.9% (FY 22: 32.7%) as the North America team grew substantially and successfully normalised average utilisation back to target levels, while balancing costs and consultant rates progress. The UK business grew gross profit well and its 40.2% gross margin (FY 22: 42.5%) similarly reflects utilisation returned to target levels and further rates progress ongoing. Europe & APAC also experienced good gross profit growth, with a margin of 31.4% (FY 22: 34.5%) reflecting utilisation and continued investment in the business, partially offset by consultant day rate progression.

Adjusted administration expenses, as detailed in note 3, increased by 32.5% or £8.3m to £33.8m (FY 22: £25.5m) in the year. Discretionary spend returned to normalised levels following COVID-19, for example across staff and client entertainment and travel spend, and in recruitment spend as we grew our consulting teams globally. We also continued to invest in the Group's central team through the year in areas such as finance, HR, legal, risk and responsible business, alongside the Group's expansion.

Including the adjusting expense items, which also rose, administration expenses increased to £51.7m (FY 22: £41.6m) on a statutory basis. The adjusting expense items, set out in note 3, increased in the year to £15.8m (FY 22: £14.4m), reflecting increased earn-out and deferred consideration and share-based payment charges, partially offset by lower foreign exchange loss and acquisition costs, which, in the prior year, mainly related to the acquisition of Lionpoint.

The £0.3m (FY 22: £0.7m) acquisition costs include diligence and legal fees incurred in connection with the Shoreline acquisition, which completed after the year end, in May 2023. The acquired intangible asset amortisation charge was £4.6m (FY 22: £4.7m). The share-based payment charge of £8.0m (FY 22: £6.2m) continues to develop since Alpha's share incentive plans were established at AIM admission, with Alpha's share price growth and further new annual awards alongside relatively lower award vests at this stage. Further details of the share-based payment charge is set out in notes 3 and 12.

The earn-out and deferred consideration charge of £2.5m (FY 22: £1.4m) reflects employment-linked acquisition expenses and two fair value adjustments. With Lionpoint's continued strong performance since acquisition and ongoing positive outlook, the future performance assumptions have been uplifted to the maximum earn-out payment for the final earn-out year in FY 24. This uplift is partially offset by a scale-back fair value reduction in the liability held for Obsidian as a lower, mutually agreed position was reached with the original vendors, which was paid in full in the year. Further detail on the earn-out and deferred consideration charges are set out in note 7.

The depreciation charge grew to £1.9m (FY 22: £1.2m) alongside the growth of the Group, while the £0.2m (FY 22: £0.6m) amortisation of capitalised development costs eased as the asset was fully amortised in the year.

Adjusted EBITDA grew 37.5% to £46.6m (FY 22: £33.9m) and adjusted EBITDA margin eased to 20.5% (FY 22: 21.5%), reflecting the gross profit margin and the adjusted administration expenses. Operating profit rose 61.1% to £28.6m (FY 22: £17.8m) after charging the adjusting expense items, including earn-out and deferred consideration expenses and share-based payment charges. Further detail of these adjusting items is set out in note 3. If no adjustment had been made for the share-based payment charge, adjusted EBITDA would have grown by 39.7% to £38.6m (FY 22: £27.7m) at a margin of 17.0% (FY 22: 17.5%).

Currency

Currency translation had a noticeable effect on net fee income and profits during the year. Through the year, British pound sterling averaged $1.21 (FY 22: $1.37) and €1.16 (FY 22: €1.18), which, with other similar currency movements, resulted in an overall favourable net currency effect on net fee income of £12.4m. On this basis, North America net fee income growth would have been 71.7% and Europe & APAC would have reported 21.3% total net fee income growth.

Overall, the Group's net fee income would have grown 36.1% to £214.8m on this constant currency basis. On a similar basis, the Group's gross profit would have been £76.4m and would have grown 28.7% on a constant currency basis. With British pound sterling strengthening towards the end of the second half, this currency benefit has begun to unwind and continues to do so into FY 24.

Net finance expense

Net finance costs remained flat in the year at £2.9m (FY 22: £2.9m), primarily comprising non-underlying finance expenses relating to acquisition consideration discount unwinding, as set out in note 3.

Taxation

Adjusted profit before tax rose 38.6% to £44.0m (FY 22: £31.8m) after charging depreciation, amortisation of capitalised development costs and net underlying finance expenses. Statutory pre-tax profit rose 73.2% to £25.8m (FY 22: £14.9m) after charging adjusting items and non-underlying finance expenses.

The Group's taxation charge for the year was £7.8m (FY 22: £6.4m), reflecting the growth in taxable profits and the blended tax rate of the increasingly international jurisdictions in which the Group operates. The Group's cash tax payment in the year was £13.3m (FY 22: £4.8m), reflecting the growth in profits and the Group moving to a quarterly tax payment cycle in North America.

For further taxation details, see note 4. Adjusted profit after tax is shown after adjustments for the applicable tax on adjusting items as set out in note 3.

Acquisition activity

Since the acquisition of Lionpoint in May 2021, the Group has focussed on the successful integration of its services and the team into the Alpha Group, and has seen the benefits of the increased service offering to the Group's enlarged client base. Lionpoint has integrated into the Group well and grown since acquisition, with strong further expansion of the team.

After the year end, on 1 May 2023, the Group announced the acquisition of Shoreline for a maximum consideration of AUD 13.0m (£6.8m). Shoreline enables Alpha to build upon a robust platform in APAC and ensures that the Group can take advantage of opportunities in one of the fastest growing regions in the asset and wealth management sector. We are pleased to welcome Shoreline into the Group and look forward to further regional growth. Please refer to note 13 for further detail.

Earnings per share

Adjusted EPS improved 36.4% to 29.27p per share (FY 22: 21.46p) and adjusted diluted EPS increased 35.3% to 27.37p (FY 22: 20.23p). After including the adjusting expense items, both basic and diluted EPS more than doubled to 15.82p (FY 22: 7.69p) and 14.79p (FY 22: 7.25p), respectively.

As at 31 March 2023, 9,996,040 share options (FY 22: 9,504,379) remained outstanding, with 2,108,886 share options exercised during the year, as share option awards begin to settle into a normal cycle of awards and vests. See note 12 for further detail.

Cash flow and net funds

Net cash generated from operating activities was £30.6m (FY 22: £33.5m) and, after adjusting for employment-linked acquisition payments and acquisition costs, was £32.9m (FY 22: £36.0m). Working capital remains well managed with debtor days reducing again this year. Operating cash generation in the year reflected the payment of last year's increased profit share, given the strong

FY 22 performance, as well as additional North America tax payments as that business grows and moved to quarterly payments in that region. The 74.0% adjusted cash conversion rate from adjusted operating profit (FY 22: 112.1%) reflects these specific cash outflows.

