Interim Report and Accounts 2019

Alpha
Financial Markets Consulting

The power of our people

Introduction

Welcome to Alpha's 2019 Interim Report

for the six months ended 30 September 2018 (H1 19[1])

Alpha Financial Markets Consulting[2] is a leading global consultancy to the asset and wealth management industry.

Perspective | Strategy | Technical Expertise

For more information, see our website:
investors.alphafmc.com

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[1] "H1 19": KPMG reviewed six months ended 30 September 2018; comparative period "H1 18": unaudited six months ended 30 September 2017
[2] Alpha Financial Markets Consulting plc: "Alpha", the "Company", the "Group"

Financial Highlights

Revenues

£39.0m

(H1 18: £28.7m) +35.5%

Adjusted EBITDA[3] (excl. FX)

£8.5m

(H1 18: £5.8m) +45.4%

Adjusted operating profit[4] (excl. FX)

£8.4m

(H1 18: £5.7m) +46.8%

Cash conversion[5]

55.6%

(H1 18: 1.7%)

Pro forma adjusted earnings per share[6] (excl. FX)

6.23p

(H1 18: £5.04p) +23.6%

Interim dividend per share

1.91p

(H1 18: 1.48p) +29.1%

Operating Highlights[7]

252
Clients
H1 18: 227
Includes 80% of world's top 20 asset managers by AUM[8]

9
Offices
H1 18: 9
Strong performance from H1 18 launched office, Singapore. New CEO in Netherlands office

352
Consultants
H1 18: 274
Continued investment in highest calibre consultants. Largest graduate intake since 2012 scheme launch

11
Business Practices
H1 18: 9
New practice launched: FinTech & Innovation. H2 18 launched practice, Alpha Data Solutions, progressing well

–
Acquisitions
H1 18: 1
Ongoing review of potential new acquisitions. H1 18 acquisition TrackTwo delivering value

3 Adjusted EBITDA is operating profit before interest, tax, depreciation, amortisation and other adjusting non-operational costs including acquisition costs, AIM admission costs, restructuring costs, earn-out costs and share-based payment charges
4 Adjusted operating profit is adjusted EBITDA less depreciation
5 Cash conversion is net cash from operating activities divided by adjusted operating profit
6 Pro forma adjusted EPS is adjusted profit after tax over the weighted average number of shares in issue in the period; the comparative considers the number of shares in issue immediately prior to AIM admission
7 All operational highlight figures are absolute except for Acquisitions, which reflects the number of acquisitions undertaken in the reported period
8 Investment & Pensions Europe 2018, "The Top 400 Asset Managers"

Interim Management Report

We continue to invest in our highly skilled consulting teams and in growing our service proposition globally. Our newly launched practice, FinTech & Innovation, is the latest example of investment in our high-quality service offering.

Ken Fry
Chairman

Euan Fraser
Global Chief Executive Officer

We are pleased to report that the Group has performed well in the first half of its second year as a public company. The Group has made positive progress since its admission to AIM, which has been made possible by its high-performing consulting teams and focus on the execution of its stated strategy to grow in both existing and new jurisdictions through the development of its service offering. During the six months ended 30 September 2018, we saw an increase of organic new business driven by client demand for our high-quality service proposition and long-standing commitment to delivering excellence.

Half Year Review[1]

Alpha delivered growth in revenue, adjusted operating profit, adjusted EBITDA and adjusted EBITDA margin in the half year to 30 September 2018. Group revenue grew by 35.5% to £39.0m in the first six months (H1 18: £28.7m). At constant exchange rates, revenue grew by 35.2%. Adjusted EBITDA (excl. FX) increased by 45.4% to £8.5m (H1 18: £5.8m), increasing the overall Group adjusted EBITDA margin (excl. FX) to 21.8% (H1 18: 20.3%). Before adjusting for non-underlying items, statutory operating profit rose 141.4% to £6.8m (H1 18: £2.8m). The basic earnings per share were 4.91p (H1 18: 2.40p loss). When adjusted for non-underlying items, pro forma adjusted basic earnings per share (excl. FX) were 6.23p (H1 18: 5.04p), representing a 23.6% increase.

[1] All rounding and percentage change calculations are from the basis of the financial statements, in £'000s

Operational and Geographical Review

Alpha continues to benefit from the strong structural drivers of increasing cost pressures and regulatory demand, alongside a marketplace that is growing through the increase in assets under management. These drivers help create significant impacts, and help to ensure that the demand for a broad range of consulting solutions is prevalent as our clients consider how to best adapt to the changes. The structural drivers are global in nature and, as a result, we see very similar industry challenges and client demand across every market in which we operate.

Consequently, the first half of this financial year saw good revenue growth across all the Group's core geographies: the UK, the US, and Europe & Asia. Clients continue to demand the subject matter expertise that Alpha offers, allied to the strong project management capability that our consulting talent brings.

Alpha's well-established practices, including Front Office, Distribution, M&A Integration and Operations & Outsourcing continued to be very successful across all the Group's key markets. The consulting practices that the Group launched in FY 17 and FY 18, such as Investment Guidelines, Regulatory Compliance, Alpha Data Solutions and Digital, also progressed during the first six months of FY 19. In addition to growing its existing practices, the Group progressed the expansion of its service offering with the creation of the new FinTech & Innovation practice, launched in response to client demand.

We are pleased to be able to report continuing client-led demand across all of the Group's geographies:

	6 months to 30-Sep 2018	6 months to 30-Sep 2017	Change
Revenue			
UK	£23.9m	£17.8m	34.5%
US	£5.0m	£3.8m	28.6%
Europe & Asia	£10.1m	£7.1m	41.8%
	£39.0m	£28.7m	35.5%

	30-Sep 2018	30-Sep 2017	Change
Consultant Headcount[2]			
UK	178	150	19%
US	59	35	69%
Europe & Asia	115	89	29%
Period-end totals	352	274	28%

[2] Consultant Headcount refers to fee-generating consultants: employed consultants plus utilised contractors

Each of the Group's regional businesses grew well compared to H1 18, both in terms of revenue and consultant headcount. We are very pleased with the level of growth enjoyed in the UK, the largest and most mature of our regions, which reflects the strong market perception that Alpha has established. We were similarly pleased with the rate of revenue and headcount growth enjoyed in the US and in Europe & Asia.

