

The power of our people

Interim Report & Accounts 2024

Welcome to Alpha's 2024 Interim Report & Accounts

Headquartered in the UK and quoted on the Alternative Investment Market of the London Stock Exchange, Alpha Financial Markets Consulting¹ is a leading global consultancy to the financial services industry.

Alpha combines highly specialist, sector-focussed management consulting and technology expertise to support the client transformation lifecycle. It has over 1,000 consultants globally, operating from 17 client-facing offices² spanning the UK, North America, Europe and APAC.

For more information, see the website: alphafmc.com/investors

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1. Alpha Financial Markets Consulting plc: "Alpha", the "Company", the "Group".

2. The 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.

Highlights

Financial highlights³

Revenue

£115.6m

(H1 23: £107.6m) +7.5%

Resilient trading performance in a more competitive market environment; maintaining consistent consultant day rates overall, albeit at lower average utilisation, particularly over the summer months

Gross profit

£38.4m

(H1 23: £38.4m) –

Consistent gross profit, reflecting lower average consultant utilisation, selective investment in Alpha's growing teams, while managing variable costs

Adjusted⁴ EBITDA

£20.1m

(H1 23: £22.5m) (10.5%)

Adjusted EBITDA reflects the gross profit margin, alongside continued cost control across a larger team

Interim dividend per share

3.70p

(H1 23: 3.70p) –

A maintained interim dividend is declared

Operational highlights

Consultants⁵

1,051

(H1 23: 921)

Alpha continues to attract the highest calibre consultants globally and has selectively invested for future growth

Directors⁶

116

(H1 23: 97)

Continued growth of the global director team, adding further senior talent and expertise to the Group

Clients⁷

971

(H1 23: 787)

New client relationships reflect robust demand, spanning all the Group's global businesses

Acquisitions

1

(H1 23: –)

Bolt-on acquisition of Shoreline⁸ consolidates Alpha's APAC presence

3. All financial and operating highlights relate to the period ended 30 September 2023 ("H1 24") and the comparative period ended 30 September 2022 ("H1 23") unless otherwise specified.

4. The Group uses alternative performance measures ("APMs") to provide stakeholders further metrics to aid understanding of the underlying trading performance of the Group. Refer to note 3 for further details.

5. "Consultants" and "headcount" refer to fee-earning consultants at the period end: employed consultants plus utilised contractors in client-facing roles. Total increase of 57, of which 19 was through acquisition; where "organically" refers to growth excluding consultants added through acquisition.

6. "Directors" refers to fee-generating directors at the period end. All director increases are presented as net. Total increase of 15, of which six was through acquisition; where "organically" refers to growth excluding directors added through acquisition.

7. Client numbers are cumulative and have been updated to include all client numbers from acquisition. Total increase of 184, of which 36 was through acquisition.

8. "Shoreline" refers to Shoreline Consulting Pty Ltd, Shoreline Consolidated Pty Ltd and their subsidiaries acquired by Alpha on 1 May 2023.

Interim report



Ken Fry
Chairman



Luc Baqué
Chief Executive
Officer

The start of 2023 marked both 20 years of Alpha and the beginning of a new chapter for the Group. Having doubled the size of the business ahead of its November 2024 target, Alpha set out a vision to double the Group's net fee income again over the next five years, through both organic growth and selective acquisitions.

As mentioned previously, the Group saw increased competition and a lengthening sales cycle in H1 as a result of overcapacity in the global consulting market. We still expect that this will be a short-term feature, while the consulting market balances supply with overall demand. Against this backdrop, trading in H1 has been resilient, with consistent sales wins monthly and 7.2% growth in net fee income compared to the first half of the prior year.

The Group has made good progress across key business areas and continues to see long-term structural drivers of demand for our services, which have created tailwinds for Alpha despite the more competitive market. We enter H2 with a strong pipeline of new business opportunities and see positive market sentiment returning. As outlined in our pre-close trading update in October, we expect to deliver full year results in line with current market consensus.

Interim report continued



Alongside our excellent reputation and highly relevant service offering, the long-term structural drivers that underpin demand for Alpha's services remain very strong.

Half year review

Despite the more competitive environment, Alpha made headway in all three areas of its strategic growth agenda during the first half of the year: scaling up and broadening the client proposition, rolling out the client proposition globally, and making selective acquisitions.

The Group has continued to expand its client offering, strengthening its Insurance Consulting business by adding 12 clients and 38 consultants on the comparative half. Lionpoint is also performing well as we see ongoing demand for our consulting services in the alternative investments space. Alpha continues to broaden its geographic reach; in North America, a key strategic growth region for the Group, headcount has increased by 25 and there were 59 new client wins. Alpha's third growth pillar, selective acquisitions, made its latest advance with the acquisition of Shoreline, a boutique consultancy that provides services to the asset and wealth management sector in APAC. This acquisition cements Alpha's position as the leading consultancy for the asset and wealth management sector in the region.

Overall, H1 has been a period of selective investment in people, balancing the need to maintain control over costs while also positioning the Group for future growth opportunities.

Our financial performance has been resilient over the period, with the Group continuing to see solid client demand, repeat business and consistent consultant day rates. Amidst the more competitive backdrop, the Group has delivered a good increase in net fee income during the period, up 7.2% to £114.8m (H1 23: £107.0m) on a mostly organic⁹ basis, and on a constant currency basis net fee income has grown by 8.5%.

Adjusted EBITDA was £20.1m (H1 23: £22.5m) and adjusted profit before tax was £18.4m (H1 23: £21.3m). As outlined in our pre-close trading update, adjusted EBITDA margin was 17.5%; lower than prior years as a result of reduced consultant utilisation, which partly reflected quieter summer months, alongside continued selective investment in our consulting teams, maintenance of competitive remuneration packages and well controlled costs across our larger team.

Operational and geographical review

In announcing our ambition to double net fee income over the next five years we have set out a clear strategy for our growth, with the bulk of that growth expected to come from currently serviced sectors: asset and wealth management, alternatives and insurance. We aim to achieve this by continuing our disciplined expansion strategy, combining both organic growth and selective bolt-on acquisitions. We have established and are further developing a multi-boutique model with a strong cross-selling framework, which will enable us to deliver outstanding client service and maximise revenue opportunities on a global scale over the long term.

As previously outlined, the global consulting market was more competitive over the half with a longer sales cycle, and continues to rebalance. Alpha has navigated through this market backdrop well, growing net fee income; and our strategy gives us a clear path through this environment. Utilisation rates ticked up in September from summer lows, and further in October, closer to target levels, and the Group expects this trend to continue through the second half of the year. Alpha enters H2 with a strong and high quality pipeline of new business opportunities.

Alongside our excellent reputation and highly relevant service offering, the long-term structural drivers that underpin demand for Alpha's services remain strong. We believe that the Group has potential and scope to continue to grow and gain market share in all our geographic regions.

Scaling up and rolling out our Insurance Consulting business globally continues to be one of our growth pillars as we aim to meet our 2028 strategic target. We are therefore pleased that the Group's offering for the insurance sector continued to build on its rapid expansion in the previous year. We see significant market potential in consulting to insurance clients and, ultimately, believe that our offering could grow to a similar size as Alpha's Asset & Wealth Management business in the medium to long term.

9. Organic net fee income growth excludes Shoreline, acquired during the period. Refer to note 3 for further information on the Group's APMs.

Interim report continued

Operational and geographical review *continued*

An important part of growing the insurance offering is ensuring that we have the right skills and expertise to lead the proposition, hence we are delighted to have added three directors in the first half. Two of those new directors added were in the North America insurance market where the Group sees a strong growth opportunity. In May 2023, Alpha launched a dedicated insurance offering in the US with the aim of replicating the success of the Insurance Consulting teams in the UK and France. Reflecting the size of the 70 plus person Insurance Consulting team in the UK, and our ambition to grow and diversify further, we also appointed a new Head of Insurance Consulting for the UK from within the director team.

Our alternatives consulting business, Lionpoint, traded strongly and increased its footprint as our alternatives proposition resonates with clients globally. The Lionpoint team has added a further 28 consultants globally, bringing the total consultant number in Lionpoint to over 290. Several key practices are being rolled out internationally in line with client demand, such as Fund Accounting & Operations. Looking forward, we see further scope for international roll-out and scale-up of the Lionpoint service offerings as the alternative investments market continues to attract growth in investments across the private equity, private credit, infrastructure, real estate and fund of funds segments.

During the period, the Group has continued to win business with both new and existing clients across all locations. As a Group, we have now worked with 971 clients (H1 23: 787).