During the year, the Group made further payments of £22.6m relating to deferred and contingent acquisition consideration, including £1.8m of employment-linked amounts. Final Axxsys and Obsidian payments were settled in full in the year. Please see note 7 for further details.

The Group also provided £1.1m funding to Alpha's employee benefit trust ("EBT") to purchase 266,922 shares at the prevailing market share price, to hold for the satisfaction of future award vests. Alpha will likely fund the EBT further in the future to build the shares held in the EBT for the satisfaction of future share option exercises.

The Group's income taxes paid totalled £13.3m (FY 22: £4.8m), reflecting the Group's profit growth, as well as the move to quarterly tax payments in North America. Net interest paid was £0.1m (FY 22: £0.3m), reflecting the cost of maintaining and periodically drawing the Group's revolving credit facility ("RCF") in the year to manage the Group's ongoing currency requirements, offset by interest income from cash balances held.

Dividends paid increased in the year to £12.8m (FY 22: £8.7m), reflecting the Group's dividend policy and the increase in the Group's adjusted profit after tax.

At the year end, the Group's cash position was £59.2m (FY 22: £63.5m). This strong balance sheet provides Alpha funding flexibility to continue to deliver on its acquisition strategy.

Statement of financial position

The Group's net assets at 31 March 2023 totalled £149.3m (FY 22: £132.7m). This increase principally arises from other reserves movements including retained profits, foreign exchange gains on overseas assets and additional share-based payment reserves. The Group continues to maintain a strong financial position.

The Group's non-current assets movement principally results from foreign exchange gains on goodwill balances and increased right-of-use assets on new leases entered into by the Group, partially offset by ongoing amortisation charges for the year.

Working capital remains well managed. Trade and other receivables balances increased in FY 23 through the ongoing growth in the business. Debtor collections continued to be strong during the year with debtor days falling again from the prior year. The Group ended the year with £59.2m (FY 22: £63.5m) of cash. The Group's £20.0m RCF was undrawn at 31 March 2023 and, alongside cash balances, ensures the Group's funding flexibility. Following the year end, the Group refinanced and upscaled its RCF to a £50.0m facility to provide funding flexibility in line with the Group's growth, as set out in note 13.

Trade and other payables balances increased, representing an increased level of trade payables and accruals alongside the Group's growth. This includes higher profit share bonus accruals reflecting the enlarged team and the year's strong performance. Total acquisition-related deferred consideration and earn-out liabilities decreased in the year, reflecting Lionpoint deferred consideration payments and final Axxsys and Obsidian payments, partially offset by the increase in the fair value of the Lionpoint earn-out liability and employment-linked consideration as well as the unwinding of discounting in the year, as disclosed in note 7.

Dividends

The Board is very pleased with FY 23 performance. As a result, the Board is recommending a final dividend of 10.50p per share (FY 22: 7.50p), bringing the total for the year to 14.20p (FY 22: 10.40p), in line with the Group's policy to pay out approximately half of adjusted profit after tax. After approval at the AGM in September, this final dividend should be paid on 19 September 2023 to shareholders on the register at the close of business on 8 September 2023.

Total shareholders' funds

Total shareholders' funds increased to £149.3m (FY 22: £132.7m). The changes in equity reserves reflect profit after tax for the year, currency movements on net assets held overseas, goodwill and intangible assets, the addition of further share-based payment reserves and the payment of dividends.

As at 31 March 2023, the Company had 120,509,736 ordinary shares in issue (FY 22: 118,707,336), of which no shares were held in treasury and 6,274,380 shares were held in the Company's employee benefit trust to satisfy future option exercises (FY 22: 6,216,501).

Risk management and the year ahead

The Group's risk management approach includes regular monitoring of macro-economic and end-market conditions and assessing the potential impacts across all business areas. In the risk management framework, which has been reviewed during the year, the senior leadership team, including me as Chief Financial Officer and the Chief Executive Officer, has primary responsibility for keeping abreast of developments that may affect the implementation of the Group's strategy and financial performance. This entails identifying the appropriate mitigating actions that should be taken and ensuring, as far as possible, that those actions are then executed by the senior management team. The Board as a whole oversees risk and, within that framework, considers the material risks that the Group faces and agrees on the principal risks and uncertainties. Alpha has a set of core Company values, which are embedded globally, that reflect the Group's ethical and responsible approach to operating and managing the business.

The Board is delighted with the Group's progress in the year, while remaining cognisant of the potential risks and uncertainties ahead. The structural drivers in the asset management, wealth management and insurance industries, which will drive ongoing demand for Alpha's services, remain prevalent. We are confident that with the quality of our people, our excellent market reputation, and business opportunities to extend the service offering, we are in a good position to navigate further challenges ahead.

It is unclear how long the current macro uncertainty and recessionary environment, which includes a lengthening sales cycle and higher levels of competition, may prevail and how precisely it may affect local and global markets. However, Alpha continues to enjoy a good pipeline of new business opportunities and resilient current trading And, therefore, the Board looks forward to further progress ahead.

The Board has considered all of the above factors in its review of going concern and has been able to conclude the review positively. While cognisant of potential macro-economic risks and the more competitive environment currently, the Group's talented people, widening range of service offerings and international footprint, and the long-term structural drivers of growth, position the Group well.

John Paton
Chief Financial Officer

22 June 2023

Consolidated statement of comprehensive income
For the year ended 31 March 2023

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Continuing operations			
Revenue	2	**228,717**	**158,005**
Rechargeable expenses	2	(1,562)	(196)
Net fee income[13]	2	**227,155**	**157,809**
Cost of sales	2	(146,796)	(98,452)
Gross profit	2	**80,359**	**59,357**
Administration expenses		(51,723)	(41,582)
Operating profit		**28,636**	**17,775**
Finance income		364	1
Finance expense		(3,229)	(2,894)
Profit before tax		**25,771**	**14,882**
Taxation		(7,810)	(6,370)
Profit for the year		**17,961**	**8,512**
Exchange differences on translation of foreign operations		3,510	3,180
Total other comprehensive income		**3,510**	**3,180**
Total comprehensive income for the year		**21,471**	**11,692**
Basic earnings per ordinary share (p)	6	15.82	7.69
Diluted earnings per ordinary share (p)	6	14.79	7.25

[13] Net fee income, adjusted EBITDA and other alternative performance measures are defined and reconciled in note 3