The UK remains the largest consulting team within the Group, and we are proud to be supporting some of the highest profile projects in the UK marketplace, which has helped with our success in the first six months of FY 19.

In Europe, Alpha continues to deliver revenue and headcount growth. The consulting teams grew across all the European locations of Paris, Luxembourg, Amsterdam and Geneva. In September 2018, the Group appointed Bastiaan Aalders as Chief Executive Officer of Alpha Netherlands. We are excited to welcome Bastiaan to Alpha, and we expect the Netherlands and the Nordics to be a key area of growth under his direction. We are very pleased with the strong performance from our Singapore team, and we see further potential across Asia over the next 18 to 24 months.

We continue to believe that the US market represents a significant geographic opportunity for future growth and were pleased with performance in the first half of the financial year, with 28.6% growth in revenues to £5.0m achieved (H1 18: £3.8m). The competitive landscape remains broadly similar to other geographies and we see no other consulting firm offering the same blend of expertise, market-leading consulting experience and project management skills. We see opportunities to accelerate US growth further, and will continue to search for director candidates with the appropriate blend of asset and wealth management expertise and cultural values, in addition to considering internal transfers to the US team, building our internal capability and developing talent within the Alpha US offices.

The Group's strong underlying adjusted EBITDA performance reflects our continued growing global reputation as the consulting partner of choice to support asset managers with the most challenging and critical projects in the industry.

Our People

The people at Alpha are the most important factor in our success. It is thanks to our high-performing, exceptionally committed global teams that we continue to deliver fantastic outcomes for our clients, which in turn drives client loyalty and repeat business. In order to maintain our global reputation as a leading consultancy, the Group remains committed to attracting, hiring and retaining the very best people in the industry. Our focus on providing a unique culture and a rewarding place to work is reflected in our industry-leading unmanaged attrition rates, which are less than 5%.

We continue to invest in recruitment and have increased our headcount of consultants by 28% to 352 globally (September 2018: 274). This year, we were delighted to welcome our largest ever graduate intake since launching the programme six years ago. Recognising the success of our UK-based graduate scheme, the Group has extended the programme to the US for the first time, where there were eight graduate starters in September. We wish all our new graduates every success in their careers at Alpha.

As an employer, we are committed to providing an open, collaborative and supportive environment for all our people at all times. We believe that the health and wellbeing of our people is a crucial factor in delivering the best results for our clients, developing and retaining our highly talented team, and meeting the challenges of a fast-growing business. With this in mind, wellbeing is a key area of focus for Alpha, with several new initiatives now in progress:

- A survey of our UK staff on the topic of stress, followed by a series of roundtable discussions – the exercise will be repeated across our global teams;
- A global network of wellbeing ambassadors – staff champions trained in Mental Health First Aid; and
- A comprehensive programme of resilience training, covering practical self-care and 'mind management'.

We recognise the importance of allowing our people to share in Alpha's growth journey and we have developed a number of schemes that help to reward their exceptional personal contributions. The Group facilitates employee equity ownership through its Employee Incentive Plan ("EIP") and Management Incentive Plan ("MIP"). During the reporting period, 267,190 share options were awarded to new joiners and, as at 30 September 2018, 23% of the Company's issued share capital was held by employees. The Group will continue to enable broad staff participation through these equity schemes.

Growth Strategy

The Group's objective is consistent with that reported during the previous financial year: to be recognised as the leading global asset and wealth management consultancy, and as the leading consultancy in all the domestic asset and wealth management markets in which it operates. Alpha continues to build scale both globally and across a number of domestic markets, and is well positioned to achieve this objective.

Alpha's strategy remains to achieve growth through both organic and inorganic means. The majority of Alpha's historic growth has been organic, and we believe that we will continue to deliver organic expansion through a combination of extending the geographies in which we operate and broadening our range of services. The success of the TrackTwo GmbH ("TrackTwo") acquisition, in the previous financial year, demonstrates how the Group can successfully add products and recurring revenue streams to the revenue mix, and supports our view that inorganic growth can be additive to the Group.

The Group expects to see ongoing revenue growth in all major markets. Alpha will continue to build out its client base of asset managers, asset owners, wealth managers and those who support the asset and wealth management industry, such as third-party administrators.

The Group has developed a globally recognised leading service offering across many parts of the asset and wealth management value chain, and demand for those services has remained strong. We have recently extended our range of services with the launch of the FinTech & Innovation practice, which increases the number of consulting practices that we manage to 11 (H1 18: 9). The new practice will assist clients with understanding how artificial intelligence, blockchain, automation & robotics and fintech partnerships can selectively enhance their operating models, help assess the markets for the most effective partners and implement solutions in a risk-mitigated manner.

We remain committed to strengthening and deepening Alpha's existing practices across all regions, and it is the building out of this practice structure across the US, Europe and, ultimately, Asia that will help to drive our future growth globally. In addition, we will continue to broaden our service offering and extend the number of consulting practices to meet evolving client demand. We will invest in our service offering and our practice structure through a combination of internal promotions and external hires to support that growth objective.

Acquisitions

We are pleased with both the successful integration of TrackTwo and the very good progress that we have made in selling the 360 SalesVista product to a number of new clients. In addition to establishing the product with these clients, the Group has built a strong pipeline of opportunities across a range of markets, and we are investing in 360 SalesVista to develop further the product.

