



The power of our people

Interim Report & Accounts 2023

Introduction

Welcome to Alpha's 2023 Interim Report & Accounts

Alpha¹ is a leading global consultancy to the asset management, wealth management and insurance industries.

Perspective | Strategy | Technical Expertise | Data Solutions

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

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

Highlights

Financial Highlights²

Revenue

£107.6m

(H1 22: £68.4m) +57.3%

Adjusted³ EBITDA

£22.5m

(H1 22: £15.4m) +45.6%

Operating profit

£15.8m

(H1 22: £5.5m) +188.3%

Profit before tax

£14.2m

(H1 22: £4.2m) +235.6%

Adjusted profit before tax

£21.3m

(H1 22: £14.4m) +47.2%

Basic earnings per share

9.10p

(H1 22: 0.87p) +946.0%

Adjusted earnings per share

14.09p

(H1 22: 9.85p) +43.0%

Adjusted cash conversion

19.5%

(H1 22: 57.8%)

Interim dividend per share

3.70p

(H1 22: 2.90p)

Operational Highlights

787

Clients⁴

(H1 22: 662)

Includes all of the world's top 20 and 80% of the world's top 50 asset managers by AUM

16

Offices⁵

(H1 22: 15)

Office network provides ability to deliver an exceptional service proposition across all key markets

921

Consultants⁶

(H1 22: 656)

Continued investment in the highest calibre consultants globally

97

Directors⁷

(H1 22: 82)

Alpha continues to attract experienced top talent globally

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Acquisitions

(H1 22: 1)

Ongoing review of strategic opportunities

2 All financial and operating highlights relate to the period ended 30 September 2022 ("H1 23") and the comparative period is 30 September 2021 ("H1 22") unless otherwise specified
 3 The Group uses alternative performance measures ("APMs") to provide stakeholders further metrics to aid understanding of the underlying trading performance of the Group. Refer to note 3 for further details
 4 Client numbers are cumulative and have been updated to include all client relationships from acquisitions. "World's top 20" and "world's top 50" refer to Investment & Pensions Europe "Top 500 Asset Managers 2022"
 5 Group uses "office" to refer to office location; that is, if there are multiple offices in one location, they will be counted as one office
 6 "Consultants" and "headcount" refer to fee-earning consultants at the period end: employed consultants plus utilised contractors in client-facing roles
 7 "Directors" refers to fee-generating directors at the period end. All director increases are presented as net

Interim Report

In the first half, we have delivered double-digit organic growth in all our territories and, in line with our strategic objectives, North America has become the largest contributor to the Group's revenue.



Ken Fry
Chairman



Euan Fraser
Global Chief
Executive
Officer

Alpha has just passed its five-year anniversary of being quoted on the Alternative Investment Market ("AIM") of the London Stock Exchange. In Alpha's first report as a listed company, we had 274 consultants across nine major cities, reporting a revenue of £28.7m and adjusted EBITDA of £5.8m (H1 18). Over the last five years we have significantly grown the business, now with a total of 921 consultants, based across 16 offices, reporting £107.6m revenue and £22.5m adjusted EBITDA in H1 23. It has been a delight and a privilege to have been a part of this extraordinary journey, and to have successfully grown Alpha's industry-leading, high-quality teams to consistently deliver to our expanding client base globally.

Client demand for Alpha's services globally has meant that the Group has continued to deliver impressive double-digit revenue growth for the first six months of this financial year, compared to the first half of the prior year, both overall and on an organic basis. Alpha's trading momentum from FY 22 has continued positively into H1 23, maintaining the Group's healthy pipeline of client opportunities.

The global macroeconomic and geopolitical picture, which includes the effects of the war in Ukraine as well as monetary tightening in the face of inflation, continues to be extremely uncertain. The Board and the entire leadership team remains mindful of the potential risks and uncertainties ahead. In this context, the Board is particularly pleased that Alpha has continued with the strong momentum experienced at the end of FY 22 and to have seen an increase in client demand in all geographical regions in the half.