Geographic performance in the period can be summarised as follows:

	6 months to 30 Sep 2023		6 months to 30 Sep 2022		Change
	Reported	Constant currency	Reported	Reported	Constant currency
Net fee income					
UK	£45.4m	£45.4m	£39.8m	14.1%	14.1%
North America	£43.8m	£45.3m	£44.3m	(1.1%)	2.1%
Europe & APAC	£25.6m	£25.4m	£22.9m	11.6%	11.0%
Total	£114.8m	£116.1m	£107.0m	7.2%	8.5%

Consultant headcount grew in each geography as follows:

	As at 30 Sep 2023	As at 30 Sep 2022	Change
Consultant headcount			
UK	420	350	20.0%
North America	365	340	7.4%
Europe & APAC	266	231	15.2%
Period-end totals	1,051	921	14.1%

All our geographic regions delivered net fee income growth on a constant currency basis in the first half, mostly organically, driven by resilient client demand as a result of the ongoing structural drivers that we continue to experience in all our market segments.

The UK delivered the strongest growth in net fee income across the Group, producing organic growth rates of 14.1% overall, against the comparative period. We retain our market-leading reputation and are proud to be supporting some of the highest profile projects in the UK marketplace. We continue to see robust client demand in our established practices, with good progress in our newer Insurance Consulting offering. In line with the growth in net fee income in the region and selectively investing for future growth, Alpha UK added 26 consultants in the first half, mainly in the Insurance Consulting team, including a number of consultant hires committed in the prior half.

Also in the UK region, the Lionpoint alternatives investments team continued to grow strongly. Alpha's data and product solutions business, Aiviq, also grew revenue against the comparative period, while building a good pipeline and improving outlook. We are delighted that Aiviq's proposition has been recognised with a FinTech Global Wealth Tech "Top 100" award in the half.

In North America, following very strong net fee income growth in excess of 50% on average over the last three years, the quieter summer months were more pronounced. This reflects the more competitive environment and a longer sales cycle that we previously indicated. While we saw a flatter half compared to the very high rates of growth in previous periods, the region continued to trade consistently, delivering net fee income growth of 2.1% on a constant currency basis.

The Group's alternative investments consulting business, Lionpoint, continues to trade strongly in North America. In line with the Group's selective approach to hiring, reflecting the near-term environment, headcount in North America increased by 23, including 10 directors to support further the Group's North America growth opportunity and ambitions. This included the addition of a new director in the Operations practice in North America, which continues to be an important client focus within the asset and wealth management sector.

Europe & APAC also delivered a robust performance in the period, with net fee income increasing by 11.0% on a constant currency basis and 11.6% overall. Organic growth accounted for over half of this overall growth, with the acquisition of Shoreline delivering the remainder of the growth. Again, consistent with our strategy of selective investment and hiring, headcount in the region increased by 6.9% on an organic basis and by 15.2% overall, taking into account the 19 consultants joining the Group as part of the Shoreline acquisition.

Our people

2023 marks 20 years since Alpha was established. Alpha started life as an asset management consultancy based out of London – it is now a Group of over 1,000 consultants as well as a strong business operations team, with offices globally and a diversified client base that we support across an array of specialist services and offerings. Thanks to the efforts of our outstanding staff, we have established a global reputation for delivering challenging and complex projects to the highest standards, with quality of work evidenced by significant repeat business. Our record of attracting and retaining high calibre employees can be attributed to our highly attractive offering, which we are constantly reevaluating, as well as our unique and inclusive culture that places people at the heart of the business.

Interim report continued

Our people *continued*

In the context of a more competitive backdrop, we have been selective in our hiring this period, prioritising investment in accordance with demand and opportunity. While we remain cautious in our hiring approach, we are very excited about the talent we are able to attract and hire. As we continue to invest in our strategy, we have seen 20.0% headcount growth in the UK, 7.4% in North America and 15.2% in Europe & APAC on the comparative half, with much of this team growth added or committed in the second half of the prior year, and more selective additions this half.

We continue to develop and foster a multi-boutique organisation with an extremely solid cross-selling framework and culture of collaboration, consistent with our 2028 growth ambition. To reinforce this further, we have formalised roles to facilitate this, including four technology lead roles within our Asset & Wealth Management and Insurance Consulting businesses (based in the UK and North America) to capitalise on technology opportunities in the market.

Alpha is committed to developing and fostering early talent, offering a competitive graduate scheme and development programme for future leaders, and welcomed a further graduate intake in the period, across all our regions.

Alpha's directors play a vital role in developing this talent and in instilling our values, whilst ensuring delivery excellence across all client engagements. Maintaining and growing our director teams subsequently remains a key long-term priority for us as we look to successfully realise our ambitions. Over the period we have broadened our global director teams, adding 9 directors organically through a combination of promotions and selective experienced new hires.

Alpha has achieved so much since it began 20 years ago – and this is thanks to the incredible talent, unrivalled knowledge and unfailing commitment of our exceptional people. Our consultants are the best in the financial services sectors in which we operate and the key driving force behind the success of the business. The Board and the entire leadership team would like to thank everyone at Alpha for enabling us to progress this incredible growth story and we remain very excited to see what opportunities lie ahead.

Growth strategy

The Group kicked off the year with a refreshed ambition to double the size of Alpha again over the next five years. As outlined in the FY 23 results, the key pillars that will enable Alpha to achieve this are: further expansion in asset and wealth management consulting, particularly in North America; the global scale-up and roll-out of our Insurance Consulting and alternatives businesses; and making selective acquisitions.

We are pleased with the progress that the Group has made so far, especially in the more competitive market, and continue to expect that the majority of growth over the next five years will come from our consulting teams in the existing asset and wealth management, alternatives and insurance sectors. We are continuously monitoring for opportunities to diversify and scale up the consulting and technology practices, and for selective bolt-on acquisitions to supplement growth.

Although mindful of the current market environment, we continue to believe that that this market rebalancing will be short lived. The Group performed resiliently in H1 and enters the second half of the year with a strong pipeline. The long-term structural drivers that underpin client demand for Alpha's services remain strong and, therefore, we believe that Alpha's 2028 vision remains both appropriate and achievable.

Acquisitions

The Board recognises that adding further complementary expertise or adding geographic footprints in existing skill-sets through carefully selected acquisitions both enhances and strengthens the business proposition and increases the cross-sell opportunities across the Group.

In May 2023, Alpha announced the acquisition of Shoreline, an APAC-based boutique consultancy that provides services to asset and wealth management clients. This acquisition adds a further 19 consultants with a client network that spans Australia and South-East Asia. The integration of this acquisition was successfully completed in the first half, making Alpha the leading consulting firm in the region for the asset and wealth management sector.

We continue to review acquisition opportunities to complement and grow the Group's service offering to deliver client and shareholder value.

Governance and the Board

The members of Alpha's Board remain committed to the highest standards of corporate governance and regard business ethics, integrity, and strong governance as foundational elements in reducing risk and securing long-term value for shareholders.

The Board understands its crucial role in overseeing and advancing the Group's ESG efforts. The ESG Committee, which was established by the Board in recognition of this, held its inaugural meeting in the half, chaired by Jill May. The Committee's role is to maintain oversight of all facets of Alpha's corporate ESG agenda, ensuring the Group complies with regulatory requirements, meets the expectations of its stakeholders, and positions the Group for long-term, sustainable success.

The Group continues to focus on preparations to start reporting under the framework set out by the Task Force on Climate-Related Financial Disclosures ("TCFD"), as well as other regulatory requirements such as Gender Pay Gap Reporting, as the Group increases in scale. Alongside regulatory work, the Group is concluding its materiality assessment to further understand and assess stakeholder expectations, and is preparing for initiatives that will embed and demonstrate progress on this important agenda, including diversity targets and emissions reduction analysis. We look forward to launching our first dedicated sustainability report later in the financial year, to provide further details on these important parts of our strategy.

Having previously used the services of a third-party Company Secretarial provider, the Board appointed an internal Company Secretary with effect from 7 September 2023. The Board would like to thank Prism CoSec for their excellent service over the recent years and their role in transitioning responsibilities to the internal Alpha team.

Interim report continued

Financial performance review

	6 months to 30 Sep 2023	6 months to 30 Sep 2022	Change
Revenue	£115.6m	£107.6m	7.5%
Net fee income	£114.8m	£107.0m	7.2%
Gross profit	£38.4m	£38.4m	—
Operating profit	£12.0m	£15.8m	(23.8%)
Adjusted EBITDA	£20.1m	£22.5m	(10.5%)
Adjusted EBITDA margin	17.5%	21.0%	(350 bps)
Adjusted profit before tax	£18.4m	£21.3m	(13.6%)
Profit before tax	£10.8m	£14.2m	(23.6%)
Adjusted earnings per share	11.81p	14.09p	(16.2%)
Adjusted diluted earnings per share	11.09p	13.23p	(16.2%)
Basic earnings per share	6.32p	9.10p	(30.5%)

In a more competitive market environment, the Group performed resiliently in the first half with net fee income up by 7.2% compared to the first half of the last financial year, and 8.5% on a constant currency basis, mostly organically. Revenue also grew 7.5%, including increased rechargeable expenses, compared to the comparative period.