Acquisitions will remain a part of our growth strategy, alongside organic growth, with a continued focus on acquiring businesses that offer complementary services to our clients in both existing and target markets. Our objective remains to extend our consulting and product proposition, and to broaden our reach across the asset and wealth management industry.

We will continue to operate a selective approach to acquisitions to expand our offering inorganically. Ideally, acquisitions will add products and services to the Group that provide a recurring revenue stream and, where possible, will be underpinned by strong data and technology components. In the consulting space, any potential acquisitions would be required to meet our high standard of quality and, preferably, extend our reach into new service areas or markets.

Governance and the Board

The Board continues to review and embed its corporate governance structures and processes following the transition from a private to a public company in H2 18. A key focus during H1 19 has been the application of the Quoted Companies Alliance Corporate Governance Code (the "Code"), which aligns with the Board's core principles of strong governance, integrity and business ethics. All the principles of the Code have been applied, and the Group's disclosures on the Code are documented on the Alpha investors website.

The Board was pleased with its inaugural Annual General Meeting on 5 September 2018. All the resolutions that were proposed at the meeting were successfully passed. The Board meets regularly to oversee the Group's business activities and progress towards its strategic objectives.

Financial Performance Review

The UK business, the Group's largest geographical region, continued to grow well in the first six months, up 34.5%[3] in revenue with good performance in the Distribution, Front Office and M&A Integration practices. The US business increased revenue by 28.6%, continuing to add new domestic clients. Europe & Asia revenues grew by 41.8%, with continued growth in the Group's core French market complemented by particularly good growth in our newer Singapore office. Our smaller Netherlands office experienced lower growth, where a new country CEO has recently been appointed to strengthen the Group's offering and lead the expansion in that area. TrackTwo, which is now part of the Alpha Data Solutions practice, also made a full period contribution, having been acquired in July 2017.

Group gross profit margin improved to 38.9% (H1 18: 36.5%), reflecting improved profitability from the expansion of the consulting teams, largely below director grade, while consultant utilisation levels remained consistent with the comparative half year. Contracting margins also improved in the period.

Administration expenses, before non-underlying items, rose in the six months, reflecting increased consultant recruitment costs, costs associated with being a quoted company and Group management costs. It is expected that administration costs will reduce as a percentage of Group revenue with continuing further revenue growth in future periods.

Adjusted EBITDA (excl. FX) grew 45.4% to £8.5m (H1 18: £5.8m), lifting adjusted EBITDA margin (excl. FX) from 20.3% in H1 18 to 21.8%. Operating profit grew to £6.8m (H1 18: £2.8m) after non-underlying expenses, including acquisition earn-out expenses and share-based payment charges, as set out in note 4. The comparative period included one-off costs relating to the AIM admission, acquisition costs and US restructuring costs, none of which were repeated in H1 19.

Pre-tax profit, after non-underlying items, increased to £6.7m (H1 18: £1.1m pre-tax loss), with reduced finance costs following the AIM admission. Taxation charges for the period were £1.7m (H1 18: £0.8m). The tax charge in the current period reflects a blended tax rate of the jurisdictions in which the Group operates and better indicates the Group's expected ongoing tax position.

[3] Revenue percentage comparisons are to the first half of the previous financial year

Net assets at 30 September 2018 totalled £84.3m (31 March 2018: £82.7m). This increase principally arises from £5.4m in retained earnings, offset by an increase in share-based payment reserves and the £3.7m payment of dividends in the period. Net cashflow generated from operations increased to £4.8m (H1 18: £0.1m) after payment to employees of the FY 18 profit share. The Group's net cash position increased to £10.6m at 30 September 2018 (31 March 2018: £9.8m), reflecting the strong trading performance of the Group, after payment of the employee profit share and the final dividend for the year ended 31 March 2018, which was paid to shareholders on 12 September 2018.

Basic earnings per share were 4.91p (H1 18: 2.40p loss per share). Pro forma adjusted basic earnings per share (excl. FX) grew 23.6% to 6.23p (H1 18: 5.04p). In line with the previous year and the Group's 50% of post-tax profits dividend policy, the Board today declares an interim dividend for the current year of 1.91p per share, which will be paid in December 2018 to shareholders on the register at the close of business 5 December 2018.

There are a number of potential risks and uncertainties that could have a material impact on the Group's performance over the remaining six months of the financial year and that could cause actual results to differ materially from expectations. These risks include political and economic uncertainty, and market volatility. The Board does not consider that these principal risks and uncertainties differ from those published in the Annual Report and Annual Review for the year ended 31 March 2018.

As stated in note 1 to the condensed financial statements, the Board is satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, being a period not less than 12 months from the date of this report. Accordingly, they continue to adopt the going concern basis in preparing these condensed financial statements.

Outlook

We are pleased with the Group's continued growth in the first half of the financial year. The Group has made good progress and the structural drivers in the asset and wealth management industry, which drive demand for Alpha's services from across our global client base, remain strong. We are cognisant of uncertainties in the global political landscape, in particular surrounding Brexit, and, while we have not witnessed any adverse impact on the business to date, we continue to monitor developments closely. We remain focussed on delivering the Group's strategy by continuing to broaden our geographic footprint, to grow our team of highly-skilled consultants and to deepen our high-quality service offering. In the second half, we expect utilisation to continue broadly in-line with current budgeted levels and anticipate revenues to deliver Group performance for the full year slightly ahead of Board expectations.

