

Alpha Financial Markets Consulting plc

Alpha Financial Markets Consulting plc ("Alpha"), a leading global provider of specialist consultancy services to the Asset and Wealth Management industry, reports interim results for the six months ended 30 September 2017.

28 November 2017

STRONG PERFORMANCE IN H1 2017/18 AND A CONFIDENT OUTLOOK

Financial Highlights

- Group revenue for H1 2017/18 increased by 50% to £28.7m compared to H1 2016/17
- Group adjusted EBITDA for H1 2017/18 increased by 71% to £5.8m compared to H1 2016/17
- Continued strong performance across all of the Group's business practices
- Following a successful IPO in October 2017, net debt of £84.7m as at 30 September 2017 has been entirely paid down
- Interim dividend of 1.48 pence per share announced

	<i>Six months to 30-Sep-17</i>	<i>Six months to 30-Sep-16</i>	Change
Revenue	£28.7m	£19.1m	50%
Gross Profit	£10.5m	£6.6m	59%
Adjusted EBITDA	£5.8m	£3.4m	71%
Interim Dividend per share	1.48p	-	-

Operating Highlights

- Launch of the Alpha Switzerland office in Geneva
- Launch of the Alpha Singapore office
- Acquisition of Track Two GmbH
- Promotion and hiring of four Directors to support the future growth of the business
- Continued investment in people: number of consultants including contractors grew by 33% compared to H1 2016/17, with full benefit to revenues to be seen in H2 2017/18
- Launch of the Alpha Digital practice
- Larger office space secured in Luxembourg and Paris to support continued growth in Europe

Commenting on the results, Euan Fraser, Global Chief Executive Officer said:

"We are delighted with the success of our recent Initial Public Offering (IPO) and with our first two months of trading on the London Stock Exchange's AIM market. For many years we have enjoyed a collaborative consulting relationship with blue-chip Asset Managers in each of the countries in which we operate, and to have them as investors in our business now is a fabulous accolade for the company and testament to the incredible quality of our consulting team.

The IPO marks the start of a new chapter for our business. The transaction has been greeted enthusiastically by investors, clients and our team of consultants, and we all look forward to continuing to successfully grow our business in the public markets. For the past four years, we have been under Private Equity ownership, and have enjoyed a strong partnership firstly with Baird Capital and then Dunedin. Over that period, we invested significantly in both our internal infrastructure and our global and sector expansion, and the Board discipline we adopted with our Private Equity investors will help us make a successful transition to the public markets. The six-month period on which we are reporting was a period fully under Private Equity ownership and the Balance Sheet reflects a Private Equity leveraged ownership structure, with all debt having now been fully repaid at the point of IPO.

We are pleased to be reflecting upon the most successful six-month period in our history. Our business has performed well in all markets, and we have performed ahead of expectations with adjusted EBITDA having increased by 71% to £5.8m compared to H1 2016/17. We remain comfortable that the Group is on-track to meet expectations for the full year. We are also delighted to announce that we will pay an interim dividend of 1.48p per share, in line with our policy of paying 50% of post-tax profits to shareholders by way of a dividend each year, with the remaining two thirds of the dividend to be declared at the time of our full year results.

Looking ahead, we are confident of the long-term prospects for our Group. Our clients continue to address a combination of regulatory changes and fee pressure which leads to investment in the front, middle and back office operating models which creates a significant demand for our services. We will also continue to invest in plans for both geographic expansion and product and sector expansion. Our strong pipeline and market reputation make us exceptionally well placed as we look to the future.”

Enquiries:

Alpha Financial Markets Consulting plc
Euan Fraser, Global CEO / Maria Stricker, CFO

+44 (0)20 7796 9300

Temple Bar Advisory (Financial Public Relations)

Alex Child-Villiers
William Barker
Sam Livingstone

+44 (0)77 9542 5580

+44 (0)78 2796 0151

+44 (0)77 6965 5437

Grant Thornton UK LLP (Nominated Adviser)
Philip Secrett / Richard Tonthat / Harrison Clarke

+44 (0)20 7383 5100

Berenberg (Broker)
Chris Bowman / Toby Flaux / Laure Fine

+44 (0)20 3207 7800

Analyst presentation

A presentation for analysts will take place at 11.00am today at Berenberg, 60 Threadneedle St, London EC2R 8HP.

UK FreeCall: 08006940257
Std International Dial-In: +44 (0) 1452 555566
Conference ID: 2693439

A copy of this announcement and the presentation slides will be available on Alpha's website:
<http://investors.alphafmc.com/reports-and-presentations/2017>

Please contact alpha@templebaradvisory.com or call 0207 002 1080 if you would like to attend in person.

Disclaimer

This announcement contains certain statements that are, or may be, forward looking statements with respect to the financial condition, results of operations, business achievements and/or investment strategy of the Company. Such forward looking statements are based on the Board's expectations of external conditions and events, current business strategy, plans and the other objectives of management for future operations, and estimates and projections of the Company's financial performance. Though the Board believes these expectations to be reasonable at the date of this document they may prove to be erroneous. Forward looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, achievements or performance of the Group, or the industry in which the Group operates, to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements.

Global Group Chief Executive's Report

As we noted in our recent *Admission Document*, the most significant forces shaping the asset and wealth managers are regulatory changes and fee pressure. This creates a compelling demand within Asset and Wealth Managers to both defend margins and to reduce the costs and complexity of operating models across the business, enhance operational processes and work flows, and optimise the capture of data for regulatory and compliance purposes.

Alpha is well-placed to support asset and wealth managers to meet this challenge. We are better positioned than any other consulting firm to advise on the optimal operating model to help deliver efficiencies and cost savings across the business, including in Front Office (Trade Order Management, Portfolio Management and Risk and Analytics), Distribution and Client Relationship Management through to Operational Outsourcing.

The potent mixture of additional regulatory costs, fee pressures and the anticipated benefits generated from economies of scale will also continue to drive further consolidation in the asset and wealth management sector. Alpha has enjoyed a strong track record of helping deliver many of the defining projects in asset management post-acquisition integration and we continue to work on the largest and most interesting strategic projects in the market.