Consolidated statement of financial position
As at 31 March 2023

	Note	As at 31 March 2023 £'000	As at 31 March 2022 £'000
Assets			
Non-current assets			
Goodwill		103,676	100,991
Intangible fixed assets		27,588	31,333
Property, plant and equipment		1,113	806
Right-of-use asset		4,008	2,304
Deferred tax asset		3,033	671
Capitalised contract fulfilment costs		108	131
Total non-current assets		**139,526**	**136,236**
Current assets			
Trade and other receivables	8	34,128	29,569
Cash and cash equivalents		59,215	63,516
Total current assets		**93,343**	**93,085**
Current liabilities			
Trade and other payables	9	(60,539)	(56,671)
Provisions		(3,326)	(3,277)
Corporation tax		(1,321)	(4,788)
Lease liabilities		(2,104)	(1,134)
Total current liabilities		**(67,290)**	**(65,870)**
Net current assets		**26,053**	**27,215**
Non-current liabilities			
Deferred tax liability		(2,783)	(4,331)
Other non-current liabilities	10	(11,400)	(25,100)
Lease liabilities		(2,057)	(1,275)
Total non-current liabilities		**(16,240)**	**(30,706)**
Net assets		**149,339**	**132,745**
Equity			
Issued share capital	11	90	89
Share premium		119,438	119,438
Foreign exchange reserve		6,992	3,482
Other reserves		17,258	9,361
Retained earnings		5,561	375
Total shareholders' equity		**149,339**	**132,745**

Consolidated statement of cash flows

For the year ended 31 March 2023

	Note	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Cash flows from operating activities:			
Profit for the year		17,961	8,512
Taxation		7,810	6,370
Finance income		(364)	(1)
Finance expenses		3,229	2,894
Profit from exchange rate movements on cash held		(2,364)	-
Depreciation charge		1,933	1,155
(Gain)/loss on disposal of fixed assets		(14)	32
Amortisation of intangible fixed assets		4,762	5,272
Share-based payment charge	12	7,023	4,075
(Decrease)/increase in provisions		(19)	1,302
Operating cash flows before movements in working capital		**39,957**	**29,611**
Working capital adjustments:			
Increase in trade and other receivables		(3,834)	(7,066)
Increase in trade and other payables		7,752	15,729
Tax paid		(13,285)	(4,767)
Net cash generated from operating activities		**30,590**	**33,507**
Cash flows from investing activities:			
Interest received		364	1
Acquisition consideration, including deferred and contingent	7	(20,829)	(23,796)
Purchase of intangible assets		(319)	-
Purchase of property, plant and equipment, net of disposals		(860)	(684)
Net cash used in investing activities		**(21,644)**	**(24,479)**
Cash flows from financing activities:			
Issue of ordinary share capital		-	31,102
Share issuance costs		-	(1,053)
Net settlement of vested share options		(343)	-
EBT purchase of Company's own shares		(1,139)	(205)
Drawdown of revolving credit facility		12,500	-
Repayment of revolving credit facility		(12,500)	-
Interest and bank loan fees		(482)	(285)
Principal lease liability payments		(1,315)	(814)
Interest on lease liabilities		(216)	(111)
Dividends paid	5	(12,774)	(8,678)
Net cash (used in)/generated from financing activities		**(16,269)**	**19,956**

Net (decrease)/increase in cash and cash equivalents	**(7,323)**	**28,984**
Cash and cash equivalents at beginning of the year	63,516	34,012
Effect of exchange rate movements on cash held	3,022	520
Cash and cash equivalents at end of the year	**59,215**	**63,516**

Consolidated statement of changes in equity

For the year ended 31 March 2023

	Share capital £'000	Share premium £'000	Foreign exchange reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
As at 1 April 2021	**80**	**89,396**	**302**	**4,044**	**543**	**94,365**
Comprehensive income						
Profit for the year	-	-	-	-	8,512	8,512
Foreign exchange differences on translation of foreign operations	-	-	3,180	-	-	3,180
Transactions with owners						
Shares issued (equity)	9	30,042	-	-	(2)	30,049
Purchase of own shares by the EBT	-	-	-	(205)	-	(205)
Share-based payment charge	-	-	-	4,075	-	4,075
Net settlement of vested share options	-	-	-	(12)	-	(12)
Current tax recognised in equity	-	-	-	220	-	220
Deferred tax recognised in equity	-	-	-	1,239	-	1,239
Dividends	-	-	-	-	(8,678)	(8,678)
As at 31 March 2022	**89**	**119,438**	**3,482**	**9,361**	**375**	**132,745**
Comprehensive income						
Profit for the year	-	-	-	-	17,961	17,961
Foreign exchange differences on translation of foreign operations	-	-	3,510	-	-	3,510
Transactions with owners						
Shares issued (equity)	1	-	-	-	(1)	-
Purchase of own shares by the EBT	-	-	-	(1,139)	-	(1,139)
Share-based payment charge	-	-	-	7,023	-	7,023
Net settlement of vested share options	-	-	-	(343)	-	(343)
Current tax recognised in equity	-	-	-	1,486	-	1,486
Deferred tax recognised in equity	-	-	-	870	-	870
Dividends	-	-	-	-	(12,774)	(12,774)
As at 31 March 2023	**90**	**119,438**	**6,992**	**17,258**	**5,561**	**149,339**

Notes to the consolidated financial statements

1. Basis of preparation

The financial information set out above does not constitute the Group's statutory accounts for the years ended 31 March 2023 or 2022 but is derived from those accounts. Statutory accounts for the year ended 31 March 2022 have been delivered to the registrar of companies, and those for the year ended 31 March 2023 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

These condensed preliminary financial statements have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, in line with the Group's statutory accounts.

2. Segment information

Group management has determined the operating segments by considering the segment information that is reported internally to the chief operating decision maker, the Board of Directors. For management purposes, the Group is currently organised into three geographical operating divisions: UK, North America and Europe & APAC, which allows the Board to evaluate the nature and financial effects of the business activities of the Group and the economic environments in which it operates. The Group's operations all consist of one type: consultancy and related services to the asset management, wealth management and insurance industries.

The Directors consider that there is a material level of operational support and linkage provided to the Group's emerging territories in Europe and APAC, as they develop their presence locally, and as such have been deemed to constitute one operating segment ("Europe & APAC").

Segmental information

FY 23	UK	North America	Europe & APAC	Total
	£'000	£'000	£'000	£'000
Revenue	87,467	91,815	49,435	228,717
Rechargeable expenses	(327)	(717)	(518)	(1,562)
Net fee income	**87,140**	**91,098**	**48,917**	**227,155**
Cost of sales	(52,117)	(61,104)	(33,575)	(146,796)
Gross profit	**35,023**	**29,994**	**15,342**	**80,359**
Margin on net fee income[14] (%)	*40.2%*	*32.9%*	*31.4%*	*35.4%*

FY 22	UK	North America	Europe & APAC	Total
	£'000	£'000	£'000	£'000
Revenue	72,134	47,001	38,870	158,005
Rechargeable expenses	(71)	(80)	(45)	(196)
Net fee income	**72,063**	**46,921**	**38,825**	**157,809**
Cost of sales	(41,419)	(31,594)	(25,439)	(98,452)
Gross profit	**30,644**	**15,327**	**13,386**	**59,357**
Margin on net fee income[14] (%)	*42.5%*	*32.7%*	*34.5%*	*37.6%*

[14] Margin on net fee income is gross profit expressed as a percentage of net fee income. Please refer to note 3 for further detail

During the year, the Group did not have any customers that comprised more than 10% of the Group's revenues (FY 22: nil).