Ken Fry
Chairman

Euan Fraser
Global Chief Executive Officer

Auditor's Report

Independent Review Report to Alpha Financial Markets Consulting plc

Conclusion

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2018, which comprises the interim condensed consolidated statement of comprehensive income, interim condensed consolidated statement of financial position, interim condensed consolidated statement of cash flows, interim condensed consolidated statement of changes in equity and the related explanatory notes.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 30 September 2018 is not prepared, in all material respects, in accordance with IAS 34 Interim Financial Reporting as adopted by the EU and the AIM Rules.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.
We read the other information contained in the half-yearly report and consider whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Directors' Responsibilities

The half-yearly report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards as adopted by the EU. The Directors are responsible for preparing the condensed set of financial statements included in the half-yearly financial report in accordance with IAS 34 as adopted by the EU.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

The Purpose of Our Review Work and to Whom We Owe Our Responsibilities

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company for our review work, for this report, or for the conclusions we have reached.

Mark Flanagan
for and on behalf of KPMG LLP
Chartered Accountants
St. Nicholas House
31 Park Row
Nottingham
NG1 6FQ

Interim condensed consolidated statement of comprehensive income

For the six months ended 30 September 2018

	Note	Reviewed Six months ended 30 Sep 2018 £'000	Restated[3] Unaudited Six months ended 30 Sep 2017 £'000
Continuing operations			
Revenue	2	38,957	28,746
Cost of sales		(23,812)	(18,254)
Gross profit		**15,145**	**10,492**
Administration expenses		(8,381)	(7,690)
Operating profit		**6,764**	**2,802**
Depreciation		126	143
Foreign exchange (gains)/losses		(357)	-
Adjusting items		1,956	2,893
Adjusted EBITDA[1] (excl. FX)	4	**8,489**	**5,838**
Finance expense		(28)	(3,906)
Profit/(loss) before tax		**6,736**	**(1,104)**
Taxation		(1,741)	(811)
Profit/(loss) for the period		**4,995**	**(1,915)**
Exchange differences on translation of foreign operations		(24)	-
Total comprehensive income/(expense) for the period		**4,971**	**(1,915)**
Basic earnings/(losses) per ordinary share (p)[1]	6	4.91	(2.40)
Diluted earnings/(losses) per ordinary share (p)[1]	6	4.81	(2.40)
Pro forma adjusted basic earnings per ordinary share (excl. FX) (p)[2]	6	6.23	5.04
Pro forma adjusted diluted earnings per ordinary share (excl. FX) (p)[2]	6	6.10	5.04

1 Adjusted EBITDA is operating profit before interest, tax, depreciation, amortisation and other adjusting non-operational costs including acquisition costs, IPO costs, restructuring costs, earn-out costs and share-based payment charges.
2 Pro forma adjusted EPS is adjusted PAT over the weighted average number of shares in issue in the period; the comparative considers the number of shares in issue immediately prior to AIM admission.
3 Prior period restatements related to IFRS 3 accounting in FY 18 (see note 10) and the adoption of IFRS 15 (see note 3).

The notes on pp 12-22 form part of these interim condensed consolidated financial statements.

Interim condensed consolidated statement of financial position

As at 30 September 2018

	Note	Reviewed six months ended 30 Sep 2018 £'000	Restated Unaudited six months ended 30 Sep 2017 £'000	Restated Audited year ended 31 Mar 2018 £'000s
Assets				
Non-current assets				
Goodwill		52,626	52,626	52,626
Intangible fixed assets	9	21,724	24,176	22,913
Property, plant and equipment		433	433	397
Total non-current assets		74,783	77,235	75,936
Current assets				
Trade and other receivables		23,670	18,138	21,242
Cash and cash equivalents		10,628	4,508	9,774
Total current assets		34,298	22,646	31,016
Current liabilities				
Trade and other payables		(21,091)	(12,272)	(20,621)
Total current liabilities		(21,091)	(12,272)	(20,621)
Net current assets		13,207	10,374	10,395
Non-current liabilities				
Borrowings		-	(89,236)	-
Deferred tax provision		(3,215)	(4,117)	(3,401)
Other non-current liabilities		(454)	(1,025)	(277)
Total non-current liabilities		(3,669)	(94,378)	(3,678)
Net assets/(liabilities)		**84,321**	**(6,769)**	**82,653**
Equity				
Issued share capital	11	76	-	77
Share premium		89,396	86	89,396
Foreign exchange reserve		(434)	(222)	(410)
Other reserves		714	-	267
Retained earnings		(5,431)	(6,633)	(6,677)
Total Shareholders' equity		**84,321**	**(6,769)**	**82,653**

Interim condensed consolidated statement of cash flows

For the six months ended 30 September 2018

	Reviewed Six months ended 30 Sep 2018 £'000	Restated Unaudited Six months ended 30 Sep 2017 £'000
Cash flows from operating activities:		
Operating profit/(loss)	6,764	2,802
Depreciation of property, plant and equipment	126	143
Amortisation of intangible fixed assets	1,270	1,115
Earn out and deferred consideration	295	196
Share-based payment charge	386	-
Loss on disposal of property, plant and equipment	5	(2)
Operating cashflow before movements in working capital	**8,846**	**4,254**
Working capital adjustments:		
Increase in trade and other receivables	(2,428)	(6,179)
Increase / (decrease) in trade and other payables	(935)	2,715
Tax paid	(634)	(691)
Net cash generated from operating activities	**4,849**	**99**
Cash flows from investing activities:		
Acquisition of subsidiary	-	(2,049)
Capitalised development costs	(82)	-
Additions to property, plant and equipment	(167)	(125)
Net cash used in investing activities	**(249)**	**(2,174)**
Cash flows from financing activities:		
Repayment of borrowings	-	(770)
Interest paid	(22)	(777)
Dividend	(3,749)	-
Net cash used in financing activities	**(3,771)**	**(1,547)**
Net decrease in cash and cash equivalents	**829**	**(3,622)**
Cash and cash equivalents at beginning of the period	9,774	8,023
Effect of exchange rate fluctuations on cash held	25	107
Cash and cash equivalents at end of the period	**10,628**	**4,508**