Our service offering and consulting skill set is extremely well positioned to continue to meet the demands from our clients.

Financial performance

We are pleased with our financial performance at the end of the first six months of this financial year (2017/18). We have performed well in our core markets of UK, Europe and the US with both revenue and adjusted EBITDA having increased strongly compared with the first six months of last financial year (2016/17):

	Six months to 30-Sep-17	Six months to 30-Sep-16	Change
Revenue	£28.7m	£19.1m	50%
Gross Profit	£10.5m	£6.6m	59%
Adjusted EBITDA	£5.8m	£3.4m	71%

Interim dividend

We are delighted to announce that we will pay an interim dividend of 1.48p per share, in line with our policy of paying approximately 50% of post-tax profits to shareholders by way of a dividend each year. Our expectation is that we will pay the remaining two thirds of the dividend on publication of our annual accounts following our 31 March 2018 year end.

The Group is highly cash generative. The vast majority of our projects are invoiced in full on a time-and-materials basis at the end of each month, with little work in progress on our balance sheet.

The Interim dividend of 1.48p per share will be paid to shareholders on 22 December 2017 to those shareholders on the register at the close of business on 8 December 2017.

Project overview

Our projects fall into four broad categories:

- Strategy and advisory
- Evaluation and selection
- Implementation and execution
- Benchmarking

Strategy and Advisory. The Group provides its clients with insight into market trends, new products, the regulatory agenda and competitive threats and opportunities. The advice that the Group provides allows its clients to make decisions on managing their business and connecting with the market. The Group's consultants are industry specialists, and as part of a global team, are able to provide an international perspective for their clients, giving insight across the value chain.

Evaluation and Selection. The Group provides independent and impartial advice to its clients on the choice of technology solutions, outsourcing providers and other partners for their businesses. Using its current knowledge of the market and proprietary benchmarking data, the Group is able to provide an up-to-date view of provider capabilities and the best solutions for the specific needs of its clients. The Group's impartial position also enables it to conduct commercial negotiations on behalf of clients and build relationships between these clients and their providers.

Implementation and Execution. For the implementation and execution of complex projects, the Group provides clients with professional teams who have specialist hands-on expertise in delivering complex and time-critical projects. These projects span the spectrum of front, middle and back office functions.

Benchmarking. Underpinning these first three project categories, the Group has developed an extensive library of data and analysis on the asset and wealth management industry, providing benchmarking analysis on comparable costs, operational performance, Key Performance Indicators and other metrics. This library of benchmarking data is proprietary to the Group. Clients are able to benchmark their operational capability and cost profile against other asset managers; if the operational activity is outsourced, they can compare capability and cost profiles against the services provided by third party administrators to other outsourced asset managers.

We deliver these four types of projects across the asset and wealth management value chain, with a particular focus on a set of specialisms where we have developed a market leading expertise:

Product Categories	Strategy & Advisory	Evaluation & Selection	Implementations & Execution
	Benchmarking		
Specialisms	M&A Integration Operations & Outsourcing Front Office Investment Guidelines Data	CRM & Distribution Digital Client Servicing & Reporting Regulatory Compliance Product Development	
Segments	Asset Managers Wealth Managers Asset Owners	Service Providers Platforms & Intermediaries	

We have, for a number of years, enjoyed a reputation as the go-to consulting firm for asset managers to turn to for support in delivering challenging projects in the Front Office, Distribution, Operational Outsourcing and Post Acquisition Integration space. We are enormously proud to have built such a strong reputation and in these parts of the market where there continues to be strong demand. Front Office and Distribution in particular have continued to drive much of our growth in the first half of Financial Year 2017/18. As the recognised market leader in these areas, we are supporting a range of national and global asset managers with some of the most interesting and challenging projects in the industry many of which are multi-year or multi-jurisdiction assignments.

We are delighted to continue to support our clients with some of the most high-profile post-acquisition and post-merger integration projects in the industry, winning a number of new projects in the last six months in the UK, Europe and the US.

In 2016, we launched the Regulatory and Compliance practice and the Investment Guidelines practice. Both of these new practices have enjoyed considerable success since the launch.

Regulatory and Compliance has of course been a hot topic in our industry for some time and we have been very pleased to be able to make significant progress in winning a range of new projects over the last year. Although this part of the consulting market is well served by a number of incumbent consulting firms, Alpha has been highly successful in competing successfully for some of the most important projects in the regulatory space, including leading MiFID II projects for global asset managers.

We were also pleased with the immediate demand in the market place for our Investment Guidelines practice. Since the launch, we have won several large projects in the UK, Europe and the US supporting our asset management clients to ensure that Investment Agreements are accurately reflected in the compliance platforms. We believe that the Investment Guidelines practice is well on its way to being established as a market leading proposition.

Most recently, in September 2017, we launched Alpha's Digital practice. We are delighted to have hired Kevin O'Shaughnessy to lead that part of our business. We know that this is an important topic for our clients and an area that is very much in demand.

These three new practices will help us continue to grow our business and allow us to support our clients across the asset and wealth management value chain.

Our clients

We work with a broad range of the leading global and national asset managers. We have consulted to over 200 clients including 17 of the 20 largest global asset managers by AUM and 60% of the top 50 as at 31 March 2017. In addition to traditional asset managers, we also advise insurance-backed and pension-based businesses, and our clients cover the whole spectrum of institutional, intermediary and retail asset managers.

As well as asset managers, we work with wealth managers delivering private banking and wealth solutions, discretionary fund management and family office services to end clients and a range of third party administrators, organisations that provide outsourced middle and back office services to the asset and wealth management industry.

We are proud to have built such a loyal client base across the global asset and wealth managers. We believe that asset managers demand a blend of subject matter expertise and project management and consultancy skills from their consultants; qualities that are the hallmark of an Alpha consultant.