Half Year Review

While cognisant of the macro environment, we have continued to make excellent headway on a number of our key strategic areas during the first half. Most notable is the exciting growth we continue to achieve in North America, both organically and buoyed by our transformational acquisition of Lionpoint, which was completed in May 2021. The Group continues to hire and invest in Lionpoint to match the ongoing demand for our services in the alternative investments space, more than doubling the number of consultants in Lionpoint since acquisition. Importantly, Alpha has experienced double-digit revenue growth in all our key territories. The Group has also made further progress in building out the insurance consulting proposition, which Alpha continues to view as another exciting area for significant further growth.

Interim Report continued



We are well on the way to achieving our medium-term goal of doubling the size of the Alpha Group over the four-year period to November 2024.

The financial performance of the Group has been extremely encouraging for the first half of the financial year, with strong double-digit increases in revenues and profits. Alpha has also successfully continued to deliver excellent sales wins across the Group. Net fee income across the Group is up 56.5% to £107.0m (H1 22: £68.4m), continuing its growth trajectory from the second half of last year. On an organic basis, net fee income grew by 45.3%.

Adjusted EBITDA increased by 45.6% to £22.5m (H1 22: £15.4m) and adjusted profit before tax increased by 47.2% to £21.3m (H1 22: £14.4m). This excellent progress has been achieved while adjusted EBITDA margin has been maintained at 21.0%, a similar level to FY 22's 21.5% (H1 22: 22.6%). As expected, we have managed to balance cost increases and gently reducing our consultant utilisation levels towards a more normalised level, while progressing consultant day rates in a strong market demand environment. On a statutory basis, operating profit was £15.8m (H1 22: £5.5m) and profit before tax was £14.2m (H1 22: £4.2m), after charging adjusting items, which were comparatively lower in the period. Adjusted earnings per share were 14.09p (H1 22: 9.85p) and basic earnings per share were 9.10p (H1 22: 0.87p).

Operational and Geographical Review

We are well on the way to achieving our medium-term goal of doubling the size of the Alpha Group over the four-year period to November 2024. The structural drivers for our sector continue to create significant tailwinds for Alpha: fee compression and the drive for efficiency, growth in AUM, regulatory change and the growing focus on ESG and responsible investment. Just as the growth drivers remain unchanged, so our growth objectives remain unchanged: to extend the depth and range of our services and to increase Alpha's footprint in all markets, with a model that serves both to address current client needs and promote new client demand.

In terms of our practices and service proposition to clients, we have continued to deepen and extend our offering across many of our verticals. We have promoted people from within and have also made incremental hires, including growing our director team by nine in the past six months. In addition, we continue to invest in broadening our service proposition across the Group. For example, we have launched an Enterprise Transformation practice in the UK, which recognises a long-term capability and focus on helping asset and wealth management clients address issues and challenges across their end-to-end businesses. This includes reorganising operating models, shaping cost reduction programmes and ensuring change portfolios are aligned to strategic priorities.

The Group's insurance consulting offering continues to build on its rapid expansion last year. This business area more than doubled its headcount last year in response to strong client demand and we are delighted to have added another director to the team since the financial year end. Our recently launched General Insurance and Specialty segments in the UK are progressing well; we are engaging with a range of new clients and expanding the teams of dedicated experts.

We see significant market potential in the insurance industry and, ultimately, believe that our insurance offerings could grow to a similar size as Alpha's asset and wealth management consulting ("AWM") business in the medium to long term. Given the strength of this proposition, and to support its further growth and expansion, we have appointed a Global Head of Insurance Consulting from within our Group.

Lionpoint continues to increase its footprint, particularly in North America, and we still see considerable scope for growth as the alternative investments market continues to attract AUM across the private equity, private credit, infrastructure, real estate and fund of funds segments. Additionally, the structural growth drivers in the asset management, wealth management and insurance industries – cost pressures, regulation, growing AUM as well as changing client and societal expectations – are also prevalent in the alternatives space and are driving client demand. The Lionpoint team has added a further 66 consultants globally during the period, more than doubling the total consultant number in Lionpoint to over 260, compared to 123 consultants on acquisition.