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2018

	Share Capital £'000	Share premium £'000	Foreign exchange reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
As at 1 April 2017 – Restated Audited	-	86	(222)	-	(4,718)	(4,854)
Comprehensive income						
Total comprehensive loss for the period	-	-	-	-	(1,915)	(1,915)
As at 30 September 2017 – Restated Unaudited	**-**	**86**	**(222)**	**-**	**(6,633)**	**(6,769)**
As at 1 April 2018 - Restated Audited	77	89,396	(410)	267	(6,677)	82,653
Comprehensive income						
Total comprehensive profit for the period	-	-	-	-	4,995	4,995
Foreign exchange differences on translation of foreign operations	-	-	(24)	-	-	(24)
Transactions with owners						
Shares issued/(cancelled)	(1)	-	-	-	-	(1)
Share-based payment reserves	-	-	-	386	-	386
Consideration to be settled in equity	-	-	-	61	-	61
Dividends	-	-	-	-	(3,749)	(3,749)
As at 30 September 2018 – Reviewed	**76**	**89,396**	**(434)**	**714**	**(5,431)**	**84,321**

Share capital
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 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.

Other reserves
The other reserves represent the cumulative fair value of the IFRS 2 share-based payment charge to be recognised each year and equity-settled consideration reserves.

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

The principal activity of the Group is the provision of consulting and related services to clients in the asset and wealth management industries; principally in the UK, USA, Europe and Asia.

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.

The interim condensed consolidated financial statements were authorised for issue in accordance with a resolution of the Directors on 16 November 2018.

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 last annual consolidated financial statements, as at and for the year ended 31 March 2018. 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 the last annual financial statements.

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 2018 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, the comparative period, is unaudited.

Basis of consolidation

The consolidated financial statements consolidate the financial statements of the Company and its subsidiary undertakings as at 30 September 2018.

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.

Principal accounting policies

Please refer to the Group's Annual Report & Accounts 2018 for full disclosures of the principal accounting policies that have been adopted in the preparation of these interim condensed consolidated financial statements. The key accounting policies that affected the Group in the period are documented 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:

Judgements

Business combinations – valuation and asset lives of separately identifiable intangible assets (see note 9)

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.

Estimates

Share-based payments (see note 8)

Management have estimated the share-based payments expense under IFRS 2. In determining the fair value of share-based payments, management has considered a number of internal and external factors in order to judge the probability that management and employee share incentives may vest. Such judgements involve estimating a number of future performance and other factors. The fair value calculations have been externally assessed as reasonable in the circumstances.

Earn-out (see note 10)

The TrackTwo earn-out expense calculation under IFRS 3 contains estimation uncertainty as it relates to future performance. Management has assessed the potential future cashflows of the TrackTwo business, the likelihood of an earn-out payment being made and discounted using an appropriate discount rate.

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, pounds 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.

Going concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operation for the foreseeable future. The Group's forecasts and projections, taking into account reasonable possible 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. Accordingly, the Directors have adopted the going concern basis in preparing these consolidated financial statements.

Earnings per share & adjusted earnings per share

The Group presents basic and diluted earnings per share on an IFRS and adjusted basis. In calculating the weighted average number of shares outstanding during the period, any share restructuring is adjusted to allow comparability with other periods.

The calculation of diluted earnings per share assumes conversion of all potentially dilutive ordinary shares, all of which arise from share options and similar incentive plans. A calculation is performed to determine the number of share options that are potentially dilutive based on the number of shares that could have been acquired at fair value, considering the monetary value of the subscription rights attached to outstanding share options.

Adjusted earnings per share has been calculated after allowing for adjusting items explained in note 4 to these interim financial statements.

Alternative performance measures

In order to provide better clarity to the underlying performance of the Group, Alpha uses alternative performance measures. The measures are not defined under IFRS and they may not be directly comparable with other companies' adjusted measures. These non-GAAP measures are not intended to be a substitute for, or superior to, any IFRS measures of performance but have been included as the Directors consider them to be key measures used within the business for assessing the underlying performance of the Group's ongoing business across periods.

New accounting standards and interpretations

There were no significant changes in accounting policies applied by the Group in these condensed consolidated interim financial statements compared to those used in the most recent annual consolidated financial statements as at 31 March 2018, except for the adoption of new standards and interpretations described below.

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards and interpretations, which are now 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)

Notes to the interim condensed consolidated financial statements continued

1. Summary of significant accounting policies continued

The Directors reviewed the nature and effect that these new standards have had on the Group and do not believe that the impact is material. These standards have been adopted by the Group:

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2018)

IFRS 9 changes the classification and measurement of financial assets and the timing and extent of credit provisioning. The new categories per IFRS 9 have not had a material impact on the financial assets as trade receivables have continued to be carried at amortised cost.

An expected credit loss model replaces the incurred loss model. This requires an assessment of the likelihood of default and any potential loss that may arise in the event of default. The Group has found that the new standard has not caused a material change in the impairment of trade receivables or any other financial assets because of the short-term nature of the trade receivables and the specific provisions currently being raised for them.

IFRS 15 Revenue from contracts with customers (effective for periods beginning on or after 1 January 2018)

This standard establishes principles for reporting information about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

To determine revenue recognition for arrangements that are within the scope of IFRS 15, the standard identifies the following steps: (i) identify the contract; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; (v) recognise revenue when (or as) the entity satisfies the performance obligation.

The adoption of the new standard resulted in a small timing difference of revenue recognition compared to the previous accounting standards. The cumulative effect of initially applying the new standard was recognised as an adjustment to the opening balance of retained earnings and accrued income. The cumulative effect of initially applying the new revenue standard amounted to less than 1% of revenue in the current period and the comparative period. The details of these adjustments have been summarised in note 3.