Overall, the Group's revenue and net fee income growth reflects strong ongoing client demand across a larger consulting team. We were pleased to maintain consistent consultant day rates overall and sales wins monthly through the first half, albeit at lower than target average consultant utilisation, particularly during the summer months. Net fee income grew in all geographic regions on a constant currency basis, with an inorganic contribution from the acquisition of Shoreline in the period.

Group gross profit was £38.4m, consistent with the comparative period (H1 23: £38.4m). Gross profit margin was 33.5% (H1 23: 35.9%). This primarily reflects reduced average consultant utilisation in the current competitive market environment, alongside consistent day rates and selective investment in growing our team while maintaining a competitive remuneration package, partly offset by reduced variable costs given performance. The Group has added 57 consultants in the last six months (H1 23: 161), including 19 from the Shoreline acquisition and the majority of the remainder from our committed graduate intake in September.

The UK delivered the strongest regional growth in net fee income against the comparative period, growing 14.1% overall, entirely organically. This strong UK organic performance reflects solid client demand across the full range of Alpha practices, supported through a larger consulting team, the growth of which was mostly delivered in the second half of last year. This included substantial contributions from our established asset and wealth management capabilities in Investments, Operations and Client & Digital, and our newer Insurance Consulting and alternatives businesses also delivering strong growth against the comparative period. Within the UK results, Alpha's data and product solutions business, Aiviq also grew on the comparative period and maintains a good pipeline and outlook.

North America net fee income grew by 2.1% on a constant currency basis. Including the currency movement, North America performed largely consistently with the prior half, entirely on an organic basis. Alpha's alternatives business, Lionpoint, continued to perform well in the first half and contributed significantly to North America net fee income. 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. The consultant team grew modestly in the first half, maintaining the Group's selective recruitment strategy.

Europe & APAC also delivered another period of good growth. The region grew net fee income by 11.6% on the comparative period and, on an organic basis, the region reported 6.7% growth. This growth was delivered across the region, complemented by the acquisition of Shoreline.

Currency translation had some effect on net fee income and profits during the first half of the financial year. In the period, the pound sterling averaged \$1.26 (H1 23: \$1.23) and €1.16 (H1 23: €1.18), which, with other similar currency movements, resulted in an unfavourable net currency effect on net fee income of £1.3m and on gross profit of £0.5m. On a constant currency basis, North America net fee income growth was 2.1% and Europe & APAC net fee income growth was 11.0%.

Alpha continues to support clients in some of the largest, most challenging and interesting projects across the industry. Alpha's revenue is driven by good client demand in its established practices, as well as progress in newer areas. Alpha's Insurance Consulting business and the Group's technology proposition continued to progress against the comparative half, winning a number of projects both with existing and new client relationships.

Overall, gross profit margin principally reflects reduced average consultant utilisation, selective investment in growing our team while maintaining a competitive remuneration package, partly offset by lower variable costs, alongside consistent consultant day rates overall. North America gross profit margin was 31.1%, primarily reflecting reduced average consultant utilisation. The UK gross margin of 35.6% similarly reflects reduced utilisation levels, particularly in the summer months, and consistent consultant day rates. Europe & APAC experienced good gross profit growth, with an improved 33.8% margin reflecting good rates growth relative to costs, partly offset by lower utilisation.

Interim report continued



We are pleased to be reporting on a resilient performance in H1 24 against a more competitive market environment with a longer sales cycle.

Financial performance review *continued*

Adjusted administration expenses, as detailed in note 3, increased by £2.3m to £18.3m (H1 23: £16.0m) against the comparative period. This increase reflects investment in the Group's central team in the second half of the last year and some increases in overall spend to support the larger consultant headcount base, alongside ongoing cost control.

Including the adjusting items, which increased against the comparative half, administration expenses increased to £26.4m (H1 23: £22.7m) on a statutory basis. The adjusting items, set out in note 3, increased in the period to £6.6m (H1 23: £5.7m), reflecting increased acquisition and integration costs and earn-out and deferred consideration charges, partially offset by lower intangible asset amortisation and share-based payment charges.

Acquisition and integration costs were £0.2m (H1 23: £nil) as the Shoreline team was integrated into the Group in the first half of the year. The acquired intangibles amortisation charge decreased against the comparative period, reflecting some fully amortised intangibles, partly offset by the newly acquired Shoreline intangibles. In the first half, the Group recognised an earn-out and deferred consideration charge of £0.7m (H1 23: credit of £0.3m), reflecting a return of the charge after a fair value reduction in the liability held for Obsidian in the prior period. Further details on the earn-out and deferred consideration charges are set out in note 7.

The share-based payment charge reduced to £3.7m (H1 23: £4.1m), having updated the input assumptions for current year performance, Alpha's share price and share option vests in the period. Further details of the share-based payment charge are set out in notes 3 and 12.

Adjusted EBITDA was £20.1m (H1 23: £22.5m) and adjusted EBITDA margin was 17.5% (H1 23: 21.0%), reflecting consistent gross profit and higher adjusted administration expenses. Operating profit was £12.0m (H1 23: £15.8m) after charging increased depreciation and adjusting expenses. Further detail of these adjusting items is set out in note 3. If no adjustment was made for the share-based payment charge, adjusted EBITDA for the period would be £16.4m (H1 23: £18.4m) and adjusted EBITDA margin would be 14.3% (H1 23: 17.2%).

Net finance expenses fell to £1.2m (H1 23: £1.6m), primarily comprising non-underlying finance expenses relating to acquisition consideration discount unwinding, which decreased given payments in the period, as set out in note 7. Adjusted profit before tax was £18.4m (H1 23: £21.3m) after charging increased depreciation and underlying finance costs, reflecting periodic revolving credit facility ("RCF") drawings and additional leases. Statutory pre-tax profit was £10.8m (H1 23: £14.2m) after also charging adjusting expenses and non-underlying finance expenses.

Taxation charges for the period were £3.6m (H1 23: £3.9m), reflecting reduced taxable profits, partially offset by the increase of the UK corporation tax rate from 19% to 25%.

Adjusted earnings per share ("EPS") was 11.81p per share (H1 23: 14.09p) and adjusted diluted EPS was 11.09p (H1 23: 13.23p), reflecting the adjusted profit after tax and the increased number of weighted average shares as a result of share option exercises in the current and prior periods, partly offset by the Group's purchase of shares into Alpha's employee benefit trust ("EBT"). After including the adjusting items, basic earnings per share was 6.32p (H1 23: 9.10p), while diluted EPS was 5.93p (H1 23: 8.55p), reflecting the increase in the share options awards outstanding.

Net assets at 30 September 2023 totalled £143.1m (31 March 2023: £149.3m). This movement principally reflects profits in the period, offset by the Group's FY 23 final dividend payment and the purchase of the Company's own shares into the EBT. The Group continues to maintain a strong financial position.

Net cash from operating activities was an outflow of £7.6m (H1 23: inflow of £2.2m) and adjusted cash from operating activities was an outflow of £5.4m (H1 23: inflow of £4.2m). Underlying working capital remains well managed, with consistent debtor days on the comparative half. The operating cash outflow in the period reflects the normal timing of profit share payments and their relative size compared to first half profitability. These profit share payments include both the payment of FY 23 profit share and the second tranche of deferred FY 22 payments. The size of these payments alongside the lower performance-adjusted bonus accruals in the half also results in an increased movement in working capital in the first half. Adjusted cash conversion is similarly affected in the half, and for the full year is estimated to be approximately 50% given the expected weighting of trading in the second half of the year.

The Group's net cash position was £16.1m as at 30 September 2023 (31 March 2023: £59.2m), reflecting the normal H1 timing of payments, a further £18.6m of acquisition consideration payments, including £1.7m of employment-linked amounts, and the payment of the £12.0m FY 23 final dividend in the half. During the period, the Group also provided £3.8m funding to Alpha's EBT to purchase 1,033,954 shares at the prevailing market share price. These shares will be held in the EBT, a discretionary trust, and are intended to be used to satisfy future exercises of share options by employees, including the Directors of the Company. Alpha was drawn £10.1m on its RCF at 30 September 2023, to assist with managing currency requirements in the period.

The Board is pleased to declare a maintained interim dividend for FY 24 of 3.70p per share (H1 23: 3.70p), which will be paid on 21 December 2023 to shareholders on the register at the close of business on 8 December 2023.

Interim report continued

Risk management

The Board is encouraged by the Group's resilient trading performance in the first half, while remaining cognisant of the potential risks and wider political and macro-economic uncertainties. While it is unclear how these potential risks will affect the current market conditions, including higher levels of competition and a longer sales cycle, we see a more positive market sentiment returning following the summer months. The Group continues to attract client demand for its services and has a strong pipeline of new business opportunities.

The Board does not consider that the principal risks and uncertainties differ from those at 31 March 2023 as detailed on pp 50-53 of the Annual Report & Accounts 2023. These risks relate to the following areas: people and resourcing; quality of service; data security; acquisition risk; market strategy; strategic objectives; macro-economic conditions; political/regulatory environment; competitors; client concentration; skills and subject matter expertise; utilisation rates; and cash collection.