Country overview

We are pleased to have enjoyed strong client led demand across all of our core locations of the UK, Europe and the US. Each of those core businesses grew substantially compared to the first six months of the previous financial year (2016/17):

	<i>Six months to 30-Sep-17</i>	<i>Six months to 30-Sep-16</i>	Change
Revenue			
UK	£17.8m	£12.8m	39%
Europe	£6.8m	£4.4m	55%
US	£3.8m	£1.9m	100%
Asia	£0.3m	-	-
	£28.7m	£19.1m	50%

	<i>Six months to 30-Sep-17</i>	<i>Six months to 30-Sep-16</i>	Change
Consultants			
UK	117	101	16%
Europe	70	47	49%
US	28	21	33%
Asia	3	-	-
	218	169	29%

Excludes contractors

The UK today remains the largest geography within the Alpha Group and we are delighted with the continued growth that we have enjoyed this year.

Alpha Europe continues to give an impressive performance with offices in France, Luxembourg, Netherlands and most recently Switzerland. We were pleased to open an office in Geneva earlier this year. We had worked with a number of the Swiss-based asset and wealth managers over the years and have taken the opportunity to create a local presence. We are excited at the prospects in the Swiss market for Alpha, and are encouraged to have made such a strong start with hiring and winning a broad range of new clients.

Alpha US has also seen strong headcount and revenue growth. We believe that the US market represents a major opportunity for future growth. We do not see another consulting firm offering the same blend of subject matter expertise, market leading consulting and project management skills, and our proposition is resonating powerfully with national and global clients in the US market.

We restructured the US leadership team during the course of the last year, and have invested in creating a secondment programme which has seen a number of our UK consultants re-locate to the US over the last six months. The secondment programme is a great opportunity for us to provide greater scale to the US team and to help achieve a consistent global culture. We are delighted that the programme has been so successful and that this combination of local talent and secondees has helped to drive strong growth over the last six months.

We are also proud to have opened our first office in Asia. Our core team in Singapore is fully deployed and we will continue to pursue a strategy of blending local hires and secondees from our other global locations. We see a number of opportunities in the Asian market and expect to continue to expand our presence there over the next couple of years both in Singapore and Hong Kong.

We see a similar demand profile from our clients across each of the markets in which we operate. Whether the asset managers are based in the UK, Europe, the US or Asia, the macro challenges are broadly the same, which means that the Alpha propositions that we have developed globally provide the perfect solution for our clients no matter where they are located.

Acquisition activity

We were delighted to have acquired TrackTwo GmbH, a German based consulting firm, in July 2017, to form the core of our new division, Alpha Data Solutions. At the heart of the TrackTwo business is a data solution, 360 SalesVista, which enables asset managers to match client transactions and AUM to create a golden source for client data. This enhanced visibility and accuracy of customer flows can be used by asset managers to deliver improved business outcomes across distribution, finance and compliance.

Our expectation is that TrackTwo will contribute c. €700,000 of Adjusted EBITDA for the full financial year with committed revenue from a blue chip client base across continental Europe. We are excited by the prospect of bringing the market leading 360 SalesVista proposition to a much wider client base. We are pleased to welcome Stefan Maszynski, the Managing Director of TrackTwo, and Alexandra Maszynski to the Alpha team.

We believe that we are uniquely well placed to identify potential acquisitions of a bolt-on nature that can add significant value to our service proposition and where we know from our client relationships that the product or services is viewed as market leading.

Delivery excellence

We remain whole-heartedly committed to the success of our clients' projects. We help to deliver some of the most demanding global change projects, and we would not be able to achieve such impactful results for our clients if we did not have the most talented and dedicated consulting team. We bring together deep industry specific subject matter expertise, finely honed methodologies, unique proprietary asset management data, and robust consulting and project management skills, to deliver success for our clients year after year.

Our focus on delivery excellence is best evidenced by our clients coming back to us year after year, asking for our support with their most challenging delivery or strategy projects.

We were delighted to have recently won the 'Funds Europe Consultant of the Year 2017' award. This is the third consecutive year that Alpha has been recognised as the leading consulting firm in the asset and wealth management sector.

People and culture

Our people and our culture are the most critical factor in our success. We pride ourselves on employing the best talent and we have a fabulous track record in identifying the outstanding performers both in the market and at graduate level.

Our objective is to make Alpha the best experience that any one of our consultants has enjoyed at any point in their current or future career. We constantly strive to ensure that we offer the most supportive and progressive environment for our team to work in. We deliver on the industry's most challenging change projects and ensuring that we offer market leading pastoral care is essential to us.

The success of our focus on culture is highlighted in our industry leading unmanaged attrition rates, which, at less than 5%, are a wonderful testament to the culture that we have created. Having successfully identified and hired the best consulting talent. It is critically important that we can retain, nurture and develop everyone in our consulting team. During the last twelve months since 30 September 2016, we were delighted to have increased our headcount of global consultants by 29% to 218.

Our clients recognise that the quality of our people and our exclusive focus on the asset and wealth management sector helps define our proposition and makes us stand out as the market leading consulting firm.

We were delighted to have been nominated and to have won a place in the 'Sunday Times Top 100 Small Companies to Work For 2017'.

Growth strategy

We are excited by our potential for future growth. Although our market share has grown over recent years, we are confident that globally our market share is under 10%, leaving us significant opportunity for further expansion.

We expect to see both strong organic growth and the continued opportunity for strategic bolt-on acquisitions similar in size and scale to TrackTwo.

We will deliver on both geographic expansion and on product and sector expansion. We believe there is the potential for further growth in all of our locations and in particular Europe, the US and Asia. In Europe we have an office in four of the top five markets for asset and wealth management, and we see strong growth potential in that market over the next 18 months. We have strong momentum in the US market with a broad range of clients and an excellent variety of projects across Front Office, Distribution and Operational change at both asset and wealth managers. The US market is approximately ten times as large as the UK and represents our most significant opportunity for expansion.

We have recently opened an office in Singapore, with a team already fully deployed supporting a large Front Office project. The Asian consulting market is evolving rapidly and we see demand for our consulting services coming from both global asset and wealth managers with a presence in the region and, also, from local domestic players. We have typically seen Singapore as a stronger centre for wealth management and Hong Kong for asset management.