The following standards and interpretations are not yet effective:

IFRS 16 – Leases (effective for periods commencing on or after 1 January 2019)

IFRS 16 was published in January 2016, replacing IAS 17 'Leases'. The Group will likely adopt IFRS 16 on a modified retrospective basis and the group will recognise the cumulative effect of initially applying the standard as an adjustment to the opening balance of retained earnings at 1 April 2019, i.e. the date of initial application. Results in the year ended 31 March 2020 will be IFRS 16 compliant and that Annual Report will be the first to include the results on this basis.

The standard requires lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less, or the underlying asset is of low value. The Group is still in the process of quantifying the implications of this standard. However, we expect the following indicative impacts:

- there is expected to be an increase in total assets, as leased assets that are currently accounted for off balance sheet (i.e. classified as operating leases under IAS 17) will be recognised on balance sheet valued in accordance with the principles of IFRS 16. The biggest asset category impacted for the Group is expected to be land and buildings;
- there is expected to be an increase in liabilities as existing operating leases are recognised;
- operating lease expenditure will be reclassified and split between depreciation and finance costs. Therefore, EBITDA is expected to increase comparatively. Future depreciation and finance costs are also expected to increase as a result of increased assets and liabilities;
- there could be a limited temporary reduction in profit after tax as result of the above changes. This is expected to be driven by an increase in finance costs as a result of new leases. These finance costs will have an accelerated profile which will reduce as the leases settle over the life;
- there may be a corresponding effect on tax balances in relation to all of the above impacts.

This standard will require key accounting judgements, in particular around the likelihood of lease renewals.

2. Segment information

Management has determined the operating segments by considering the segmental information that is reported internally to the Board of Directors. For management purposes, the Group is currently organised into three geographical operating divisions: UK, US and Europe & Asia. The Group's operations consist of one type - consultancy services to the asset/wealth management industry.

30 September 2018

	UK £'000	US £'000	Europe & Asia £'000	Total £'000
External revenue	23,888	4,939	10,130	38,957
Cost of sales	(13,181)	(3,736)	(6,895)	(23,812)
Gross profit	**10,707**	**1,203**	**3,235**	**15,145**

30 September 2017

	UK £'000	US £'000	Europe & Asia £'000	Total £'000
External revenue	17,759	3,841	7,146	28,746
Cost of sales	(10,589)	(2,639)	(5,026)	(18,254)
Gross profit	**7,170**	**1,202**	**2,120**	**10,492**

3. IFRS 15

The Group has recognised the effect of applying IFRS 15 retrospectively. This has resulted in an adjustment to opening retained earnings and deferred income of £0.3m. The restatement of profits in the current and comparative periods has been minimal.

4. Reconciliation of adjusted operating profit and adjusted EBITDA

	Period ended 30 September 2018 £'000	Period ended 30 September 2017 £'000
Operating profit	**6,764**	**2,802**
Amortisation	1,270	1,115
Profit/(loss) on disposal of fixed assets	5	(2)
Share-based payments charge	386	-
Earn out & deferred consideration	295	196
Acquisition costs	-	48
Restructuring costs	-	238
Costs directly attributable to the AIM admission	-	1,298
Total adjustments	1,956	2,893
Adjusted operating profit	**8,720**	**5,695**
Foreign exchange (gains)/losses	(357)	-
Adjusted operating profit (excl. FX)	**8,363**	**5,695**
Depreciation of plant and equipment	126	143
Adjusted EBITDA (excl. FX)	**8,489**	**5,838**
Foreign exchange gains/(losses)	357	-
Adjusted EBITDA	**8,846**	**5,838**

Notes to the interim condensed consolidated financial statements continued

4. Reconciliation of adjusted operating profit and adjusted EBITDA continued

Alpha uses alternative performance measures, including adjusted EBITDA (excl. FX) and adjusted EBITDA, to allow a clearer understanding of the underlying performance of the Group. Adjusted EBITDA is a commonly-used measure in which earnings are stated before intangible asset amortisation and depreciation, used by the Board to assess performance; the Board considers that this alternative performance measure is the most appropriate measure by which users of the financial statements can assess the ongoing performance of the Group. Adjusted EBITDA also excludes the employee share-based payments charge to remove the inherent volatility in share-based payment expense calculations and more closely align to the operational activities.

Adjusted EBITDA (excl. FX) is an alternative performance measure also shown for the period, used by the Board to assess the Group's performance whilst removing the effects of foreign exchange rate fluctuations.

As per note 10, the acquisition of TrackTwo GmbH involved deferred consideration payments in the form of an earn-out which, in accordance with IFRS 3, will be expensed annually to 2021 dependent on the ongoing employment of the vendor. This cost has been removed to calculate adjusted EBITDA as, whilst it will recur in the short-term, it represents additional payments linked to the TrackTwo acquisition.

Other acquisition costs expensed in the prior year, relating to the TrackTwo acquisition, have also been excluded from adjusted EBITDA as they are not directly attributable to the ongoing performance of the Group. Similarly, costs directly attributable to the AIM admission in October 2017 and restructuring costs relating to realigning the US operations in the comparative period have also been excluded.

5. Reconciliation to adjusted profit after tax (excl. FX)

	Period ended 30 September 2018 £'000	Period ended 30 September 2017 £'000
Adjusted operating profit (excl. FX)	8,363	5,695
Tax charge	(1,741)	(811)
Tax impact of adjusting items	(283)	(856)
Adjusted profit after tax (excl. FX)	**6,339**	**4,028**

Adjusted profit after tax is also shown to allow a clearer understanding of the underlying performance of the Group. Adjusted profit after tax is stated before adjusting items and their associated tax effects.

6. Earnings/(loss) per share

The Group presents basic and diluted earnings per share ('EPS') data, both adjusted and non-adjusted for its ordinary shares. Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted normalised average number of ordinary shares outstanding during the period. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS (or increase loss per share).