The Directors and the senior management team are closely monitoring the situation in Israel and Gaza as it evolves. Alpha's operational footprint does not extend to that particular area, and we do not service clients based in those territories. Currently, the principal risk to Alpha is from a macro-economic perspective and the possible market impacts; however we continue to assess the risk of the conflict encompassing wider parts of the Middle East region.

Outlook

We are pleased by the resilient performance in H1 24 in a more competitive market environment with a longer sales cycle.

The Group has grown net fee income, while maintaining consistent consultant day rates and sales wins monthly. We have also continued to make good progress on a number of our growth pillars – in North America, including our alternative investments consulting business, Lionpoint, which has traded strongly; in expanding our Insurance Consulting business against the comparative half; and in selective acquisitions, with the acquisition of Shoreline.

While the global consulting market continues to rebalance, a more positive market sentiment is returning following the summer months. Utilisation rates ticked up from summer lows in September, and further in October, closer to target levels. The Group expects this improving trend to continue through the second half of the year. The structural drivers of growth in the core markets in which we operate, including increase in assets and insurance policies, cost pressure, regulation, technology breakthroughs, and changes in client and societal expectations, remain prevalent and will continue to drive ongoing demand for Alpha's services. We are very confident in the quality of our people, which we have continued to reinforce selectively in the period, our excellent market reputation, and business opportunities to extend the service offering for our clients further.

We enter the second half with a strong and high quality pipeline of new business opportunities, alongside improving current trading and utilisation levels. Accordingly, the Board continues to expect to deliver full year results in line with current market expectations.

Ken Fry
Chairman

23 November 2023

Luc Baqué
Chief Executive Officer

Responsibility statement

The Directors confirm that, to the best of their knowledge, these interim condensed consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standard (IAS) 34 *Interim Financial Reporting*. The interim report includes a fair review of the information required by:

- DTR 4.2.7R of the Disclosure Guidance and Transparency Rules (DTR), being an indication of important events that have occurred during the first six months of the financial year and their impact on the interim condensed consolidated financial statements; and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- DTR 4.2.8R of the DTR, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or the performance of the Group during that period; and any changes in the related party transactions described in the last Annual Report that could do so.

This interim report contains certain forward-looking statements with respect to the Group's current targets, expectations and projections about future performance, anticipated events or trends and other matters that are not historical facts. These forward-looking statements, which sometimes use words such as "aim", "anticipate", "believe", "intend", "plan", "estimate", "expect" and words of similar meaning, include all matters that are not historical facts and reflect the Directors' beliefs and expectations and involve a number of risks, uncertainties and assumptions that could cause actual results and performance to differ materially from any expected future results or performance expressed or implied by the forward-looking statement.

Ken Fry
Chairman

23 November 2023

Luc Baqué
Chief Executive Officer



Interim condensed consolidated statement of comprehensive income

For the six months ended 30 September 2023

	Note	Unaudited six months ended 30 Sep 2023 £'000	Unaudited six months ended 30 Sep 2022 £'000
Continuing operations			
Revenue	2	115,623	107,599
Rechargeable expenses	2	(863)	(583)
Net fee income¹⁰	2	114,760	107,016
Cost of sales	2	(76,324)	(68,573)
Gross profit	2	38,436	38,443
Administration expenses		(26,420)	(22,679)
Operating profit		12,016	15,764
Finance income	4	260	65
Finance expense	4	(1,431)	(1,630)
Profit before tax		10,845	14,199
Taxation		(3,620)	(3,922)
Profit for the period		7,225	10,277
Foreign exchange differences on translation of foreign operations		263	9,963
Total other comprehensive income for the period		263	9,963
Total comprehensive income for the period		7,488	20,240
Basic earnings per share (p)	5	6.32	9.10
Diluted earnings per share (p)	5	5.93	8.55

10. Net fee income, adjusted EBITDA and other alternative performance measures are defined and reconciled in note 3.

Interim condensed consolidated statement of financial position

As at 30 September 2023

	Note	Unaudited as at 30 Sep 2023 £'000	Unaudited as at 30 Sep 2022 £'000	Audited as at 31 Mar 2023 £'000
Non-current assets				
Goodwill	6	106,599	107,310	103,676
Intangible fixed assets	6	27,421	30,936	27,588
Property, plant and equipment		1,121	1,109	1,113
Right-of-use assets		3,674	1,904	4,008
Deferred tax assets		2,424	1,088	3,033
Capitalised contract fulfilment costs		70	119	108
Total non-current assets		141,309	142,466	139,526
Current assets				
Trade and other receivables	8	42,381	41,695	34,128
Cash and cash equivalents		26,236	47,764	59,215
Total current assets		68,617	89,459	93,343
Current liabilities				
Trade and other payables	9	(42,605)	(55,709)	(60,539)
Provisions		(3,326)	(3,433)	(3,326)
Corporation tax		(1,195)	(3,226)	(1,321)
Lease liabilities		(2,273)	(1,072)	(2,104)
Interest bearing loans and borrowings		(10,150)	(7,477)	—
Total current liabilities		(59,549)	(70,917)	(67,290)
Net current assets		9,068	18,542	26,053
Non-current liabilities				
Deferred tax liabilities		(3,065)	(3,765)	(2,783)
Other non-current liabilities	10	(2,579)	(8,357)	(11,400)
Lease liabilities		(1,637)	(941)	(2,057)
Total non-current liabilities		(7,281)	(13,063)	(16,240)
Net assets		143,096	147,945	149,339
Equity				
Issued share capital	11	92	90	90
Share premium		119,438	119,438	119,438
Foreign exchange reserve		7,255	13,445	6,992
Other reserves		15,537	12,867	17,258
Retained earnings		774	2,105	5,561
Total shareholders' equity		143,096	147,945	149,339

The accompanying notes form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of cash flows

For the six months ended 30 September 2023

	Note	Unaudited six months ended 30 Sep 2023 £'000	Unaudited six months ended 30 Sep 2022 £'000	Audited year ended 31 Mar 2023 £'000
Cash flows from operating activities:				
Profit for the period		7,255	10,277	17,961
Taxation		3,620	3,922	7,810
Finance income	4	(260)	(65)	(364)
Finance expenses	4	1,431	1,630	3,229
Loss/(profit) from exchange rate movements on cash held		222	(4,764)	(2,364)
Depreciation charge		1,474	898	1,933
Loss/(profit) on disposal of fixed assets		12	—	(14)
Amortisation of intangible fixed assets	6	2,012	2,507	4,762
Share-based payment charge	12	3,329	3,588	7,023
Decrease in provisions		—	—	(19)
Operating cash flows before movements in working capital		19,065	17,993	39,957
Working capital adjustments:				
Increase in trade and other receivables		(6,876)	(9,065)	(3,834)
(Decrease)/increase in trade and other payables		(15,793)	(676)	7,752
Tax paid		(3,974)	(6,062)	(13,285)
Net cash (used in)/generated from operating activities		(7,578)	2,190	30,590
Cash flows from investing activities:				
Interest received		260	65	364
Acquisition consideration payments, including deferred and contingent, net of cash acquired	7	(16,862)	(20,716)	(20,829)
Purchase of intangible assets		—	(319)	(319)
Purchase of property, plant and equipment, net of disposals		(328)	(564)	(860)
Net cash used in investing activities		(16,930)	(21,534)	(21,644)
Cash flows from financing activities:				
Net settlement of vested share options		(446)	(322)	(343)
Purchase of own shares by the EBT		(3,843)	(1,129)	(1,139)
Drawdown of revolving credit facility		10,150	7,477	12,500
Repayment of revolving credit facility		—	—	(12,500)
Interest and bank loan fees		(437)	(110)	(482)
Principal lease liability payments		(1,084)	(650)	(1,315)
Interest on lease liabilities		(175)	(53)	(216)
Dividends paid		(12,010)	(8,547)	(12,774)
Net cash used in financing activities		(7,845)	(3,334)	(16,269)
Net decrease in cash and cash equivalents		(32,353)	(22,678)	(7,323)
Cash and cash equivalents at beginning of the period		59,215	63,516	63,516
Effect of exchange rate movements on cash held		(626)	6,926	3,022
Cash and cash equivalents at end of the period		26,236	47,764	59,215