We also expect to continue to expand the range of sectors we support and over time will add to the Alpha practices such that we can ensure we have the best consulting solution to meet our global clients' demands. In addition to ensuring that we can deploy the full range of Alpha practices across our core locations we will continue to invest in and to grow those practices most recently launched, including Regulatory and Compliance, Investment Guidelines and Digital. Our range of practices will always be evolving as we adapt our service offering to a changing market place.

Outlook

We are delighted to have delivered a strong financial performance in the first half of the year. We can look ahead with confidence to the second six months of the year. We expect our industry to continue to seek to manage the impact of increasing regulation and continued pressure on fees, which drives consolidation and investment in technology, infrastructure and processes to help retain margins. In the UK, Europe and the US we are experiencing strong client demand in areas where we believe we have a market leading consulting capability such as Post Acquisition Integration, Distribution, Front Office, Operational Outsourcing, Regulatory and Compliance and Investment Guidelines.

We currently support our clients on a number of the largest projects in the asset management industry, many of which are multi-jurisdiction and many of which will be multi-year engagements which give us good revenue visibility through to the end of the financial year and beyond. Our strong pipeline and market reputation we believe make us exceptionally well placed as we look to the future and we remain confident in meeting market expectations for the full financial year.

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 September 2017

		Unaudited Six months ended 30 Sep 2017 £'000	Unaudited Six months ended 30 Sep 2016 £'000
	Note		
Continuing operations			
Revenue		28,746	19,066
Cost of sales		(18,254)	(12,505)
Gross profit		10,492	6,561
Administration expenses		(7,495)	(4,352)
Adjusted EBITDA*		5,838	3,400
Depreciation		(143)	(125)
Amortisation	3	(1,115)	(1,066)
Exceptional items: costs directly attributable to IPO		(1,297)	-
Exceptional items: restructuring costs		(238)	-
Exceptional items: costs directly attributable to the business combination		(48)	-
Operating profit		2,997	2,209
Finance income		-	4
Finance expense		(3,906)	(3,729)
Profit/(loss) before income tax		(909)	(1,516)
Taxation		(494)	(347)
Loss for the period		(1,403)	(1,863)
Exchange differences on translation of foreign operations		-	48
Total comprehensive expense for the period		(1,403)	(1,815)
Basic and diluted earnings/(losses) per ordinary share (pounds)	2	(15.20)	(24.20)

* Adjusted EBITDA is operating profit before interest, tax, depreciation, amortisation and exceptional items such as costs directly attributable to the business combination, costs directly attributable to IPO, restructuring costs and TrackTwo earn-out.

Interim condensed consolidated statement of financial position

As at 30 September 2017

	Note	Unaudited 30 Sep 2017 £'000	Unaudited 30 Sep 2016 £'000
Assets			
Non-current assets			
Goodwill	3	51,529	51,529
Intangible assets	3	24,921	24,279
Property, plant and equipment		432	515
Total non-current assets		76,882	76,323
Current assets			
Trade and other receivables		18,139	10,068
Cash and cash equivalents		4,508	5,900
Total current assets		22,647	15,968
Total assets		99,529	92,291
Equity and liabilities			
Equity			
Issued share capital		-	-
Share premium		86	86
Retained earnings		(5,812)	(4,239)
Foreign exchange reserve		(222)	(99)
Total equity		(5,948)	(4,252)
Liabilities			
Non-current liabilities			
Borrowings	4	89,236	85,412
Deferred tax provision		3,765	4,128
Deferred consideration	5	1,025	-
Total non-current liabilities		94,026	89,540
Current liabilities			
Trade and other payables		11,451	7,003
Total current liabilities		11,451	7,003
Total liabilities		105,477	96,543
Total equity and liabilities		99,529	92,291

Interim condensed consolidated statement of cash flows

For the six months ended 30 September 2017

	Unaudited Six months ended 30 Sep 2017 £'000	Unaudited Six months ended 30 Sep 2016 £'000
Cash flows from operating activities:		
Profit/(Loss) before income tax	(909)	(1,516)
Depreciation of property, plant and equipment	143	125
Amortisation of intangible fixed assets	1,115	1,066
Profit on disposal of property, plant and equipment	(2)	1
Finance income	-	(4)
Finance expense	3,906	3,729
	<u>4,253</u>	<u>3,401</u>
Working capital adjustments:		
Increase in trade and other receivables	(6,179)	(654)
Increase / (decrease) in trade and other payables	2,716	(1,528)
Tax paid	<u>(691)</u>	<u>(458)</u>
Net cash generated from operating activities	99	761
Cash flows from investing activities:		
Interest received	-	4
Acquisition of subsidiary	(2,049)	-
Additions to property, plant and equipment	<u>(125)</u>	<u>(99)</u>
Net cash used in investing activities	(2,174)	(95)
Cash flows from financing activities:		
Issue of ordinary share capital	-	18
Repayment of borrowings	(770)	(841)
Interest paid	<u>(777)</u>	<u>(707)</u>
Net cash used in financing activities	<u>(1,547)</u>	<u>(1,530)</u>
Net decrease in cash and cash equivalents	<u>(3,622)</u>	<u>(864)</u>
Cash and cash equivalents at beginning of the period	8,023	6,705
Effect of exchange rate fluctuations on cash held	<u>107</u>	<u>59</u>
Cash and cash equivalents at end of the period	<u>4,508</u>	<u>5,900</u>

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2017

	Share Capital £'000	Share premium £'000	Foreign exchange reserves £'000	Retained earnings £'000	Total £'000
As at 1 April 2016 - Unaudited	-	68	(147)	(2,376)	(2,455)
Comprehensive income					
Total comprehensive loss for the period	-	-	-	(1,863)	(1,863)
Foreign exchange differences on translation of foreign operations	-	-	48	-	48
Transactions with owners					
Shares issued (equity)	-	18	-	-	18
As at 30 September 2016 - Unaudited	-	86	(99)	(4,239)	4,252
As at 1 April 2017 - Unaudited	-	86	(222)	(4,409)	(4,545)
Comprehensive income					
Total comprehensive loss for the period	-	-	-	(1,403)	(1,403)
Foreign exchange differences on translation of foreign operations	-	-	-	-	-
As at 30 September 2017 - Unaudited	-	86	(222)	(5,812)	(5,948)

Share capital

Share capital represents the nominal value of share capital subscribed for.