In order to reconcile to the adjusted profit for the financial period, the same adjustments as in note 4 have been made to the Group's loss for the financial period. The profits/(losses) and weighted average number of shares used in the calculations are set out below:

	30 September 2018	30 September 2017
Basic & diluted EPS		
Profit/(loss) for the financial year/period used in calculating basic and diluted EPS (£'000)	4,995	(1,915)
Weighted average number of ordinary shares in issue	101,723	79,842
Number of potentially dilutive shares	3,274	-
Weighted average number of ordinary shares in issue, including potentially dilutive shares	103,886	79,842
Basic EPS (p)	4.91	(2.40)
Diluted EPS (p)	4.81	(2.40)
Pro forma adjusted EPS (excl. FX)		
Adjusted profit for the financial year/period used in calculating adjusted basic and diluted EPS (excl. FX) (note 5) (£'000)	6,339	4,028
Pro forma adjusted EPS (excl. FX) (p)	6.23	5.04
Pro forma adjusted diluted EPS (excl. FX) (p)	6.10	5.04

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

The Group's consolidated financial statements reflect the continuation of the pre-existing group previously headed by Alpha FMC Topco Limited. To aid comparability following the Group's reconstruction and share reorganisation, the 79,841,931 ordinary shares held by original shareholders immediately before the AIM admission has been used to best indicate the share capital in existence before the AIM admission and provide earnings information on a consistent basis. Similarly, in the pro forma adjusted EPS and the pro forma adjusted diluted EPS calculations, to allow comparability between periods, the comparative weighted average number of shares in issue only considers the shares in issue immediately prior to AIM admission.

Diluted EPS takes into consideration the Company's dilutive contingently issuable shares, as well as shares held in Treasury. The weighted average number of ordinary shares used in the diluted EPS calculation is inclusive of the number of shares options that are expected to vest subject to performance criteria, as appropriate, being met. There were no potentially dilutive ordinary shares for the period ended 30 September 2017. Employee incentive plans were put in place in October 2017.

7. Dividends

	Period ended 30 September 2018 £'000	Period ended 30 September 2017 £'000
Amounts recognised as distributions to equity holders:		
Final dividend for the year ended 31 March 2018 of 3.69p (2017: 0p) per share	3,749	-
Proposed interim dividend for the year ended 31 March 2019 of 1.91p (2018: 1.58p) per share	1,938	1,508

The final dividend for the year ended 31 March 2018 has been recognised in these financial statements, following its approval at the AGM by shareholders. The declared interim dividend will be recorded, when paid in the latter half of the year.

Notes to the interim condensed consolidated financial statements continued

8. Share-based payments

The Group operates a Management Incentive Plan (MIP) and an Employee Incentive Plan (EIP) designed to retain and incentivise the Directors and employees, details of which are set out in the AIM Admission Document, the Annual Report & Accounts 2018 and the EIP announcement dated 26 July 2018.

MIP & EIP awards have either a nil exercise price payable (or there shall be no more than a nominal purchase price payable) in order to acquire shares pursuant to options. Awards have between 3 to 5 year vesting periods from the date of grant and can be equity settled only.

At 30 September 2018, a total of 3,198,665 share option and award grants were outstanding to employees (H1 18: nil). No share option or award grants were made to the Directors of the Company in the period.

Details of the share-based payments made are as follows:

	Period ended 30 September 2018	
	Number of share options	Weighted average exercise price
Outstanding at the beginning of the period	2,977,775	-
Granted during the period	267,190	-
Exercised during the period	-	-
Forfeited during the period	(46,300)	-
Expired during the period	-	-
Outstanding at the period end	**3,198,665**	**-**
Exercisable at the period end	**-**	**-**

No shares options were exercisable in the period.

The options outstanding at 30 September 2018 had a weighted average remaining contractual life of 2.5 years and a nil or nominal exercise price.

During the period ended 30 September 2018, 267,190 options were granted on 26 July 2018 to employees and certain senior management. The weighted average of the estimated fair values of the options outstanding is £1.21 per share. 2,977,775 options were granted in the previous year.

The value of the options with market-based performance conditions has been measured by the use of 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.

The options outstanding that have time vesting criteria, or business performance conditions, were valued using a Black-Scholes model.

The inputs into the model for the new awards were as follows:

	30 September 2018
Weighted average share price at grant date	£2.57
Exercise price	-
Volatility	30%
Weighted average vesting period	4 years
Risk free rate	0.79%
Expected dividend yield	3.00%

Expected volatility was determined by calculating the historic 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 £386,000 related to equity-settled share-based payment transactions in the current year (H1 18: £nil).

9. Intangible fixed assets

As at 30 September 2018

	Customer relationships £'000	Intellectual property £'000	Trade name £'000	Capitalised development costs £'000	Total £'000
Cost					
At the start of the period	20,068	2,086	5,630	-	27,784
Additions in the period	-	-	-	81	81
At the end of the period – total	20,068	2,086	5,630	81	27,865
Amortisation					
At the start of the period	(3,442)	(499)	(930)	-	(4,871)
Charge for the period	(923)	(157)	(188)	(2)	(1,270)
At the end of the period – total	(4,365)	(656)	(1,118)	(2)	(6,141)
Net book value	**15,703**	**1,430**	**4,512**	**79**	**21,724**

As at 30 September 2017

	Customer relationships £'000	Intellectual property £'000	Trade name £'000	Total £'000
Cost				
At the start of the period	18,650	1,421	5,630	25,701
Recognised on acquisitions (note 10)	1,418	665	-	2,083
At the end of the period – total	20,068	2,086	5,630	27,784
Amortisation				
At the start of the period	(1,813)	(237)	(438)	(2,488)
Charge for the period	(782)	(188)	(150)	(1,120)
At the end of the period – total	(2,595)	(425)	(588)	(3,608)
Net book value	**17,473**	**1,661**	**5,042**	**24,176**

Notes to the interim condensed consolidated financial statements continued

9. Intangible fixed assets continued

Customer relationships

Customer relationships primarily represent the fair value at the 3 February 2016 acquisition date of the customer relationships that 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 11-12 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 9.3 years and 9.8 years remaining to be amortised for the customer relationships in relation to Alpha FMC Group Holdings Limited and TrackTwo respectively.