3. Reconciliations to alternative performance measures

Alpha uses alternative performance measures ("APMs") that are not defined under the requirements of IFRS. The APMs, including net fee income, margin on net fee income, adjusted EBITDA, adjusted profit before tax, adjusted EPS, adjusted cash conversion, organic net fee income growth and constant currency growth, are provided to allow stakeholders a further understanding of the underlying trading performance of the Group and aid comparability between accounting periods. These measures have been applied consistently across reporting periods. They are not considered a substitute for, or superior to, IFRS measures.

Net fee income

The Group disaggregates revenue into net fee income and expenses recharged to clients. Net fee income provides insight into the Group's productive output and is used by the Board to set budgets and measure performance. This APM is reconciled on the face of the consolidated statement of comprehensive income and by segment to revenue in note 2.

Profit margins

Margin on net fee income and adjusted EBITDA margin are calculated using gross profit and adjusted EBITDA, and are expressed as a percentage of net fee income. These margins represent the margin that the Group earns on its productive output, excluding nil or negligible margin expense recharges to clients over which the Group has limited control, and allows comparability of the business output between periods. Such adjusted margins are used by the management team and the Board to assess the performance of the Group.

Reconciliation of adjusted profit before tax, adjusted operating profit and adjusted EBITDA

		FY 23	**FY 22**
	Note	**£'000**	**£'000**
Profit before tax		**25,771**	**14,882**
Amortisation of acquired intangible assets		4,576	4,716
(Profit) / loss on disposal of fixed assets		(14)	32
Share-based payment charge	12	7,950	6,218
Earn-out and deferred consideration[15]	7	2,525	1,423
Acquisition costs		331	683
Foreign exchange losses		459	1,310
Adjusting items		15,827	14,382
Non-underlying finance expenses		2,417	2,487
Adjusted profit before tax		**44,015**	**31,751**
Net underlying finance expenses		448	406
Adjusted operating profit		**44,463**	**32,157**
Depreciation charge		1,933	1,155
Amortisation of capitalised development costs		186	556
Adjusted EBITDA		**46,582**	**33,868**
Adjusted EBITDA margin (%)		*20.5%*	*21.5%*

[15] The earn-out and deferred consideration expense in the period comprises a fair value adjustment of £0.7m and an employment-linked consideration charge of £1.7m as set out in note 7, as well as an associated social security charge of £0.1m

Adjusting items

To assist in understanding the underlying performance of the Group and aid comparability between periods, management applies judgement to exclude certain expense items from the Group's APMs, which are deemed to warrant separate disclosure due to either their nature or size. Such adjusting items as described below are generally non-cash, non-recurring by nature or are acquisition related.

Amortisation of acquired intangible assets and profit or loss on disposal of fixed assets are treated as adjusting items to better reflect the underlying performance of the business, as they are non-cash items, principally relating to acquisitions.

The share-based payment charge and related social security taxes are excluded from adjusted profit measures. This allows comparability between periods as the Group's share option plans were established on AIM admission and have not yet fully settled into a regular cycle of awards and vesting. The share-based payment charge is also subject to external factors, such as the Group's share price, over which the Directors have less day-to-day influence as compared to other more directly controllable factors. The accounting treatment of the Group's share options requires the charge for each share option award to be recognised over the vesting period, resulting in significant growth in the charge in recent years as the Group matured post AIM admission. The associated estimate of future employer's social security taxes payable on these options is closely linked to the share-based payment charge, and fluctuates with the assumed future market value of shares, and has therefore also been treated as an adjusting item. This approach has been applied consistently across reporting periods. Note 12 sets out further details of the employee share-based payment charge calculation under IFRS 2.

This cycle of share option awards and vesting is now beginning to settle following the vesting of substantially all the remaining options issued at IPO, and as such this charge is expected to become more comparable year on year in future periods. The Group will continue to assess the status of this charge as an adjusting item in the Group's financial statements. If no adjustment was made for the share-based payment charge, adjusted EBITDA for the year would be £38.6m (FY 22: £27.7m) and adjusted EBITDA margin would be 17.0% (FY 22: 17.5%).

As per note 7, the acquisition of Lionpoint in the prior year involved both deferred and contingent payments. Part of the Lionpoint acquisition payments are dependent on the ongoing employment of certain members of the senior Lionpoint management team, and this element is expensed annually over several years until the date of payment. In prior years, the Group similarly recognised employment-linked costs through the income statement relating to payments for the previous acquisitions of Axxsys and Obsidian, or to reflect adjustments made to the fair value of the expected future payment. These costs have been treated as adjusting items as they are considered to be part of the purchase price of the acquisition, rather than an ongoing expense item, and reflect the acquisition terms rather than Group trading performance. Whilst these acquisition-related costs will recur in the short term through the earn-out period, the adjustment allows comparability of underlying productive output and operating performance across reporting periods.

Acquisition costs expensed in the year relate to the acquisition of Shoreline, which completed shortly after the reporting period as disclosed in note 13. These costs include diligence and legal fees. In the prior year the acquisition costs related to the purchase of Lionpoint. Whilst further similar acquisition costs could be incurred in the future, these costs are not directly attributable to the ongoing operational trading performance of the Group, the timing and amount of such costs may vary year to year and treating these as an adjusting item allows comparability of the operating performance across reporting periods. There were no integration costs in the current or prior years.

The impact of foreign currency volatility in translating local working capital and cash balances to their relevant functional currencies has been excluded from the calculation of adjusted profit measures on the basis that such exchange rate movements do not reflect the underlying trends or operational performance of the Group. The foreign exchange movements primarily relate to acquisition liabilities denominated in US dollars and associated US dollar cash balances. The other foreign exchange gains and losses on foreign currency working capital and cash balances across the Group are immaterial in both the current and prior year.

Non-underlying finance expenses

In calculating adjusted profit before tax, unwinding of the discounted contingent and deferred acquisition consideration within finance expenses is considered non-underlying as these amounts relate to acquisition consideration, rather than the Group's underlying trading performance.

Adjusted profit before tax

Adjusted profit before tax is an APM calculated as profit before tax stated before adjusting items, including amortisation of acquired intangible assets, share-based payment charge, acquisition-related payments and costs, non-underlying finance expenses and other non-underlying expenses. This measure allows comparability of the Group's underlying performance, reflecting depreciation, amortisation of capitalised development costs and underlying finance expenses.

Adjusted operating profit

Adjusted operating profit is an APM defined by the Group as adjusted profit before tax before charging underlying finance expenses, including fees on bank loans and interest on lease liabilities. The Directors consider this metric alongside statutory operating profit to allow further understanding and comparability of the underlying operating performance of the Group between periods. This measure has been consistently used as the basis for adjusted cash conversion.