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 issue costs.

Foreign exchange reserve

The foreign exchange reserve represents exchange differences which arise on consolidation from the translation of the financial statements of foreign subsidiaries.

Retained earnings

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

Notes to the interim condensed consolidated financial statements

1. Summary of significant accounting policies

General information

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 principal activity of the Group is the provision of consulting and related services to clients in the asset and wealth management industries.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 27 November 2017.

Basis of preparation

The interim financial information in this report has been prepared using accounting policies consistent with IFRS as adopted by the European Union. IFRS is subject to amendment and interpretation by the International Accounting Standards Board (IASB) and the IFRS Interpretations Committee and there is an on-going process of review and endorsement by the European Commission. The financial information has been prepared on the basis of IFRS that the Directors expect to be adopted by the European Union and applicable as at 31 March 2018. The group has chosen not to adopt IAS 34 "Interim Financial Statements" in preparing the interim financial information.

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 2017 have been filed with the Registrar of Companies. The report of the auditors 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.

The financial information for the six months ended 30 September 2017 and 30 September 2016 is unaudited.

Principal accounting policies

The principal accounting policies adopted in the preparation of these interim condensed consolidated financial statements are set out below.

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 and liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The judgements and estimates that have a significant impact are noted below:

Business combinations – valuation and asset lives of separately identifiable intangible assets

In determining the fair value of intangible assets arising in a business combination, management are required to make judgements regarding the timing and amount of future cash flows applicable to the intangible assets being acquired, discounted using an appropriate discount rate. Such judgements are based on current budgets and forecasts, extrapolated for an appropriate period taking into account growth rates and expected changes to selling prices and operating costs. Management estimates the appropriate discount rate using post-tax rates that reflect current market assessments of the time value of money and the risks specific to the businesses being acquired.

Notes to the interim condensed consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Impairment reviews – goodwill and intangible assets

The Group performs impairment reviews at the reporting period end to identify any goodwill or intangible assets that have a carrying value that is in excess of its recoverable value. Determining the recoverability of goodwill and intangible assets requires judgement in both the methodology applied and the key variables within that methodology. Where it is determined that an asset is impaired, its carrying value will be reduced to its recoverable value with the difference recorded as an impairment charge in the income statement.

Going concern

The Group's forecasts and projections, taking into account reasonably possible changes in trading performance, show that the Group should be able to operate with its currently available facilities. The Group has sufficient financial resources together with assets that are expected to generate cash flow in the normal course of business. As a consequence, the Directors have a reasonable expectation that the Group are well placed to manage their business risks and to continue in operational existence for the foreseeable future. Accordingly, the Directors have adopted the going concern basis in preparing these interim condensed consolidated financial statements.

Basis of consolidation

The interim condensed consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 September.

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.

Revenue recognition

Revenue consists of the value of work executed for clients during the year exclusive of VAT and is recognised as services are performed in accordance with the terms of the contract which are primarily on a time and materials basis. Revenue is wholly attributable to the principal activities of the Group. Activity performance in excess of invoices raised is included within accrued income. Where amounts have been invoiced in excess of work performed, the excess is included within deferred income.

Foreign exchange

Transactions in foreign currencies are translated to the Group companies' functional currency at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Foreign exchange differences arising on translation are recognised in the consolidated statement of income.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Pound Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on retranslation are recognised in other comprehensive income.

Notes to the interim condensed consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Property, plant and equipment

All property, plant and equipment are stated at historical cost (or deemed historical cost) less accumulated depreciation. Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition for its intended use.

Depreciation is provided on all property, plant and equipment at rates calculated to write each asset down to its estimated residual value on a straight line basis at the following annual rates:

Leasehold land and buildings	- 3-10 years
Fixtures and fittings	- 4 years
Computer equipment	- 3-5 years

Useful economic lives and estimated residual values are reviewed annually and adjusted as appropriate.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

Costs related to acquisition, other than those associated with the issue of debt or equity securities that the Group incurs in connection with a business combination, are expensed as incurred. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in statement of comprehensive income.

In accordance with IFRS 1, the Group has tested goodwill for impairment at the date of balance sheet. No goodwill impairment was deemed necessary at 30 September 2017.

Intangible assets acquired as part of a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset under IAS 38. Such assets are only recognised if either:

- they are capable of being separated or divided from the company and sold, transferred, licenced, rented or exchange, either individually or together with a related contract, identifiable asset or liability, regardless of whether the company intends to do so; or
- they arise from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

The cost of such intangible assets is their fair value at the acquisition date. All intangible assets acquired through business combination are amortised over their estimated useful lives. The significant intangibles recognised by the Group; their useful economic lives and the methods used to determine the cost of the intangibles acquired in business combinations are as follows:

Intangible asset	Useful economic life	Valuation method
Customer relationships	12 years	Multi-period excess earnings method
Intellectual property	7 years	Relief from royalty method
Trade name	15 years	Relief from royalty method

Notes to the interim condensed consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Financial instruments

The Group uses financial instruments comprising cash and cash equivalents, preference shares and other short-term instruments such as trade payables which arise from its operations. The main purpose of these financial instruments is to fund the Group's business strategy and working capital requirements.

Accounting policies in respect of financial instruments are outlined below.

Financial assets

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortised cost using the effective interest rate method (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the income statement. The losses arising from impairment are recognised in the income statement in finance costs. The Group has the following loans and receivables:

Trade and other receivables

Trade and other receivables are recognised initially at fair value, and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

The Group holds no available-for-sale or held-to-maturity investments. The Group may from time to time recognise a financial asset at fair value through profit or loss in the form of an interest rate swap as described below.

Financial liabilities

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IAS 39. The Group has the following financial liabilities:

Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the effective interest rate method (EIR) amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the income statement. The Group has the following loans and borrowings:

Preference shares

Share capital is classified as a liability or equity (or a combination of both) depending on the rights attaching to the relevant share classes.