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2023

	Issued share capital £'000	Share premium £'000	Foreign exchange reserve £'000	Other reserves £'000	Retained earnings £'000	Total shareholders' equity £'000
As at 1 April 2022	89	119,438	3,482	9,361	375	132,745
Comprehensive income						
Profit for the period	—	—	—	—	10,277	10,277
Foreign exchange differences on translation of foreign operations	—	—	9,963	—	—	9,963
Transactions with owners						
Shares issued (equity)	1	—	—	—	—	1
Purchase of own shares by the EBT	—	—	—	(1,129)	—	(1,129)
Share-based payment charge	—	—	—	3,588	—	3,588
Net settlement of vested share options	—	—	—	(322)	—	(322)
Current tax recognised in equity	—	—	—	1,180	—	1,180
Deferred tax recognised in equity	—	—	—	189	—	189
Dividends	—	—	—	—	(8,547)	(8,547)
As at 30 September 2022	90	119,438	13,445	12,867	2,105	147,945
Comprehensive income						
Profit for the period	—	—	—	—	7,684	7,684
Foreign exchange differences on translation of foreign operations	—	—	(6,453)	—	—	(6,453)
Transactions with owners						
Shares issued (equity)	—	—	—	—	(1)	(1)
Purchase of own shares by the EBT	—	—	—	(10)	—	(10)
Share-based payment charge	—	—	—	3,435	—	3,435
Net settlement of vested share options	—	—	—	(21)	—	(21)
Current tax recognised in equity	—	—	—	306	—	306
Deferred tax recognised in equity	—	—	—	681	—	681
Dividends	—	—	—	—	(4,227)	(4,227)
As at 31 March 2023	90	119,438	6,992	17,258	5,561	149,339
Comprehensive income						
Profit for the period	—	—	—	—	7,225	7,225
Foreign exchange differences on translation of foreign operations	—	—	263	—	—	263
Transactions with owners						
Shares issued (equity)	2	—	—	—	(2)	—
Purchase of own shares by the EBT	—	—	—	(3,843)	—	(3,843)
Share-based payment charge	—	—	—	3,329	—	3,329
Net settlement of vested share options	—	—	—	(446)	—	(446)
Current tax recognised in equity	—	—	—	287	—	287
Deferred tax recognised in equity	—	—	—	(1,048)	—	(1,048)
Dividends	—	—	—	—	(12,010)	(12,010)
As at 30 September 2023	92	119,438	7,255	15,537	774	143,096

Interim condensed consolidated statement of changes in equity continued

For the six months ended 30 September 2023

Issued share capital

Issued share capital represents the nominal value of share capital subscribed.

Share premium

The share premium account is used to record the aggregate amount or value of premiums paid when the Company's shares are issued at a premium, net of associated share issuance costs.

Foreign exchange reserve

The foreign exchange reserve represents exchange differences that arise on consolidation from the translation of the financial statements of foreign subsidiaries, including goodwill.

Other reserves

The other reserves represent the cumulative fair value of the IFRS 2 share-based payment charge recognised each year, associated current tax, deferred tax and net settlement of vested share options, equity-settled acquisition consideration reserves, and purchases of the Company's own shares by the employee benefit trust ("EBT").

Retained earnings

The retained earnings reserve represents cumulative net gains and losses recognised in the consolidated statement of comprehensive income less dividends paid.

Notes to the interim condensed consolidated financial statements

1. Basis of preparation and significant accounting policies

General information

The principal activity of the Group is the provision of specialist consulting and related services to clients in the financial services industry, principally in the UK, North America, Europe and APAC.

Alpha Financial Markets Consulting plc is incorporated in England and Wales with registered number 09965297. The Company's registered office is 60 Gresham Street, London, EC2V 7BB. The Company is a public limited company and is admitted to trading on the AIM of the London Stock Exchange.

These interim condensed consolidated financial statements were authorised for issue on 23 November 2023 in accordance with a resolution of the Directors.

Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* and should be read in conjunction with the Group's most recent annual consolidated financial statements, for the year ended 31 March 2023. They do not include all of the information required for a complete set of IFRS financial statements, however selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since Alpha's Annual Report & Accounts 2023.

The financial information presented for the periods ended 30 September 2023 and 30 September 2022 is unaudited. The financial information for the 12 months to 31 March 2023 is audited.

The presentational currency of these financial statements is pound sterling. All amounts in these financial statements have been rounded to the nearest £1,000, unless otherwise stated.

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006 (the "Act"). The statutory accounts for the year ended 31 March 2023 have been filed with the Registrar of Companies. The independent auditor's report on those statutory accounts was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under Section 498(2) or (3) of the Act.

Basis of consolidation

These interim condensed financial statements consolidate the interim financial statements of the Company and its subsidiary undertakings (the "Group") as at 30 September 2023.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intra-group balances, income and expenses, and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Seasonality of operations

Given the nature of the Group's consulting and related services and the composition of the Group's customers and contracts, seasonality is generally not expected to have a significant bearing on the financial performance of the Group.

Going concern

The Directors have, at the time of approving these interim condensed consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operation for a period of at least 12 months from the approval of these financial statements (the "going concern period"). The Group's forecasts and projections, taking into account plausible changes in trading performance, show that the Group has sufficient financial resources, together with assets that are expected to generate cash flow in the normal course of business.

The ongoing trading performance of the Group has been resilient against the backdrop of more competitive market conditions with profits considerably ahead of the "reverse stress test" downside scenario modelled during the Group's FY 23 going concern assessment. This "reverse stress test" scenario has been extended to cover the going concern period for these interim condensed consolidated financial statements. The Directors continue to consider this scenario to be remote as it requires significant revenue reductions compared to the base case forecast, without assuming any cost mitigants or drawdowns of the RCF.

Notes to the interim condensed consolidated financial statements continued

1. Basis of preparation and significant accounting policies *continued*

Going concern *continued*

The Group maintains a robust balance sheet and liquidity position. At 30 September 2023, the Group held a gross cash position of £26.2m and has access to a £50.0m RCF providing further liquidity, of which £10.1m was drawn at the end of the period, to assist with short-term currency and liquidity requirements. The Group enters the second half well positioned with a strong and high quality pipeline of new business opportunities, with an expectation of a return to positive operating cash generation for the full year.

Given the above factors, the Directors consider that it is appropriate to adopt the going concern basis in preparing these interim condensed consolidated financial statements.

Principal accounting policies

Please refer to Alpha's Annual Report & Accounts 2023 for full disclosures of the principal accounting policies that have been adopted in the preparation of these interim condensed consolidated financial statements. There have been no changes to the Group's accounting policies in the period.

Significant judgements and estimates

The preparation of financial information in accordance with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses.

Key judgements

In the process of applying the Group's accounting policies, the Directors have made two judgements (excluding those involving estimations), which are considered to have a significant effect on the interim condensed financial statements for the period ended 30 September 2023.

Alternative performance measures

To assist in understanding the underlying performance of the Group, management presents various alternative performance measures ("APMs"), which exclude certain adjusting items. APMs are provided to allow stakeholders a further understanding of the underlying trading performance of the Group and to aid comparability between accounting periods. Management applies judgement to identify those income or expense items that are deemed to warrant exclusion from the calculation of the Group's adjusted measures to allow stakeholders a further understanding of the underlying performance of the business. These adjusting items have been applied consistently across reporting periods. A reconciliation to IFRS measures, and explanation of each adjusting item excluded is provided in note 3.

All adjusting items are considered individually for exclusion by virtue of their nature or size. In the period ended 30 September 2023, these items totalled £6.6m (H1 23: £5.7m) recognised in administration expenses. A further £0.9m (H1 23: £1.4m) was recognised within finance expenses.

Revenue recognition

Revenue is the Group's most significant caption in the statement of comprehensive income. Whilst the majority of the Group's revenue is contracted on a time and materials basis, the Group also has some fixed-price milestone contracts. The recognition of revenue on such contracts involves consideration of the detailed contractual terms against the requirements of IFRS 15. The key judgements include assessment of whether revenue should be recognised over time or at a point in time, and whether the performance obligations under the contract have been met at the balance sheet date, to best reflect the transfer of services through the life of each contract.

Further information regarding the methods used to recognise revenue, for both time and materials and milestone contracts, is provided in the Group's accounting policy as detailed on p. 99 within Alpha's Annual Report & Accounts 2023.

Key estimates

A number of estimates have been made in the preparation of the financial statements. The underlying assumptions in the Group's estimates are based on historical experience and various other factors that are deemed to be reasonable under the circumstances. These assumptions form the basis of developing estimates of the carrying values of assets and liabilities that are not apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised in the year in which the estimate is revised and any future years affected. Actual results can differ from these estimates.

The Directors have identified one area as a key estimate that is considered to have a significant risk of a material adjustment within the next financial year.

Notes to the interim condensed consolidated financial statements continued

1. Basis of preparation and significant accounting policies *continued*

Significant judgements and estimates *continued*

Key estimates *continued*

Share-based payments (note 12)

Management has estimated the share-based payment expense under IFRS 2. In determining the share-based payment expense and the associated social security tax thereon, management has considered several internal and external factors to judge the probability that management and employee share incentives may vest and to assess the fair value of share options at the date of grant. Such assumptions involve estimating future performance, share price and other factors. The fair value calculations have been assessed by a third-party expert for reasonableness in the current and prior periods. Refer to note 12 for sensitivity analysis.