Adjusted EBITDA

Adjusted EBITDA is a commonly used operating measure, which is defined by the Group as adjusted operating profit stated before non-cash items, including amortisation of capitalised development costs and depreciation of property, plant and equipment. Adjusted EBITDA is a measure that is used by management and the Board to assess underlying trading performance across the Group, and forms the basis of the performance measures for aspects of remuneration, including consultant profit share and bonuses.

Adjusted profit after tax

Adjusted profit after tax and adjusted earnings per share metrics are also APMs, similarly used to allow a further understanding of the underlying performance of the Group. Adjusted profit after tax is stated before adjusting items and their associated tax effects. The associated tax effects are calculated by applying the relevant effective tax rate to allowable expenses that have been excluded as adjusting items. An effective tax rate of 0% has been applied to earn-out and deferred consideration, acquisition costs and non-underlying finance expenses totalling £5.3m as these items are treated as capital in nature and are therefore non-deductible for tax purposes. An overall effective tax rate of 23% has been applied to all other adjusting items totalling £13.0m, reflecting the tax rates in the geographical locations to which the items relate.

	FY 23	FY 22
	£'000	**£'000**
Adjusted profit before tax	**44,015**	**31,751**
Tax charge	(7,810)	(6,370)
Tax impact of adjusting items	(2,976)	(1,624)
Adjusted profit after tax	**33,229**	**23,757**

Adjusted earnings per share

Adjusted earnings per share ("EPS") is calculated by dividing the adjusted profit after tax for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. Adjusted diluted EPS is calculated by dividing adjusted profit after tax by number of shares as above, adjusted for the impact of potentially dilutive ordinary shares. Potentially dilutive ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS (or increase loss per share). Refer to note 6 for further detail.

Adjusted EPS	**FY 23**	**FY 22**
Adjusted EPS (p)	29.27	21.46
Adjusted diluted EPS (p)	27.37	20.23

Reconciliation of adjusted administration expenses

To express them on the same basis as the APMs described above, adjusted administration expenses are stated before adjusting items, depreciation and amortisation of capitalised development costs and are used by the Board to monitor the underlying administration expenses of the business in calculating adjusted EBITDA.

	FY 23 £'000	FY 22 £'000
Administration expenses	51,723	41,582
Adjusting items	(15,827)	(14,382)
Depreciation charge	(1,933)	(1,155)
Amortisation of capitalised development costs	(186)	(556)
Adjusted administration expenses	**33,777**	**25,489**

Adjusted cash generated from operating activities

Adjusted cash generated from operating activities excludes any employment-linked acquisition payments and associated social security taxes, as well as other acquisition costs paid in the year, treated as operating cash flows under IFRS, to reflect the Group's underlying operating cash flows, exclusive of cash payments relating to acquisitions.

	FY 23 £'000	FY 22 £'000
Net cash generated from operating activities	**30,590**	**33,507**
Employment-linked acquisition payments[16]	1,981	1,848
Acquisition costs	331	683
Adjusted cash generated from operating activities	**32,902**	**36,038**

[16] Of the £22.6m total deferred and contingent acquisition payments in the period as set out in note 7, £1.8m is classified as employment linked and is included within net cash generated from operating activities in the period. The associated social security payments of £0.2m are also included within net cash generated from operating activities

Adjusted cash conversion

Cash conversion is stated as net cash generated from operating activities expressed as a percentage of operating profit.

Adjusted cash conversion is stated as adjusted cash generated from operating activities expressed as a percentage of adjusted operating profit.

	FY 23	FY 22
Cash conversion	107%	189%
Adjusted cash conversion	74%	112%

Organic net fee income growth

Organic net fee income growth excludes net fee income from acquisitions in the 12 months following acquisition. Net fee income from any acquisition made in the period is excluded from organic growth. For acquisitions made part way through the comparative period, the current period's net fee income contribution is reduced to include only net fee income for the period following the acquisition anniversary, in order to compare organic growth on a like-for-like basis.

Organic net fee income growth of 39.6% (FY 22: 31.3%) for the current period represents FY 23 net fee income less £6.9m net fee income attributable to Lionpoint, treated as inorganic as the portion of net fee income preceded the acquisition anniversary.

Constant currency growth

The Group operates in multiple jurisdictions and generates revenues and profits in various currencies. Those results are translated on consolidation at the foreign exchange rates prevailing in that period. These exchange rates vary from year to year, so the Group presents some of its results on a "constant currency" basis. This means that the current year's results have been retranslated using the average exchange rates from the prior year to allow for comparison of year-on-year results, eliminating the effects of volatility in exchange rates.

Currency translation had a noticeable impact on both net fee income and gross profit in the year, as a result of a weakening British pound sterling through the year against both the US dollar and against the Euro. In the year, British pound sterling averaged $1.21 (FY 22: $1.37) and €1.16 (FY 22: €1.18).

On a constant currency basis, Group net fee income would be £214.8m which is growth of 36.1% overall. Similarly, North America net fee income would be £80.6m and Europe & APAC would be £47.1m which would be growth of 71.7% and 21.3% respectively.

On a similar basis the Group's gross profit would have been £76.4m and would have grown 28.7% on a constant currency basis.

4. Taxation

	FY 23	FY 22
	£'000	£'000
Current tax		
In respect of the current year – UK	3,660	2,763
Foreign taxation	8,059	5,321
Adjustment in respect of prior periods	(442)	(168)
Deferred tax		
In respect of the current year – UK	(1,995)	(2,241)
Foreign taxation	(1,380)	(671)
Change in tax rate on opening balance	8	1,186
Adjustment in respect of prior periods	(100)	180

Total tax expense for the year	**7,810**	**6,370**

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted during the prior year on 24 May 2021. In FY 24, this change will increase the Group's current tax charge accordingly. The UK deferred tax balances as disclosed below reflect this substantively enacted rate.

Movements in deferred tax

	1 April 2022 £'000	Impact of foreign exchange revaluation £'000	Recognised in income £'000	Recognised in equity £'000	31 March 2023 £'000
Accelerated capital allowances	110	-	18	-	**128**
Short-term timing differences	(690)	53	(1,381)	-	**(2,018)**
Share options	(3,213)	-	(1,215)	(870)	**(5,298)**
Arising on business combinations	7,453	374	(889)	-	**6,938**
Net deferred tax liability / (asset)	**3,660**	**427**	**(3,467)**	**(870)**	**(250)**

Deferred tax assets recognised within these consolidated financial statements represent the future tax effect of share-based payment charges in respect of awards that have yet to vest. Deductions in excess of the cumulative share-based payment charge recognised in the consolidated statement of comprehensive income are recognised in equity. Other deferred tax assets recognised primarily relate to timing differences on deductions for tax purposes and as such there is no restriction on recoverability.