Notes to the interim condensed consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Current and deferred income tax

Income tax on the result for the period comprises current and deferred income tax. Income tax is recognised in the consolidated statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable or receivable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Impairment

Financial assets (including trade and other debtors)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. For financial instruments measured at cost less impairment, impairment is calculated as the difference between its carrying amount and the best estimate of the amount that the Group would receive for the asset if it were to be sold at the reporting date. Interest on the impairment asset continues to be recognised through the unwinding of the discount. Impairment losses are recognised in profit or loss. When a subsequent event causes the amount of the impairment to decrease, the decrease in impairment loss is reversed through statement of comprehensive income.

Non-financial assets

The carrying amounts of the entity's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the assets' recoverable amount is estimated. The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets ('the cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to cash-generating units ('CGU') that are expected to benefit from the synergies of the combination. For the purpose of goodwill impairment testing, if goodwill cannot be allocated to individual CGUs or groups of CGUs on a non-arbitrary basis, the impairment of goodwill is determined using the recoverable amount of the acquired entity in its entirety, or it has been integrated then the entire group of entities into which it has been integrated. Goodwill is tested annually for impairment in accordance with IFRS.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of other assets in the unit (or group of units) on a pro rata basis.

Notes to the interim condensed consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

Non-financial assets (continued)

An impairment loss is reversed if and only if the reasons for the impairment have ceased to apply. An impairment loss recognised for goodwill is not reversed.

Impairment losses recognised in prior periods are assessed at each reporting date for any indication that the loss has decreased or no longer exists. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Employee benefits – pension costs

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity and will have a legal or constructive obligation to pay further amounts. Contributions to defined contribution schemes are charged to the statement of comprehensive income as they become payable in accordance with the rules of the scheme. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Leasing

Rentals paid under operating leases are charged to the consolidated statement of comprehensive income on a straight line basis over the period of the lease.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period of the lease.

The Group does not currently hold any assets under finance leases.

Segmental reporting

An operating segment is a component of the group that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity) and whose operating results are regularly reviewed by the board of directors in order to make decisions about resources to be allocated to that component and assess its performance, and for which discrete financial information is available.

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker as required by IFRS 8 "Operating Segments". The chief operating decision-maker responsible for allocating resources and assessing performance of the operating segments has been identified as the Board of Directors.

The accounting policies of the reportable segments are consistent with the accounting policies of the group as a whole. Segment profit represents the profit earned by each segment without allocation of depreciation, amortisation, foreign exchange gains or losses, gains or losses on the disposal of available-for-sale investments, investment income, interest payable and tax. This is the measure of profit that is reported to the Board of Directors for the purpose of resource allocation and the assessment of segment performance.

The directors consider the group's operations to be made up of one operating segment and one reportable segment: consultancy services to the asset/wealth management industry.

The Chief Operating Decision-Maker regularly review consolidated operating results to make decisions about the financial and organisational resources of the Group to assess overall performance.

Notes to the interim condensed consolidated financial statements (continued)

1. Summary of significant accounting policies (continued)

New standards and interpretations – in issue but not yet effective

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards and interpretations which are not yet effective:

- IFRS 9 – Financial Instruments (effective for periods commencing on or after 1 January 2018)
- IFRS 15 – Revenue from contracts with customers (effective for periods commencing on or after 1 January 2018)
- IFRS 16 – Leases (effective for periods commencing on or after 1 January 2019)

The directors have not yet reviewed the impact that these new standards will have on the Group. The Group intends to adopt the standards in the reporting period when they become effective.

2. Loss per share

Basic loss per share is calculated by dividing the loss for the financial period by the weighted average number of ordinary shares in issue during the period. The losses and weighted average number of shares used in the calculations are set out below:

	Unaudited Six months ended 30 Sep 2017	Unaudited Six months ended 30 Sep 2016
<u>Loss</u>		
Loss for the financial period used in calculating basic and diluted EPS (£'000)	(1,403)	(1,863)
<u>Number of shares</u>		
Weighted average number of ordinary shares	92,329	76,979
Basic and diluted EPS	<u>(15.20)</u>	<u>(24.20)</u>

There were no potentially dilutive shares, options or warrants in issue, hence fully diluted earnings per share are identical to basic earnings per share.

Loss per share is calculated based on the share capital of Company and the earnings of the Group.

Notes to the interim condensed consolidated financial statements (continued)

3. Goodwill and Intangible fixed assets

Goodwill

	30 Sep 2017 £'000	30 Sep 2016 £'000
<u>Cost</u>		
At the start of the period and at the end of the period – total	51,529	51,529

Goodwill is recognised upon the acquisition of Alpha FMC Group Holdings Limited on 6 February 2016 and is the difference between the consideration paid and the fair value of assets acquired and liabilities assumed. In line with IAS 36, a cash-generating unit to which goodwill has been allocated shall be tested for impairment at least annually by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit.

In considering this position, the estimated weighted average cost of capital (WACC) for the Group was determined to be 12.5%. This discount rate has been applied to the Group's future cash flow forecasts in order to make this assessment at each balance sheet date.

Revenues and gross margins have continued at the rate projected, with no customer attrition, no significant change in the competitor landscape, no negative events impacting on the Group's brand or reputation and no legal or regulatory changes impacting the Group's offering. There are no other aspects of the key business objectives that have not been met.

The Directors do not therefore believe there to be any impairment indicators.

Intangible fixed assets

As at 30 September 2017

	Customer relationships £'000	Trade name £'000	Intellectual property £'000	Total £'000
<u>Cost</u>				
At the start of the period	18,650	5,630	1,421	25,701
Recognised on acquisitions (see note 5)	-	-	2,823	2,823
At the end of the period – total	18,650	5,630	4,244	28,524
<u>Amortisation</u>				
At the start of the period	1,813	438	237	2,488
Charge for the period	777	188	150	1,115
At the end of the period – total	2,590	626	387	3,603
Net book value	16,060	5,004	3,857	24,921

As at 30 September 2016

	Customer relationships £'000	Trade name £'000	Intellectual property £'000	Total £'000
<u>Cost</u>				
At the start of the period	18,650	5,630	1,421	25,701
Recognised on acquisitions	-	-	-	-
At the end of the period – total	18,650	5,630	1,421	25,701
<u>Amortisation</u>				
At the start of the period	259	63	34	356
Charge for the period	777	187	102	1,066
At the end of the period – total	1,036	250	136	1,422
Net book value	17,614	5,380	1,285	24,279

Notes to the interim condensed consolidated financial statements (continued)

3. Goodwill and Intangible fixed assets (continued)

Intangible fixed assets (continued)

Customer relationships

Customer relationships represent the fair value at the 6 February 2016 acquisition date of the customer relationships which were owned by, but not previously recognised as assets of, Alpha FMC Group Holdings Limited. The fair value has been determined by applying the 'multi-period excess earnings' method to the cash flows expected to be earned from customer relationships. The key management assumptions are around forecast revenues, operating margins, discount factors and contributory asset charges used.