New accounting standards and interpretations

In the period ended 30 September 2023, the Group has adopted the following new accounting standards and amendments to existing accounting standards with no material impact on the financial statements:

- IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Amendments to IFRS 17, effective from 1 January 2023;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective from 1 January 2023;
- Definition of Accounting Estimates (Amendments to IAS 8), effective from 1 January 2023;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12), effective from 1 January 2023;
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) – Application of the exception and disclosure of that fact, effective from 23 May 2023; and
- International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12) – other disclosure requirements, effective from 1 January 2023.

Refer to p. 101 of the Group's Annual Report & Accounts 2023 for details of recently adopted standards and interpretations in the prior year.

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. This 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: specialist consultancy and related services to the financial services industry.

The Directors consider that the aggregation of Europe and APAC into a single operating segment is appropriate on the basis that these territories have similar economic characteristics, including similar gross margins.

Revenues associated with software licensing arrangements were not significant in both the current and prior periods. Therefore, the Directors consider that disaggregating revenue by operating segments is most relevant to depict the nature, amount, timing and uncertainty of revenue and cash flows as may be affected by economic factors.

Notes to the interim condensed consolidated financial statements continued

2. Segment information continued

	UK £'000	North America £'000	Europe & APAC £'000	Total £'000
Six months ended September 2023				
Revenue	45,515	44,237	25,871	115,623
Rechargeable expenses	(140)	(423)	(300)	(863)
Net fee income	45,375	43,814	25,571	114,760
Cost of sales	(29,205)	(30,186)	(16,933)	(76,324)
Gross profit	16,170	13,628	8,638	38,436
Margin on net fee income (%) ¹¹	35.6%	31.1%	33.8%	33.5%
Six months ended September 2022				
Revenue	39,912	44,602	23,085	107,599
Rechargeable expenses	(128)	(279)	(176)	(583)
Net fee income	39,784	44,323	22,909	107,016
Cost of sales	(23,728)	(29,026)	(15,819)	(68,573)
Gross profit	16,056	15,297	7,090	38,443
Margin on net fee income (%) ¹¹	40.4%	34.5%	30.9%	35.9%

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 to revenue on the face of the consolidated statement of comprehensive income and by segment 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 senior management and the Board to assess the performance of the Group.

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

Notes to the interim condensed consolidated financial statements continued

3. Reconciliations to alternative performance measures *continued*

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

	Note	30 Sep 2023 £'000	30 Sep 2022 £'000
Profit before tax		10,845	14,199
Amortisation of acquired intangible assets	6	2,012	2,356
Loss on disposal of fixed assets		12	—
Share-based payment charge	12	3,737	4,091
Earn-out and deferred consideration ¹²	7	729	(316)
Acquisition and integration costs		247	—
Foreign exchange gains		(106)	(463)
Adjusting items		6,631	5,668
Non-underlying finance expenses	4	883	1,383
Adjusted profit before tax		18,359	21,250
Net underlying finance expenses	4	288	182
Adjusted operating profit		18,647	21,432
Depreciation charge		1,474	898
Amortisation of capitalised development costs		—	151
Adjusted EBITDA		20,121	22,481
Adjusted EBITDA margin (%)		17.5%	21.0%

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 Group's share-based payment charge and related social security taxes are excluded from adjusted profit measures. This allows for better comparability between periods given the complexity of the assumptions underlying the calculation and the multi-year effect of mid-cycle changes to these assumptions being adjusted on a cumulative basis, sometimes resulting in material fluctuations in the charge between periods that are not reflective of the underlying operational performance of the business. The charge and related social security taxes are also subject to external factors, such as the Group's share price, over which the Directors have less day-to-day influence compared to other more directly controllable factors. 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.

The Group will continue to assess the status of this charge as an adjusting item in the Group's financial statements, considering the development of the charge, the Group and its remuneration policies. If no adjustment was made for the share-based payment charge, adjusted EBITDA for the period would be £16.4m (H1 23: £18.4m) and adjusted EBITDA margin would be 14.3% (H1 23: 17.2%).

As per note 7, the acquisitions of Shoreline in the period, and Lionpoint in FY 22, involved both deferred and contingent payments. Part of these acquisition payments are dependent on the ongoing employment of certain members of the respective senior management teams, and this element is expensed annually over several years until the date of payment. These costs have been treated as adjusting items as they are acquisition related, reflecting the acquisition terms rather than Group trading performance. Additionally, where there is a change to the expected future payments or discount rates, a fair value adjustment to the liability is recorded in the income statement. No such fair value adjustments were recognised in the period. Whilst these acquisition-related costs will recur in the short term through the earn-out periods, the adjustment allows comparability of underlying productive output and operating performance across reporting periods.

12. The earn-out and deferred consideration charge in the period comprises an employment-linked consideration charge of £0.7m as set out in note 7, as well as a small associated social security charge. In the prior period, the credit comprises a £1.4m fair value adjustment, partly offset by a £1.1m employment-linked charge and associated social security.

Notes to the interim condensed consolidated financial statements continued

3. Reconciliations to alternative performance measures *continued*

Adjusting items *continued*

Other acquisition and integration costs expensed in the period relate to the acquisition of Shoreline, including diligence, legal fees and integration costs. Whilst further similar acquisition and integration 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 and treating these as an adjusting item allows comparability of the operating performance across reporting periods. There were no such costs incurred in the comparative period.

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 were immaterial in both the current and prior periods.

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. A nil effective tax rate has been applied to acquisition-related expenses totalling £1.9m as these items are treated as capital in nature and are therefore non-deductible for tax purposes. An overall effective tax rate of 21.9% has been applied to all other adjusting items totalling £5.7m, reflecting the specific tax rates applicable to each adjusting item.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Adjusted profit before tax	18,359	21,250
Tax charge	(3,620)	(3,922)
Tax impact of adjusting items	(1,237)	(1,419)
Adjusted profit after tax	13,502	15,909

Adjusted earnings per share

Adjusted earnings per share ("EPS") is calculated by dividing the adjusted profit after tax for the period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. 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 5 for further detail.

Notes to the interim condensed consolidated financial statements continued

3. Reconciliations to alternative performance measures continued

Adjusted earnings per share continued

	30 Sep 2023	30 Sep 2022
Adjusted EPS (p)	11.81	14.09
Adjusted diluted EPS (p)	11.09	13.23

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.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Administration expenses	26,420	22,679
Adjusting items	(6,631)	(5,668)
Depreciation charge	(1,474)	(898)
Amortisation of capitalised development costs	—	(151)
Adjusted administration expenses	18,315	15,962

Adjusted cash 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 and integration costs paid in the period, treated as operating cash flows under IFRS, to reflect the Group's underlying operating cash flows, exclusive of cash payments relating to acquisitions.

	30 Sep 2023 £'000	30 Sep 2022 £'000
Net cash from operating activities	(7,578)	2,190
Employment-linked acquisition payments ¹³	1,923	1,981
Acquisition and integration costs	247	—
Adjusted cash from operating activities	(5,408)	4,171

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.

	30 Sep 2023	30 Sep 2022
Cash conversion	(63.1%)	13.9%
Adjusted cash conversion	(29.0%)	19.5%

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 6.2% (H1 23: 45.3%) for the current period represents H1 24 net fee income less £1.1m net fee income attributable to Shoreline, treated as inorganic.

13. Employment-linked acquisition payments of £1.9m comprises £1.7m of acquisition consideration classified as employment-linked and £0.2m of associated social security payments.

Notes to the interim condensed consolidated financial statements continued

3. Reconciliations to alternative performance measures *continued*

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 period to period, so the Group presents some of its results on a “constant currency” basis. This means that the current period’s results have been retranslated using the average exchange rates from the prior period to allow for comparison of period-on-period results, eliminating the effects of volatility in exchange rates.

Currency translation had some impact on both net fee income and gross profit in the period, as a result of a strengthening pound sterling through the period against the US dollar, partially offset against slight weakening against the euro. In the period, pound sterling averaged \$1.26 (H1 23: \$1.23) and €1.16 (H1 23: €1.18).

On a constant currency basis, Group net fee income would be £116.1m which is growth of 8.5% overall. Similarly, North America net fee income would be £45.3m and Europe & APAC would be £25.4m, which would be growth of 2.1% and 11.0% respectively.

On a similar basis the Group’s gross profit would have been £38.9m and would have grown 1.1% on a constant currency basis.

4. Finance income and expenses

	Note	30 Sep 2023 £'000	30 Sep 2022 £'000
Bank interest receivable		260	65
Total finance income		260	65
Interest and fees payable on bank loans		(373)	(194)
Interest on lease liabilities		(175)	(53)
Total underlying finance expenses		(548)	(247)
Non-underlying finance expenses	3	(883)	(1,383)
Total finance expenses		(1,431)	(1,630)
Net underlying finance expenses	3	(288)	(182)
Net finance expenses		(1,171)	(1,565)

The Group holds one principal bank facility comprising a £50.0m committed RCF with Lloyds and HSBC with a tenor to June 2026. The Group has utilised up to £17.8m of the facility, drawn down occasionally through the period to meet short-term currency requirements. As at 30 September 2023, £10.1m of this facility was drawn down, and the Group is in a net cash position of £16.1m. The amounts drawn down and repaid within the period have been presented net in the consolidated statement of cash flows, as the drawings were repaid within three months in each instance.