Intellectual property

Opening intellectual property primarily represents the fair value at the 3 February 2016 acquisition date of the intellectual property that 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 4.3 years and 5.8 years remaining to be amortised for the intellectual property in relation to Alpha FMC Group Holdings Limited and TrackTwo respectively.

Trade name

Trade name represents the fair value at the 3 February 2016 acquisition date of the trade name that 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 12.3 years and 13.8 years remaining to be amortised for the trade name in relation to Alpha FMC Group Holdings Limited and TrackTwo respectively.

Capitalised development costs

Capitalised development costs represents the costs incurred in the development enhancements to the 360 SalesVista software in Alpha Data Solutions.

A useful economic life of 3 years has been deemed appropriate based on expected project life cycle in development of new software.

The amortisation charge is recognised in administrative expenses within the statement of comprehensive income. There are 2.9 years remaining to be amortised for the capitalised development costs in relation to the development of new software.

10. Acquisitions and disposal of business

Acquisitions in the prior period

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

This acquisition has been accounted for under the acquisition method of accounting. The fair value adjustments relate to the identification of separately identifiable intangibles and associated deferred tax liabilities. For the remaining assets and liabilities acquired no fair value adjustments were identified. The table below sets out the book and fair values of the identifiable assets and liabilities acquired. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition.

	Book values £'000	Fair value adjustments £'000	Values on acquisition £'000
TrackTwo net assets at the acquisition date:			
Tangible fixed assets	9	-	9
Customer relationships	-	1,418	1,418
Intellectual property	-	665	665
Trade and other debtors	316	-	316
Cash	108	-	108
Trade and other creditors	(195)	-	(195)
Deferred tax liability	-	(352)	(352)
Net identifiable assets and liabilities acquired	**238**	**1,731**	**1,969**
Cash consideration relating to business combination			3,066
Goodwill on acquisition			**1,097**

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 TrackTwo over the 3-year period to July 2020 subject to continuous employment of vendor until July 2020.

The earn-out and final ownership consideration payments have been estimated by the Directors based on anticipated future earnings and discounted to current values. An expense of £295,000 (HY 18: £196,000) has been recognised for the current half year and is presented as an adjusted expense (see note 4). This consists of £32,000 payable within one year, £202,000 to be settled after one year and £61,000 to be settled in equity.

As was noted in the prior period's interim results, the full purchase price allocation of the acquisition of TrackTwo GmbH was yet to be confirmed at the time when the interim financial statements were produced. Therefore, the prior year comparatives have been retrospectively adjusted to reflect the impact of the acquisition under IFRS 3, in line with the audited Annual Report & Accounts 2018.

Notes to the interim condensed consolidated financial statements continued

11. Called up share capital

	30 September 2018 Number	30 September 2017 Number
Allotted, called up and fully paid		
Class		
Ordinary 'A' £0.00001 shares (1 vote per share capped at 55%)	-	58,898
Ordinary 'B1' £0.00001 shares (no voting rights)	-	9,564
Ordinary 'B2' £0.00001 shares (no voting rights)	-	7,120
Ordinary 'C1' £0.00001 shares (no voting rights)	-	5,390
Ordinary 'C2' £0.00001 shares (no voting rights)	-	5,155
Ordinary 'D' £0.1 shares (5% per share)	-	9
Ordinary 0.00075 shares (1 vote per share)	101,974,874	-
	101,974,874	**86,136**

	30 September 2018 £	30 September 2017 £
Allotted, called up and fully paid		
Class		
Ordinary 'A' £0.00001 shares (1 vote per share capped at 55%)	-	0.58
Ordinary 'B1' £0.00001 shares (no voting rights)	-	0.09
Ordinary 'B2' £0.00001 shares (no voting rights)	-	0.07
Ordinary 'C1' £0.00001 shares (no voting rights)	-	0.05
Ordinary 'C2' £0.00001 shares (no voting rights)	-	0.05
Ordinary 'D' £0.1 shares (5% per share)	-	0.90
Ordinary £ 0.00075 shares (1 vote per share)	76,481.16	-
	76,481.16	**1.74**

	Note	£
Movements in share capital during the period ended 30 September 2018:		
Balance at 31 March 2018 102,234,583 ordinary shares of £0.00001 each		76,676
Cancelled shares	(i)	(195)
Balance at 30 September 2018		**76,481**

(i) Since the last year end, 259,709 shares have been cancelled. At 30 September 2018, the total number of shares in issue was 101,974,874.

Notes

Notes

Company Information

Directors and Advisers

Directors
ENB Fraser
JC Paton
K Fry
PR Judd
NR Kent

Company Number
09965297

Registered Office
Alpha Financial Markets
Consulting plc
60 Gresham Street
London EC2V 7BB

Auditor
KPMG LLP
St Nicholas House
Park Row
Nottingham NG1 6FQ

Registrar
Computershare
The Pavilions
Bridgwater Road
Bristol BS99 6ZZ

Nominated Adviser
Grant Thornton
30 Finsbury Square
London EC2A 1AG

Broker
Joh. Berenberg, Gossler & Co.
60 Threadneedle Street
London EC2R 8HP

Bankers
Lloyds Bank Plc
10 Gresham Street
London EC2V 7AE

HSBC UK Bank Plc
71 Queen Victoria Street
London EC4V 4AY

Company Secretary
company.secretary@alphafmc.com

Corporate and Investor Website
investors.alphafmc.com

Client Website
alphafmc.com

Alpha FMC

60 Gresham Street
London EC2V 7BB

+44 (0) 207 796 9300
enquiries@alphafmc.com

alphafmc.com