A useful economic life of 12 years has been deemed appropriate based on the average realisation rate of cumulative cash flows and benchmarked data and projected cash flows have been discounted over this period. The amortisation charge is recognised in administrative expenses within the statement of comprehensive income. There are 10.3 years remaining to be amortised.

Intellectual property

Opening intellectual property represents the fair value at the 6 February 2016 acquisition date of the intellectual property which was owned by, but not previously recognised as assets of, Alpha FMC Group Holdings Limited.

The fair value has been determined by applying the 'relief from royalty' method to the cash flows earned from the intellectual property. The key management assumptions are around growth forecasts, discount factors and royalty percentage utilised. A useful economic life of 7 years has been deemed appropriate based on previous acquisitions and benchmarking data and projected cash flows have been discounted over this period.

The amortisation charge is recognised in administrative expenses within the statement of comprehensive income. There are 5.3 years remaining to be amortised.

Additions during the period represent the fair value of the intellectual property acquired from Track Two GmbH. Refer to note 5 for details.

Trade name

Trade name represents the fair value at the 6 February 2016 acquisition date of the trade name which was owned by, but not previously recognised as assets of, Alpha FMC Group Holdings Limited.

The fair value has been determined by applying the 'relief from royalty' method to the cash flows earned from the trade name. The key management assumptions are around growth forecasts, discount factors and royalty percentage utilised. A useful economic life of 15 years has been deemed appropriate based on benchmarking reviews and projected cash flows have been discounted over this period.

The amortisation charge is recognised in administrative expenses within the statement of comprehensive income. There are 13.3 years remaining to be amortised.

Notes to the interim condensed consolidated financial statements (continued)

4. Non-current liabilities

Borrowings

	30 September 2017	30 September 2016
	£'000	£'000
Dunedin loan notes	46,700	43,248
Bank loans and overdrafts	26,031	26,505
Management loan notes	15,104	14,268
Management preference shares	1,401	1,391
	<u>89,236</u>	<u>85,412</u>

Dunedin loan notes

Dunedin Buyout LLP invested £41,137,000 of ordinary 'A' loan notes in Alpha FMC Midco Limited on 3 February 2016. These have a nominal value of £0.00001 and a premium of £0.99999. These loan notes are listed on the Channel Islands Stock Exchange and are repayable in full, plus accrued interest on either 3 February 2023 or earlier upon the sale or listing of the Group. The loan notes accrue interest at 8% per annum and are unsecured. There are no recognised capitalised arrangement fees in respect of these loan notes. The amounts shown above represent the total of capital amounts borrowed and accrued interest as at the balance sheet date.

Bank loans and overdrafts

As at 30 September 2017, Alpha FMC Bidco Limited had a Mezzanine Facility of £7,853,000 with Beechbrook Capital LLP. The loan is repayable in full on 3 February 2023 or earlier upon the sale or listing of the Group. Interest accrues at a rate of either LIBOR plus 10% per annum if the group chose to pay the interest on the interest repayment date or at 7.5% per annum plus the PIK rate of 4.5% if they choose to capitalise the PIK element of the rate. Interest repayment dates are 31 March 2016 and every quarter thereafter. The varying value of the capitalised loan arrangement fees held on the balance sheet in respect of this loan as at 30 September 2017 is £451,000 and have been offset against the related liabilities above. Capital repayable after five years totals £6,000,000 gross of capitalised loan arrangement fees held at amortised cost.

As at 30 September 2017, Alpha FMC Bidco Limited had a loan 'A' of £8,690,000 and a loan 'B' of £11,000,000 both with Lloyds Bank Plc. Loan 'A' is repayable by instalments until a final payment of £1,540,000 is due on 3 February 2021 or earlier upon the sale or listing of the Group. Loan 'B' is repayable on 3 February 2022 or earlier upon the sale or listing of the Group. Interest accrues at a rate of 4% and 4.5% plus LIBOR respectively. Interest repayment dates are 31 March 2016 and every quarter thereafter. The carrying value of the capitalised loan arrangement fees held on the balance sheet in respect of these two loans as at 30 September 2017 is £1,114,000 and have been offset against the related liabilities above. Capital repayable after five years totals £11,000,000 gross of capitalised loan arrangement fees.

Alpha FMC Bidco Limited also have a revolving credit facility of £2,000,000 with Lloyds Bank Plc on which it pays interest of 4% plus LIBOR for the option to use the facility. This facility has not been drawn down as at 30 September 2017.

Management loan notes

UK, French and US management invested £12,362,087 of ordinary 'B1', 'B2', 'C1', 'C2' and 'D' loan notes in Alpha FMC Topco Limited on 3 February 2016. These have a nominal value of £0.00001 and a share premium of £0.99999. These loan notes are repayable in full, plus accrued interest on either 3 February 2023 or earlier upon the sale or listing of the Group. The loan notes accrue interest at 8% per annum and are unsecured. There are no recognised capitalised arrangement fees in respect of these loan notes. Management also invested £1,315,978 of 'A' ordinary share in Alpha FMC Midco Limited, to which the same details apply. The amounts shown above represent the total of capital amounts borrowed and accrued interest as at the balance sheet date.