Deferred tax liabilities represent the future tax impact arising from temporary timing differences between accounting and tax treatments including from the initial recognition of acquired intangible assets and changes in tax rates as the liability is settled. The closing deferred tax liability arising on business combinations reflects the tax effect of these temporary differences at 31 March 2023.

5. Dividends

	FY 23 £'000	FY 22 £'000
Amounts recognised as distributions to equity holders:		
Final dividend for the year ended 31 March 2022 of 7.50p (FY 21: 4.85p) per share	8,547	5,431
Interim dividend for the year ended 31 March 2023 of 3.70p (FY 22: 2.90p) per share	4,227	3,247
Total dividends paid in the year	**12,774**	**8,678**

After the balance sheet date, the Directors proposed a final dividend of 10.50p per ordinary share, totalling approximately £12.4m based on the estimated eligible shares in issue at the payment date. The proposed final FY 23 dividend is subject to approval by shareholders at the AGM and has, therefore, not been included as a liability in these consolidated financial statements. Subject to approval, the dividend will be paid on 19 September 2023 to shareholders on the register at close of business on 8 September 2023.

6. Earnings per share and adjusted earnings per share

The Group presents basic and diluted earnings per share ("EPS"), on both a statutory and adjusted basis. Basic EPS is calculated by dividing the profit or loss for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year. In the calculation of diluted EPS the Group applies the treasury share method to include the impact of potentially dilutive shares arising from the Group's share option plans.

In order to reconcile to the adjusted profit for the financial year, the same adjustments as set out in note 3 have been made to the Group's profit for the financial year. The profits and weighted average number of shares used in the calculations are set out below:

	Note	FY 23	FY 22
Basic and diluted EPS			
Profit for the financial year used in calculating basic and diluted EPS (£'000)		17,961	8,512
Weighted average number of ordinary shares in issue ('000)		113,531	110,689
Number of dilutive shares ('000)		7,883	6,748
Weighted average number of ordinary shares, including potentially dilutive shares ('000)		121,414	117,437
Basic EPS (p)		15.82	7.69
Diluted EPS (p)		14.79	7.25
Adjusted EPS and adjusted diluted EPS			
Adjusted profit for the financial year used in calculating adjusted basic and diluted EPS (£'000)	3	33,229	23,757
Weighted average number of ordinary shares in issue ('000)		113,531	110,689
Number of dilutive shares ('000)		7,883	6,748
Weighted average number of ordinary shares, including potentially dilutive shares ('000)		121,414	117,437
Adjusted EPS (p)		29.27	21.46
Adjusted diluted EPS (p)		27.37	20.23

7. Acquisition of businesses

Acquisitions in previous years

As part of the acquisition of Lionpoint Holdings, Inc. in FY 22, as well as Axxsys Ltd and Obsidian

Ltd in FY 20, the Group agreed deferred consideration payments as well as contingent earn-out arrangements which were based on the financial performance of the respective acquired entities over an agreed period of time. An update on the activity in the year and the outstanding balance in relation to each of these acquisitions is provided below.

Lionpoint

In the prior year, the Group acquired 100% of the issued share capital of Lionpoint Holdings, Inc. ("Lionpoint"), a provider of specialist consultancy services to the alternative investments industry, on a cash free, debt free basis.

The maximum payable for the acquisition (over four years) is $90.0m (£63.8m), to be settled in cash, with the option to settle a portion of the deferred and contingent amounts in the Group's ordinary shares. Of this maximum amount payable, $7.5m (£5.3m) is employment linked. The fair value of consideration recognised on the date of acquisition amounted to $72.3m (£50.8m), of which $33.5m (£23.5m) was paid on completion, alongside an additional net cash payment of $2.1m (£1.4m) in relation to completion working capital. A balancing $0.5m (£0.3m) receivable was held at 31 March 2022.

Deferred consideration of $17.0m (£12.0m) was payable across the first and second anniversaries of the acquisition and contingent earn-out consideration up to a maximum of $32.0m (£22.6m) was payable in three instalments across FY 23 to FY 25. The FY 23 to FY 25 earn-out consideration payments are contingent on Lionpoint meeting certain profitability targets over the earn-out period. The fair value of future consideration payable recognised on the date of acquisition was $37.3m (£26.2m), of which $20.6m (£14.5m) related to contingent consideration and $16.7m (£11.7m) related to deferred consideration. In the opening consolidated statement of financial position as at 31 March 2022, the Group held a liability of £33.7m in relation to future deferred and contingent consideration payable for this acquisition.

Employment-linked acquisition payments are expensed through the consolidated income statement proportionately until FY 26. During the year, the Group has expensed £1.7m (FY 22: £2.8m) in relation to these employment-linked payments.

The deferred and contingent consideration is discounted to fair value. Discount unwinding is recognised as a finance cost proportionately across the periods until final payment. During the year, £2.4m (FY 22: £2.0m) of discount unwinding was expensed as a non-underlying finance cost in relation to the Lionpoint acquisition consideration.

In FY 23, the Group made payments of £17.3m net of a £0.4m receivable that was due back from the sellers. Of these payments, £1.5m relates to employment-linked consideration, and is presented within cash generated from operating activities, with the remaining £15.8m presented within cash used in investing activities in the consolidated statement of cash flows.

As consideration for the acquisition of Lionpoint is payable in US dollars, foreign exchange differences are recognised at each reporting date in relation to translating these liabilities into British pound sterling. In the period, the Group recognised a foreign exchange loss of £2.5m in the income statement arising from acquisition-related currency movements, arising from this re-translation. However, this loss was mostly offset by a foreign exchange gain on US dollar cash held by the Group.

Following the strong performance of Lionpoint in FY 23 and reflective of a healthy pipeline of opportunities, the Group has reassessed the fair value of the Lionpoint contingent consideration liability at the balance sheet date. The Group has updated its projections for the remainder of the earn-out period and has therefore uplifted the total undiscounted expected earn-out payment from £17.7m to £20.0m, assuming the maximum amount payable. These values are inclusive of employment-linked amounts. Additionally, at the reporting date, the Group remeasured the discount rate applied to the expected future contingent consideration payments from 14.6% to 11.0%, reflecting market conditions and the risk profile of the Lionpoint business. Accordingly, a fair value adjustment has been recognised through the Group's consolidated statement of comprehensive income, which has increased the liability by £2.3m.

As at 31 March 2023, the Group held a liability of £24.9m (FY 22: £33.7m) in relation to future deferred and contingent consideration payable for this acquisition. Of this liability at the balance sheet date, £7.2m (FY 22: £14.0m) relates to deferred consideration and the remaining £17.7m (FY 22: £19.7m) relates to contingent consideration. Within these deferred and contingent consideration liabilities, £2.6m relates to employment-linked amounts.