Notes to the interim condensed consolidated financial statements continued

5. 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 period attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period. 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 period, the same adjustments as set out in note 3 have been made to the Group's profit for the period. The profits and weighted average number of shares used in the calculations are set out below:

	Note	30 Sep 2023	30 Sep 2022
Basic and diluted EPS			
Profit for the period used in calculating basic and diluted EPS (£'000)		7,225	10,277
Weighted average number of ordinary shares in issue ('000)		114,358	112,904
Number of dilutive shares ('000)		7,412	7,310
Weighted average number of ordinary shares, including dilutive shares ('000)		121,770	120,214
Basic EPS (p)		6.32	9.10
Diluted EPS (p)		5.93	8.55
Adjusted EPS and adjusted diluted EPS			
Adjusted profit after tax used in calculating adjusted basic and diluted EPS (£'000)	3	13,502	15,909
Weighted average number of ordinary shares in issue ('000)		114,358	112,904
Number of dilutive shares ('000)		7,412	7,310
Weighted average number of ordinary shares, including dilutive shares ('000)		121,770	120,214
Adjusted EPS (p)		11.81	14.09
Adjusted diluted EPS (p)		11.09	13.23

6. Goodwill and intangible fixed assets

Net book value as at 30 September 2023

	Order backlog £'000	Customer relationships £'000	Intellectual property £'000	Trade name £'000	Capitalised development costs £'000	Total intangible fixed assets £'000	Goodwill £'000
As at 31 March 2023	—	21,060	786	5,742	—	27,588	103,676
Additions	—	1,729	—	—	—	1,729	2,711
Amortisation charge for the period	—	(1,573)	(141)	(298)	—	(2,012)	—
Exchange differences	—	92	—	24	—	116	212
As at 30 September 2023	—	21,308	645	5,468	—	27,421	106,599

Net book value as at 30 September 2022

	Order backlog £'000	Customer relationships £'000	Intellectual property £'000	Trade name £'000	Capitalised development costs £'000	Total intangible fixed assets £'000	Goodwill £'000
As at 31 March 2022	120	23,569	1,247	6,211	186	31,333	100,991
Additions	319	—	—	—	—	319	—
Amortisation charge for the period	(294)	(1,515)	(247)	(300)	(151)	(2,507)	—
Exchange differences	40	1,401	—	350	—	1,791	6,319
As at 30 September 2022	185	23,455	1,000	6,261	35	30,936	107,310

Notes to the interim condensed consolidated financial statements continued

6. Goodwill and intangibles *continued*

Additions in the period of £1.7m customer relationships and £2.7m goodwill relate to the acquisition by the Group of Shoreline Consulting Pty Ltd, Shoreline Consolidated Pty Ltd and their subsidiaries, a boutique consultancy that provides services to the asset and wealth management sector in APAC.

In the context of a more competitive environment and a lengthening sales cycle in the period, the Group has considered whether there are any indicators of impairment that would constitute a reason to perform a full impairment assessment at the balance sheet date. The Directors concluded that despite this market backdrop, the Group is still well positioned entering the second half, with a strong and high quality pipeline of new business opportunities. Further, the Group had a significant level of headroom at the date of the last annual assessment. Therefore the Directors consider that no additional impairment assessment is required at the reporting date.

7. Acquisitions of businesses

Acquisitions in the period

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 and its subsidiaries (together, "Shoreline"), a boutique consultancy that provides services to the asset and wealth management sector in APAC, on a cash free, debt free basis. The Directors consider that the acquisition enables Alpha to build upon a robust platform within APAC and ensures that the Group can take advantage of opportunities in that region.

The maximum potential cash consideration payable by the Group pursuant to the acquisition is AUD 13.0m (£6.8m), allocated between AUD 8.0m (£4.2m) non-contingent cash consideration and a contingent earn-out structure up to a maximum of AUD 5.0m (£2.6m), payable in several instalments, falling due on July 2025, 2026 and 2027, respectively. The non-contingent cash consideration is also payable in instalments, with AUD 4.9m (£2.6m) paid on completion and deferred consideration of AUD 1.7m (£0.9m) and AUD 1.4m (£0.7m) payable on the first and second anniversaries of completion, respectively. Of this maximum amount payable, AUD 1.2m (£0.6m) is employment linked. The FY 26 to FY 28 Shoreline earn-out consideration payments are contingent on meeting certain profitability targets over the earn-out period.

Initial consideration was funded from the Group's cash reserves, with any remaining deferred and contingent consideration amounts expected to be settled in cash, with the option to settle a portion of the deferred amounts in the Group's ordinary shares.

The fair value of consideration recognised on the date of acquisition amounted to AUD 8.2m (£4.3m), of which AUD 4.5m (£2.3m) relates to initial cash consideration paid, AUD 0.2m (£0.1m) relates to an additional payable in relation to completion working capital, AUD 2.4m (£1.3m) relates to deferred consideration, and AUD 1.1m (£0.6m) relates to contingent consideration.

A summary of the purchase consideration, net assets acquired, identifiable intangible assets and goodwill is set out below. These fair values are determined by using established estimation techniques such as income-based discounted cash flow models.

	Book values £'000	Fair value adjustments £'000	Values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Customer relationships	—	1,729	1,729
Trade and other receivables	768	—	768
Cash and cash equivalents	92	—	92
Trade and other payables	(636)	—	(636)
Deferred tax asset/(liability)	54	(432)	(378)
Net identifiable assets acquired	278	1,297	1,575
Cash consideration relating to business combination			4,286
Goodwill on acquisition (note 6)			2,711

Notes to the interim condensed consolidated financial statements continued

7. Acquisitions of businesses *continued*

Acquisitions in the period *continued*

Shoreline *continued*

Employment-linked acquisition payments will be expensed through the income statement proportionately until FY 28. During the period, the Group has expensed AUD 0.3m (£0.2m) in relation to these employment-linked payments through the statement of comprehensive income, with AUD 0.1m (£0.1m) paid in the period.

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 period, AUD 0.1m (£0.1m) of discount unwinding was expensed as a non-underlying finance cost in relation to the Shoreline acquisition consideration.

As at 30 September 2023, a AUD 3.8m (£2.0m) liability is recorded, of which AUD 1.5m (£0.8m) is current and AUD 2.3m (£1.2m) is non-current.

As consideration for the acquisition of Shoreline is payable in Australian dollars, foreign exchange gains and losses are recognised at each reporting date in relation to translating these liabilities into pound sterling. In the period, the Group recognised a small foreign exchange loss through other comprehensive income in relation to the re-translation of these liabilities.

Shoreline contributed £1.1m to the Group's revenue and had an immaterial impact on the Group's profit after tax for the period from the date of acquisition to the 30 September 2023. If the acquisition of Shoreline had been completed on 1 April 2023, Group revenues for the period would have been £115.8m and the Group profits after tax would have been unchanged, without adjustment to amortisation assumptions.

The Directors consider the undiscounted future contingent consideration payable in respect of the Shoreline acquisition could reasonably range between £nil and £2.6m.

Acquisitions in prior periods

Lionpoint

As at 31 March 2023, the Group held a liability of £24.9m in relation to future deferred and contingent consideration payable for this acquisition.

Employment-linked acquisition payments are expensed through the income statement proportionately until FY 26. During the period, the Group has expensed £0.5m 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 period, £0.8m of discount unwinding was expensed as a non-underlying finance cost in relation to the Lionpoint acquisition consideration.

During the period, the Group made deferred and contingent Lionpoint acquisition payments totalling £16.3m. Of these payments, £1.7m relates to employment-linked consideration, and is presented within cash from operating activities, with the remaining £14.6m presented within cash used in investing activities in the 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 pound sterling. In the period, the Group recognised a foreign exchange gain of £0.2m in the statement of comprehensive income arising from acquisition-related currency movements in relation to this re-translation.

As at 30 September 2023, a £9.8m liability is recorded, of which £9.5m is current and £0.3m is non-current.

Notes to the interim condensed consolidated financial statements continued

7. Acquisitions of businesses continued

Acquisitions in prior periods continued

Lionpoint continued

The below table summarises the movements in the deferred and contingent consideration liabilities to 30 September 2023:

	Shoreline £'000	Lionpoint £'000	Total £'000
Balance as at 1 April 2023	—	24,949	24,949
Additions	1,824	—	1,824
Employment-linked consideration	176	525	701
Payments in the period ¹⁴	(57)	(16,328)	(16,385)
Unwinding of discounting	56	827	883
Foreign exchanges losses/(gains)	6	(186)	(180)
Balance as at 30 September 2023	2,005	9,787	11,792
Represented by:			
Current	813	9,497	10,310
Non-current	1,192	290	1,482
Balance as at 30 September 2023	2,005	9,787	11,792

As at 30 September 2023, the Group held a liability of £11.8m in relation to future deferred and contingent consideration payable for acquisitions. Of this liability at the balance sheet date, £2.2m relates to deferred consideration and the remaining £9.6m relates to contingent consideration. Within these deferred and contingent consideration liabilities, £1.6m relates to employment-linked amounts.