Notes to the interim condensed consolidated financial statements (continued)

4. Non-current liabilities (continued)

Preference shares

On 3 February 2016, management invested £1,321,281 of preference shares in Alpha FMC Topco Limited. These have a nominal value of £0.000005 and a share premium of £0.999995. These preference shares are repayable in full, plus accrued interest on either 3 February 2023 or earlier upon the sale or listing of the Group. The preference shares accrue interest at 8% per annum and are unsecured. The movement since acquisition is the result of interest accrued for the period of £174,428 partially offset by a £95,000 settlement of the preference shares in respect of two individuals. There are no recognised capitalised arrangement fees in respect of these preference shares. The amounts shown above represent the consideration received in respect of preference shares plus the subsequently accrued interest as at the balance sheet date.

The preference shares are treated as liabilities as they are redeemable by the Company for a fixed sum on or before 3 February 2023.

5. Acquisition of TrackTwo

On 18 July 2017, the Group acquired 100% of the share capital and voting interest of TrackTwo GmbH for an upfront cash consideration of £2,049,000 (EUR 2,331,610), deferred consideration of £ 1,025,000 (EUR 1,166,200) payable in January 2019 and consideration shares in the Company with a fair value of £695.

In addition, as part of the purchase negotiations, the Company has put in place an annual earn-out arrangement and a final ownership consideration based on the financial performance of the TrackTwo GmbH over the three year period to July 2020 subject to continuous employment of Management Seller until July 2020. The earn-out of £23,000 attributable to the half year has been recognised as an expense in the interim condensed consolidated financial statements, and presented as an exceptional item.

This acquisition has been accounted for under the acquisition method of accounting.

The provisional fair value of the identifiable assets and liabilities of the TrackTwo at the date of acquisition were:

	Provisional fair value recognised at acquisition £'000
Assets acquired:	
Intellectual property	2,823
Property, plant and equipment	9
Trade and other receivables	323
Cash and cash equivalents	108
Trade and other payables	(188)
Total investment	3,075
Satisfied by:	
Upfront cash consideration	2,049
Deferred consideration	1,025
Shares	1
Total consideration	3,075

Trading assets including property plant and equipment acquired at net book value are considered to be at their fair value. The purchase price allocation of the acquisition has yet to be confirmed and at the time of preparing the interim condensed consolidated financial statements the Directors have assumed the total purchase consideration over and above the tangible net assets acquired relates to intellectual property of TrackTwo GmbH.

Notes to the interim condensed consolidated financial statements (continued)

6. Related party disclosures

Transactions with directors

Transactions with directors, or entities in which a director is also a director or partner:

	Six months ended 30 Sep 2017 £'000	Six months ended 30 Sep 2016 £'000
Consultancy services provided by a director – Mr T Trotter	22	26

Key management compensation:

The Director's consider that key management personnel are those persons who are a director of the parent company or any of the subsidiary companies within the group. These individuals have the authority and responsibility for planning, directing and controlling the activities of the Group.

Key management emoluments were as follows:

	Six months ended 30 Sep 2017 £'000	Six months ended 30 Sep 2016 £'000
Salaries (including social security costs)	3,547	3,118

The aggregate of remuneration of the highest paid director of the parent company for the period ended 30 September 2017 was £230,000 (2016: £213,750), and company pension contributions of £2,300 (2016: £2,138) were made to a money purchase scheme on his behalf.

Retirement benefits are accruing to the 4 directors of the parent company (2016: 3) under money purchase schemes.

Key management hold both loan notes and preference shares in the Group. At the 30 September 2017, management loan notes totalled £15,104,000 (30 September 2016: £14,268,000) and management preference shares totalled £1,401,000 (30 September 2016: £1,391,000). Further details around the nature of these arrangements are provided in note 4.

Transactions with shareholders

In the period ended 30 September 2017, the Group paid monitoring fees of £25,000 (30 September 2016: £25,000) to Dunedin LLP, a major shareholder of the Company. At the 30 September 2017, loan notes due to Dunedin totalled £46,700,000 (30 September 2016: £43,248,000). Further details around the nature of these instruments are provided in note 4.

Notes to the interim condensed consolidated financial statements (continued)

7. Post balance sheet events

Name change

On 4 October 2017, the Company changed its name to Alpha Financial Markets Consulting plc and the Company re-registered as a public limited company.

Initial Public Offering and Listing

The admission document for the Company's IPO and admission to AIM was published on 6 October 2017. The Company placed 22,017,652 new shares and selling shareholders placed 56,364,512 existing shares at 160 per share. The Company received net proceeds of approximately £32.8m (After deduction of estimated commissions, fees and expenses payable by the Company of approximately £2.4 million).

The Company ordinary shares are admitted to trading on the AIM market of the London Stock Exchange on 11 October 2017, under the ticker "AFM" and the ISIN GBOOBF16C058.

Debt repayment and restructuring

Following the IPO, the Group's bank loans and overdrafts are repaid in full from the proceeds of the Placing (Loan balance as at 30 September 2017: £26,031,000. Refer to Note 4 for details).

Part of the capital restructuring prior to the IPO, Dunedin loan notes, management loan notes and preference shares together with accrued interest are converted to equity shares and the resulting equity shares are sold in the Placing, representing a full exit for Dunedin Buyout Fund III LP.

Capital restructuring pre IPO

Immediately prior to the IPO, all classes of ordinary equity share capital in issue (including shares issued on conversion of loan notes and preference shares, A shares, B1 Shares, B2 Shares, C1 Shares, C2 Shares, D Shares and F shares) are consolidated and converted to ordinary shares of 0.0075 each as part of the capital restructure which took place as a result of the placing. The issued share capital of the Company after capital restructuring and immediately prior to the IPO is £59,881.45 comprising 79,841,931 ordinary shares of £0.00075 each.

Immediately following Admission, the Company's issued share capital (including the New Shares issued pursuant to the Placing) is £76,394.69, comprising 101,859,583 ordinary shares of £0.00075 each (all of which is fully paid or credited as fully paid). Refer to paragraph 3.2 of Part V of the IPO Admission document, for further details. Company accounts with sufficient distributable reserves to support the proposed dividend have been filed at Companies House.

Controlling party change

The ultimate controlling party as of 30 September 2017 and 30 September 2016 is a fund advised by Dunedin LLP. Following the IPO on 11 October 2017, the Group does not have a controlling party.