Obsidian

As at 31 March 2022, the Obsidian earn-out liability of £1.9m reflected a balanced assessment of the Directors' best estimate of projected cash flows in relation to several plausible scenarios. During the year, a lower mutually agreed position was reached with the original vendors. As a result, a fair value adjustment of £1.6m has been credited to the Group's consolidated statement of comprehensive income in the period. A final payment of £0.3m was made in the year, none of which was employment-linked.

Axxsys

The remaining £5.0m liability due on the acquisition of Axxsys as at 31 March 2022 was paid during the year, of which £0.3m was employment-linked.

The below table summarises the movements in the deferred and contingent consideration liabilities held at 31 March 2023:

	Axxsys £'000	**Obsidian £'000**	**Lionpoint £'000**	**Total £'000**
Balance as at 1 April 2022	5,000	1,898	33,748	**40,646**
Employment-linked consideration	-	-	1,658	**1,658**
Payments in the year[17]	(5,000)	(314)	(17,315)	**(22,629)**
Amounts receivable deducted from payments in the period	-	-	(350)	**(350)**
Unwinding of discounting	-	-	2,417	**2,417**
Fair value adjustment	-	(1,584)	2,251	**667**
Foreign exchange loss	-	-	2,540	**2,540**
Balance as at 31 March 2023	**-**	**-**	**24,949**	**24,949**
Represented by:				
Current	-	-	16,027	**16,027**
Non-current	-	-	8,922	**8,922**

Balance as at 31 March 2023	**-**	**-**	**24,949**	**24,949**

[17] Payments in the year comprise £1.8m of employment-linked payments included within cash generated from operating activities in the consolidated statement of cash flows and £20.8m included in cash used in investing activities

8. Trade and other receivables

	FY 23 £'000	FY 22 £'000
Amounts due within one year:		
Trade receivables	26,781	24,182
Less: allowance for expected credit losses	(657)	(541)
Trade receivables – net	**26,124**	**23,641**
Other debtors	1,194	539
Capitalised contract fulfilment costs	1,101	1,548
Prepayments	1,999	1,113
Accrued income	3,710	2,728
Total amounts due within one year	**34,128**	**29,569**

Trade receivables are non-interest bearing and generally have a 30- to 60-day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value. Trade receivables have grown in the year reflecting the overall growth of the Group, with debtor days reducing to 43 days (FY 22: 55 days).

9. Trade and other payables

	Note	FY 23 £'000	FY 22 £'000
Trade payables		5,156	5,114
Accruals		29,880	23,898
Deferred income		796	1,865
Social security tax on share options	12	1,669	1,050
Taxation and social security		4,734	2,964
Other creditors		2,277	1,280
Earn-out and deferred consideration	7	16,027	20,500
Total amounts owed within one year		**60,539**	**56,671**

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value. The Group's trade payables payment policy is to provide payment within the agreed terms, which is generally 30 days from the date of receipt of invoice.

The majority of the accruals balance is the profit share bonus accrual, which has increased in the year, reflecting the enlarged team size, the strong performance of the Group and the timing of some payments.

Earn-out and deferred consideration relates to the second deferred and contingent earn-out payment to be made for the acquisition of Lionpoint. Refer to note 7 for further detail.

10. Other non-current liabilities

	Note	FY 23 £'000	FY 22 £'000
Earn-out and deferred consideration	7	8,922	20,146
Deferred income		213	233
Social security tax on share options	12	1,640	1,953
Other non-current liabilities		625	2,768
Total amounts owed after one year		**11,400**	**25,100**

Earn-out and deferred consideration relates to future deferred and contingent earn-out payments to be made for the acquisition of Lionpoint. Given the passage of time, the second deferred and contingent consideration payments now fall due within 12 months from the balance sheet date. Refer to note 7 for further detail.

Other non-current liabilities decreased in the year as the remaining deferred element of FY 22 bonuses for certain directors and senior management globally now falls due within 12 months from the reporting date, partially offset by FY 23 bonuses awarded in the year, payable in summer 2024.

11. Called up share capital

	FY 23 Number	FY 22 Number
Allotted, called up and fully paid Ordinary 0.075p shares (1 vote per share)	120,509,736	118,707,336

	FY 23 £	FY 22 £
Allotted, called up and fully paid Ordinary 0.075p shares (1 vote per share)	90,382	89,031

Movements in share capital during the year ended 31 March 2023:

	£
Balance as at 1 April 2022 118,707,336 ordinary shares of 0.075p each	89,031

Issued shares	(i)	1,351
Balance as at 31 March 2023 **120,509,736 ordinary shares of 0.075p each**		**90,382**

(i) During the year, a total of 1,800,000 ordinary shares were issued by the Group, all of which were issued to the employee benefit trust ("EBT") for future satisfaction of share incentive plans. A further 2,400 ordinary shares were issued by the Group, to satisfy exercises under the employee incentive plan (EIP).

Alpha employee benefit trust

The Group held 6,274,380 (FY 22: 6,216,501) shares in the employee benefit trust ("EBT") comprising shares held to satisfy share options granted under its joint share ownership plan ("JSOP") or unallocated ordinary shares to satisfy share options granted under the Group's other share option plans. The EBT has waived all dividend and voting rights in respect of these shares.

During the year, 1,800,000 ordinary shares were transferred by the Company to the EBT for potential future satisfaction of share incentive plans, either through the issuance of new shares or the transfer of shares bought back from prior employees at nominal value. Further, the EBT purchased 266,922 shares in the year at market value for £1.1m, which was funded by the Group and is accounted for as a deduction other reserves.

In the year, 2,009,043 shares held in the EBT were utilised for employee share option exercises.

Treasury shares

The Group held nil (FY 22: nil) shares in treasury.

12. Share-based payments

The Group has adopted a globally consistent share incentive plan approach, which is implemented using efficient jurisdiction specific plans, as appropriate.

The management incentive plan

The Group has a management incentive plan ("MIP") to retain and incentivise directors and senior management. The MIP consists of four parts: part A of which will enable the granting of enterprise management incentive and non-tax advantaged options to acquire shares; part B of which will enable the awarding of JSOPs; part C of which will enable the awarding of restricted stock units ("RSUs") for participants in the US; and part D of which will enable the awarding of RSUs in France (together the "options").

In prior periods, the majority of options granted to certain directors and senior management of the Group were subject to the fulfilment of three or more of the following performance conditions: (a) the Group achieving adjusted EPS growth of 15.0% or more to trigger a maximum award, or 10.0% to trigger a 66% award, with a linear application of awards between these levels; (b) the Group achieving a total shareholder return ("TSR") over three years in excess of the mean TSR delivered by a peer group of comparable companies; (c) personal adherence to corporate values and risk policy; and (d) specific business unit EBITDA, or other personal targets and goals. In FY 21, in response to COVID-19, options granted were subject to more flexible performance criteria, including local budget targets and a variety of stretching personal sales or other targets. In FY 22, the performance conditions of options granted in that year returned to the previous award criteria.