The integration of Lionpoint has been a success; this is particularly evident in the growing number of cross-selling opportunities and collaboration on client projects across the Group. Lionpoint employees are currently working with colleagues in the wider Group on a range of technology implementation and operating model projects, a number of which are large transformation programmes in the growing North America market. Through this combination of specialist consultants working across all asset classes, we are delighted to be able to offer an end-to-end-suite of client solutions on a global scale.

Interim Report continued

During the period, the Group has continued to win business with both new and existing clients across all locations. As a Group, including Lionpoint, we have now worked with 787 clients (H1 22: 662). The Board is pleased with the range and growth of Alpha's client base across all locations and the Group's continued focus on ensuring it has the ability to deliver for clients across all verticals. We are very well placed to add value to clients in their most demanding of projects and increase our market penetration.

Geographic performance in the period can be summarised as follows:

	6 months to 30 Sep 2022	6 months to 30 Sep 2021	Change
Net Fee Income			
UK	£39.8m	£32.5m	22.7%
North America	£44.3m	£18.8m	135.4%
Europe & APAC	£22.9m	£17.1m	33.7%
Total	£107.0m	£68.4m	56.5%

	As at 30 Sep 2022	As at 30 Sep 2021	Change
Consultant Headcount			
UK	350	266	31.6%
North America	340	204	66.7%
Europe & APAC	231	186	24.2%
Period-end totals	921	656	40.4%

All our geographic regions delivered excellent growth over the six-month period, driven by client demand as a result of the ongoing structural catalysts that we continue to experience in all our market segments. Continuing the FY 22 momentum, North America delivered the strongest growth in net fee income for the Group, producing growth rates of 135.4% overall, including Lionpoint, and 107.0% on an organic basis. In addition, the Group has continued to invest in this region and we achieved 66.7% headcount growth compared to the comparable period. This means that, for the first time, North America is our largest contributor to net fee income. In the period, we have also gained 41 new clients in North America, many of which are from the world's top asset managers. This reflects the considerable size of the North America market, which is around eight times⁸ greater than the UK, and we expect to continue growing as we win market share from our competitors due to our industry knowledge, deep expertise and highly talented team.

The UK delivered net fee income growth of 22.7% on the comparative period, with this growth being almost entirely organic. We retain our market-leading position as consultant to the asset management, wealth management and insurance industries and are proud to be supporting some of the highest profile projects in the UK marketplace. We also continue to support our growth in the UK by hiring consultants and we have increased our headcount in the region by 31.6% to 350. This includes our exciting UK insurance business, which continues to progress well.

Europe & APAC also delivered a robust performance in the period, with net fee income increasing by 33.7% overall, with the majority being organic. Growth continues to be evenly distributed across the region's offices. Our best-in-class service offering continues to attract new clients in Europe & APAC, with 16 new clients added in the period. We are also delighted that Alpha Europe has been selected as the #1 consulting firm in France by Décideurs Magazine in both the categories of "asset management" and "wealth management" for the fourth consecutive year.

Our People

Our team of talented professionals are core to delivering such a strong set of results. People are the foundation of our business; in having experts in every area of consulting for the asset management, wealth management and insurance industries, we are able to deliver exceptional added value for our clients, engendering loyalty and repeat business. We recognise the importance of retaining and nurturing this talent and continue to invest in the development of our people to ensure they flourish at Alpha, in turn driving our business success.

Retaining and developing our local and global director teams remains an important factor in providing the right level of support for our consultants, instilling our values and ensuring delivery excellence across all client engagements. We continue to expand our director teams across all locations through a combination of promotions and new experienced hires. Director headcount grew by nine, including four director additions in North America.

We were delighted to broaden and deepen our global consulting leadership structures by including four regional AWM management committees to work alongside the heads of region. This marks an important milestone for Alpha's growing asset and wealth management business – with the updated leadership structure in place to support, enable and advance the next phases of growth across the UK, North America, Europe & APAC. Organisationally and culturally, it aligns to our aims to ensuring a broad range of progression paths at Alpha; and in creating the management committee structures, we have been able to ensure long-term access to a wide pool of Alpha talent for leadership roles.