The fair value of acquisition earn-outs is no longer considered to be an area of significant estimation uncertainty given proximity to and more certainty around the Lionpoint final earn-out payment. The fair value of the earn-out liability held in relation of Shoreline is also not considered to have a material level of estimation uncertainty to the value of the liability held at 30 September 2023.

8. Trade and other receivables

	30 Sep 2023 £'000	30 Sep 2022 £'000	31 Mar 2023 £'000
Trade receivables	32,715	31,981	26,124
Other receivables	1,586	927	1,194
Capitalised contract fulfilment costs	1,291	1,725	1,101
Prepayments	3,033	2,105	1,999
Accrued income	3,756	4,957	3,710
Total amounts due within one year	42,381	41,695	34,128

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.

In assessing the appropriateness of the Group's expected credit loss provision at 30 September 2023, the Directors have considered the Group's historical loss rates for each ageing category of receivables in conjunction with other factors in key Alpha territories. There are no indicators at 30 September 2023 that the profile of risk associated with the Group's receivables is materially different from that determined through the full assessment performed for the year ended 31 March 2023. Therefore, the expected credit loss provision has not changed materially from the provision disclosed in Alpha's Annual Report & Accounts 2023.

14. Deferred and contingent acquisition payments presented in the table above includes £1.7m of employment-linked consideration, which is reported in net cash from operating activities in the consolidated statement of cash flows. Additionally, acquisition payments reported within cash flows from investing activities in the consolidated statement of cash flows includes £2.3m paid upon completion of the acquisition of Shoreline, which is not included in the table above.

Notes to the interim condensed consolidated financial statements continued

9. Trade and other payables

	Note	30 Sep 2023 £'000	30 Sep 2022 £'000	31 Mar 2023 £'000
Trade payables		3,891	4,851	5,156
Accruals		16,057	22,800	29,880
Deferred income		648	1,599	796
Social security tax on share options		2,310	1,657	1,669
Taxation and social security		7,007	6,118	4,734
Other payables		2,382	1,821	2,277
Earn-out and deferred consideration	7	10,310	16,863	16,027
Total amounts owed within one year		42,605	55,709	60,539

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 reduction in accruals reflects the normal H1 timing of profit share payments, including both the payment of FY 23 profit share and the second tranche of deferred FY 22 payments, partly offset by associated performance-adjusted bonus accruals in the period.

10. Other non-current liabilities

	Note	30 Sep 2023 £'000	30 Sep 2022 £'000	31 Mar 2023 £'000
Earn-out and deferred consideration	7	1,482	6,823	8,922
Deferred income		156	204	213
Social security tax on share options		941	1,330	1,640
Other non-current liabilities		—	—	625
Total amounts owed after one year		2,579	8,357	11,400

Other non-current liabilities fell to £nil in the period (FY 23: £0.6m) as the remaining deferred element of FY 23 bonuses for certain directors and senior management globally now falls due within 12 months.

11. Called up share capital

	30 Sep 2023 Number	30 Sep 2022 Number	31 Mar 2023 Number
Allotted, called up and fully paid			
Ordinary 0.075p shares (1 vote per share)	122,009,736	120,507,336	120,509,736
	30 Sep 2023 £	30 Sep 2022 £	31 Mar 2023 £
Allotted, called up and fully paid			
Ordinary 0.075p shares (1 vote per share)	91,507	90,381	90,382

Movements in share capital during the period ended 30 September 2023:

	Note	£
Balance as at 1 April 2023		90,382
120,509,736 ordinary shares of 0.075p each		
Issued shares	(i)	1,125
Balance as at 30 September 2023		91,507
122,009,736 ordinary shares of 0.075p each		

- (i) During the period, a total of 1,500,000 ordinary shares were issued by the Group, all of which were issued to the employee benefit trust ("EBT") for the satisfaction of future share options awards.

Notes to the interim condensed consolidated financial statements continued

11. Called up share capital *continued*

Alpha's employee benefit trust

The Group held 7,627,623 (FY 23: 6,274,380) shares in the EBT comprising shares held to satisfy share options granted under its joint share ownership plan ("JSOP") or unallocated ordinary shares to satisfy future share option vests granted under the Group's other share option plans.

During the period, 1,500,000 ordinary shares were transferred by the Company to the EBT for potential future satisfaction of share option awards. Further, the EBT purchased 1,033,954 shares in the period at market value for £3.8m.

In addition, a total of 1,180,711 shares held in the EBT were utilised for employee share option exercises in the period.

Treasury shares

The Group held nil shares in treasury at 30 September 2023 (FY 23: nil).

Shares with voting rights

The total number of shares with voting rights in the Company at 30 September 2023 was 122,009,736 (FY 23: 120,509,736). The EBT holds 7,627,623 of these shares as disclosed above, however the EBT has waived all dividend and voting rights in respect of these shares. Therefore, the number of shares with exercisable voting rights at the balance sheet date is 114,382,113 (FY 23: 114,235,356).

Dividends

During the period, the Group paid a final dividend in relation to the year ended 31 March 2023 of 10.50p per ordinary share (H1 23: 7.50p).

The Board has declared an interim FY 24 dividend of 3.70p per share (H1 23: 3.70p).

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 TSR over three years in excess of the mean total shareholder return ("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 in the 2023 Annual Report & Accounts, 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. These criteria were also applied to FY 24 awards granted in the period.

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 are usually equity settled.

Notes to the interim condensed consolidated financial statements continued

12. Share-based payments *continued*

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 periods.

Movements in the period

During the period, a total of 2,729,582 share option and award grants were made to employees and senior management (H1 23: 3,138,309). The weighted average of the estimated fair values of these options awarded in the period is £3.24 per share (H1 23: £3.11).

During the period, 3,177,545 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, 1,068,471 were exercised, with a further 2,109,074 vested options remaining outstanding. An additional 216,664 awards that vested in previous periods were also exercised in the period, with 59,642 remaining outstanding at the end of the period. Of the above total 1,285,135 options exercised, the Group settled 1,180,711 either through the issuance of new shares, or shares transferred from the Group's EBT with a further 104,424 options retained for net tax settlement. The weighted average share price at the date of these exercises was £3.83. 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.

During the period, 97,382 share options were forfeited under performance conditions or as a result of leavers before vesting.

Details of the share option awards made are as follows:

	30 Sep 2023 Number of share options
Outstanding at the beginning of the period	9,996,040
Granted during the period	2,729,582
Exercised during the period	(1,285,135)
Forfeited during the period	(97,382)
Expired during the period	—
Outstanding at the period end	11,343,105
Exercisable at the period end	2,168,716

The weighted average exercise price for all options outstanding in both the current and prior periods was nominal. The options outstanding as at 30 September 2023 had a weighted average remaining contractual life of 1.5 years.

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.

Notes to the interim condensed consolidated financial statements continued

12. Share-based payments *continued*

Movements in the period *continued*

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

	30 Sep 2023
Weighted average share price at grant date	£4.00
Exercise price	Nominal
Volatility	26.40%
Weighted average share option life	4 years
Risk-free rate	4.93%
Expected dividend yield	3.00%

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 £3.7m (H1 23: £4.1m) in the current period, comprising £3.3m (H1 23: £3.6m) in relation to equity settled share-based payments and £0.4m (H1 23: £0.5m) relating to relevant social security taxes.

The combined carrying value of current and non-current liabilities relating to social security tax on share options as at 30 September 2023 is £3.3m (FY 23: £3.3m). A £0.4m charge was recognised in the consolidated statement of comprehensive income in the period, offset by £0.4m 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 assumption were to increase by 30%, the social security costs in the period would increase by £0.4m. Were the share price assumption to reduce by 30%, the charge would reduce by £0.4m.

If the estimated number of share options expected to forfeit annually were to decrease by 3%, the share-based payment charge in the period would increase by £0.7m. If estimated annual forfeits were to increase by 3%, the charge in the period would reduce by £0.7m.

13. Related party transactions

Related parties, following the definitions within IAS 24, are the Group's subsidiary companies, members of the Board, key management personnel and their families, and shareholders who have control or significant influence over the Group.

The Group considers key management personnel, as defined under IAS 24, to be the Company's Directors and certain members of the Group's senior management team that report into the Group Coordination Committee. There were no transactions within the period in which the Directors had any interest.

Transactions between the Company and its subsidiaries are on an arm's length basis and have been eliminated on consolidation and are not disclosed in this note. None of the Group's shareholders are deemed to have control or significant influence and therefore are not classified as related parties for the purposes of this note.

Company information

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