As disclosed last year, the Remuneration Committee approved performance conditions for FY 23 awards, which further modified the adjusted EPS growth range set out above to reflect the growth of the Group since AIM admission. The criteria for these share incentive awards to certain directors and senior management of the Group, depending on the individual and their role, include: (a) the Group achieving adjusted EPS growth of 11.25% or more to trigger a maximum award, or 7.5% to trigger a 66% award, with a linear application of awards between these levels; (b) personal adherence to corporate values and risk policy; and (c) specific business unit EBITDA, or other personal targets and goals.

Some of these share incentive awards also contain a market condition requiring the Group to achieve a TSR over three years in excess of the mean TSR delivered by a peer group of comparable companies.

MIP awards have either nominal or minimal exercise price payable in order to acquire shares pursuant to options. MIP awards have either three- or four-year vesting periods from the date of grant and can be equity settled only.

The employee incentive plan

In addition to the MIP, the Board has previously put in place a medium-term employee incentive plan (“EIP”). Under the EIP, a broad base of the Group’s employees has been granted share options or share awards over a small number of shares. The EIP is structured as is most appropriate under the local tax, legal and regulatory rules in the key jurisdictions and therefore varies between those jurisdictions. No EIP awards were made in the current or prior years.

During the year ended 31 March 2023, a total of 3,153,014 share option and award grants were made to employees and senior management (FY 22: 2,959,429). The weighted average of the estimated fair values of these options awarded in the year is £3.14 per share (FY 22: £2.68).

During the year 2,191,024 MIP and EIP awards vested following the satisfaction of performance conditions. The performance conditions relating to EPS growth and total shareholder return exceeding a basket of comparable companies over three years to the vesting date were met in full and the relevant local regional or individual budgetary performance conditions were met in full or part. Of these vested awards, 1,853,088 have been exercised, with a further 158,355 awards that vested in previous periods also exercised in the year. Of these total 2,108,886 options exercised, the Group settled 2,011,443 either through the issuance of new shares, or shares transferred from the Group’s EBT with a further 97,443 options retained for net tax settlement. The weighted average share price at the date of these exercises was £4.27.

During the year, 552,467 share options were forfeited under performance conditions or as a result of leavers before vesting.

Of the 276,306 share options exercisable at the year end, 240,493 share options vested in the year. The remaining vested award holders have a further six-year to seven-year period, from the date of vesting, in which to exercise their vested awards.

Details of the share option awards made are as follows:

	FY 23 Number of share options
Outstanding at the beginning of the year	9,504,379
Granted during the year	3,153,014
Exercised during the year	(2,108,886)
Forfeited during the year	(552,467)
Expired during the year	-
Outstanding at the year end	**9,996,040**
Exercisable at the year end	**276,306**

The weighted average exercise price for all options outstanding in both the current and prior years was nominal. The options outstanding as at 31 March 2023 had a weighted average remaining contractual life of 1.7 years.

During the year ended 31 March 2023, options were granted in July 2022 and January 2023 to employees and certain senior management.

MIP share options with an external market condition were valued at award using the Monte Carlo option pricing model. The model simulates a variety of possible results, across 10,000 iterations for each of the options, by substituting a range of values for any factor that has inherent uncertainty over a number of scenarios using a different set of random values from the probability functions. The model takes any market-based performance conditions into account and adjusts the fair value of the options based on the likelihood of meeting the stated vesting conditions.

MIP share options without external market conditions and EIP share options were valued at award using a Black-Scholes model.

The inputs to these models in the period were as follows:

	FY 23
Weighted average share price at grant date	£3.99
Exercise price	Nominal
Volatility	20.10%
Weighted average share option life	4 years
Risk free rate	1.65%
Expected dividend yield	3.00%

Expected volatility was determined by calculating the historical volatility of the market in which the Group operates. The expected expense calculated in the model has been adjusted, based on management’s best estimate, for the effects of non-market-based performance conditions and employee attrition.

The Group recognised a total expense of £8.0m (FY 22: £6.2m) in the current year, comprising £7.0m (FY 22: £4.1m) in relation to equity-settled share-based payments, and £1.0m (FY 22: £2.1m) relating to relevant social security taxes. As previously announced, Euan Fraser stepped down from the role of Chief Executive Officer and from the Board on 31 March 2023 and remains with the Group as a strategic adviser on a part-time basis. This has resulted in an acceleration of the share-based payment charge in relation to Euan's share options, as all employment-linked conditions attached to these share options have been removed.

Given the estimation, were the future conditions for all outstanding share options assumed to be met at the end of the reporting period, the charge in the year would increase by £0.8m.

The combined carrying value of current and non-current liabilities relating to social security tax on share options as at 31 March 2023 is £3.3m (FY 22: £3.0m). A £1.0m charge was recognised in the consolidated statement of comprehensive income in the year, offset by £0.7m of payments. Assumptions associated with the calculation of the social security tax liability due on vesting of share options include an estimation of the forward-looking share price at the vesting date based on applicable analyst research and applicable future tax rates. For these purposes, the share price is updated at each reporting period to reflect historical levels, and is assumed to grow in line with the estimated future performance of the business. If the estimated future share price growth assumption were to double, the social security costs in the period could increase by £0.3m. Were the share price to remain flat the charge would reduce by £0.3m.

13. Events after the reporting period

Acquisition of Shoreline

On 1 May 2023, the Group reached an agreement to acquire 100% of the issued share capital of Shoreline Consulting Pty Ltd and Shoreline Consolidated Pty Ltd (together, "Shoreline"), a boutique consultancy that provides services to the asset and wealth management industry in APAC, on a cash and debt-free basis, for AUD 8.0m (£4.2m) initial cash consideration plus a performance-driven earn-out of up to AUD 5.0m (£2.6m). The initial cash consideration is payable in instalments, with AUD 4.9m (£2.6m) paid on completion, and AUD 1.7m (£0.9m) and AUD 1.4m (£0.7m) payable on the first and second anniversaries of completion respectively. Any contingent earn-out tranches are payable by July 2025, 2026 and 2027 respectively. The maximum potential cash consideration payable by the Group pursuant to the acquisition, assuming full payment of the earn-out, would be AUD 13.0m (£6.8m). The initial consideration was funded from the Group's cash resources.

Renewal of the Group's revolving credit facility

The Group has one principal bank facility which, as at 31 March 2023, comprised a £20.0m committed revolving credit facility ("RCF") with Lloyds Bank.

Subsequent to the year end, the Group has increased the amount of its committed RCF to £50.0m, with both Lloyds Bank and HSBC, to provide funding flexibility in line with the Group's growth. The facility tenor now runs until June 2026.

- END -