⁸ BCG, "Global Asset Management 2021: The \$100 Trillion Machine" (July 2021)

Interim Report continued

Alpha's goal is to foster a diverse and inclusive culture where employees feel valued and appreciated. The addition of a full-time Diversity & Inclusion Manager, who joined the Group at the beginning of the financial year, is intended to ensure that Alpha's culture of inclusivity, governance frameworks and recruitment processes are delivering a sufficiently diverse team through all levels of the organisation. Building on this, we will continue to consider how our governance and processes could be modified to reflect progress on our culture, organisation, diversity, equality and inclusion aims.

It has been a challenging few years with the pandemic and global economic uncertainties but, throughout these difficult times, the commitment and service that our people have shown to our clients have been exemplary and never faltered. On behalf of the Board, we would like to thank our employees for the hard work and dedication during the period, which they continue to demonstrate on a daily basis and without which the success of the Group would not be what it is today.

Growth Strategy

Alpha continues to strive towards being recognised as the leading consultancy to the asset management, wealth management and insurance industries globally and in all the markets in which it operates. In progressing this strategic aim, we have achieved major advances in the three priority areas of North America, insurance consulting and making acquisitions.

Our footprint in North America has doubled in terms of net fee income, helped by the acquisition of Lionpoint, which complements organic growth across all geographic regions. Lionpoint continues to grow strongly; we have now managed to double the business's headcount since acquiring it in May 2021.

Similarly, our insurance consulting offering has expanded, adding 14 new consultants in H1 23. This, alongside strong organic growth in UK and Europe & APAC, places the Group in a good position as it wins business with both new and existing clients and makes excellent progress towards its medium-term aim to double in size.

Acquisitions

Acquisitions remain a core part of the Group's strategy and we have a track record of successfully identifying suitable opportunities in the market that can accelerate the Group's growth and development and which help us to further service our clients' needs.

The Group recognises that a broader range of knowledge, credentials and capabilities can increase cross-selling potential and bring access to new areas of the market. The integrations of Axxsys, Obsidian and, more recently, Lionpoint have successfully extended the service offering and added further, highly complementary expertise to the Group. Alpha is delighted that its acquisitions have unlocked many new growth opportunities, now spanning both public and private markets.

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

Governance and the Board

The Alpha Board recognises its duties and responsibilities in delivering effective corporate culture and is committed to adhering to the core values of strong governance, integrity and business ethics. These are key to reducing risk and creating long-term success for the business, generating sustainable, long-term value for shareholders.

We continuously assess and monitor the regulatory landscape and regard ESG and sustainability as important elements of Alpha's governance and approach to risk management. We recognise that we have an important role in overseeing and progressing these ESG efforts, meeting regulatory requirements and stakeholder expectations, and have established an ESG Committee of the Board at the beginning of the second half, as was announced in the FY 22 results.

A responsible business function has now been established within Alpha's business operations to oversee the development of our governance, best practice and disclosure frameworks and to work in conjunction with the ESG Committee in relation to these priorities. Overseen by the Head of Risk, the responsible business team includes Alpha's Global Diversity & Inclusion Manager and Global Sustainability Manager.

Internally, we continue to increase our focus on issues linked to sustainability and prepare our reporting on sustainability-linked matters, such as by preparing the Group to start reporting under the framework set out by the Taskforce on Climate-Related Financial Disclosures ("TCFD") and by developing our own roadmap to net zero greenhouse gas emissions. Our recently appointed Global Sustainability Manager within the business operations team is overseeing the development of this work and the definition of Alpha's emissions reduction targets.

Interim Report continued

Financial Performance Review

	6 months to 30 Sep 2022	6 months to 30 Sep 2021	Change
Revenue	£107.6m	£68.4m	57.3%
Net fee income	£107.0m	£68.4m	56.5%
Gross profit	£38.4m	£26.5m	45.3%
Operating profit	£15.8m	£5.5m	188.3%
Adjusted EBITDA	£22.5m	£15.4m	45.6%
Adjusted EBITDA margin	21.0%	22.6%	(160 bps)
Adjusted profit before tax	£21.3m	£14.4m	47.2%
Profit before tax	£14.2m	£4.2m	235.6%
Adjusted earnings per share	14.09p	9.85p	43.0%
Adjusted diluted earnings per share	13.23p	9.34p	41.6%
Basic earnings per share	9.10p	0.87p	946.0%

Alpha enjoyed strong first half growth, with net fee income of £107.0m, up by 56.5% compared to the first half of the last financial year (H1 22: £68.4m). This includes 45.3% organic growth, with the remainder being the inorganic contribution from the acquisition of Lionpoint in the prior period. Revenue also grew 57.3%, including increased rechargeable expenses, compared to the prior period. Across the Group's regions, revenue and net fee income grew slightly below average consultant headcount growth, with average consultant utilisation returning to target levels as planned, alongside improving consultant day rates overall. Alpha's core established practices continue to perform well, with newer areas also progressing, such as Digital and ESG & Responsible Investments. Lionpoint also contributed strongly in the first half.

Currency translation had a noticeable effect on net fee income and profits during the first half of the financial year. In the period, British pound sterling averaged \$1.23 (H1 22: \$1.39) and €1.18 (H1 22: €1.17), which, with other similar currency movements, resulted in a favourable net currency effect on net fee income of £5.5m. On a constant currency basis, Group net fee income growth would be 48.4% overall. Similarly, North America net fee income growth would be 108.3% and Europe & APAC would report 31.3% net fee income growth.

Group gross profit was £38.4m, increasing by £11.9m or 45.3% over the prior period. Gross profit margin was 35.9% (H1 22: 38.7%). This reflects average consultant utilisation normalising to target levels, alongside continued investment in our growing team while maintaining a competitive remuneration package, partly offset by improved consultant day rates. Consultant day rates have improved in H1 23 and we will continue to seek further rate progress in the second half.

North America delivered the strongest regional growth, ending the half as the largest geographic region in the Group by net fee income, with growth of 135.4% overall and 107.0% on an organic basis. The recently acquired Lionpoint business performed well in the first half and contributed significantly to North America net fee income this year. The North America business overall continued to expand its domestic client base, as well as successfully capturing client demand through a number of cross-selling opportunities with its existing client base. The strongly growing consultant team was well deployed, while also improving consultant day rates.

Europe & APAC also delivered another period of strong growth. The region grew net fee income by 33.7% on the comparative period, and on an organic basis the region reported 28.1% growth. This growth was delivered across the region with the Europe team well deployed, complemented by further good progress growing the APAC business.

The UK business grew net fee income 22.7% overall and 18.6% organically. This strong UK organic performance benefitted from solid client demand across the full range of Alpha practices, including substantial contributions from our established Investments, Distribution and Operations teams. Within the UK results, Alpha's data solutions business, Aiviq, including Obsidian, performed consistently with the comparative period, although it maintains a good pipeline and outlook.

The Lionpoint business performed extremely well in the period and has continued to enjoy strong client demand, adding 118 new clients and 141 consultants globally since acquisition.

Interim Report continued



Alpha enjoyed strong first half growth, with net fee income of £107.0m, up by 56.5% compared to the first half of the last financial year.

Overall, gross profit margins reflect the planned easing of utilisation to target levels, continued investment in our consultants while maintaining competitive remuneration packages, partly offset by improving consultant day rates across all regions. North America maintained a consistent gross profit margin as the North America team grew substantially and successfully normalised average utilisation back to target levels, while balancing costs and consultant rates progress in the period. The UK business grew gross profit well and 40.4% gross margin similarly reflects managing utilisation levels and further rates progress ongoing. Europe & APAC also experienced good gross profit growth, with margin reflecting utilisation and continued investment in the business, partially offset by consultant day rate progression.

Adjusted administration expenses, as detailed in note 3, increased by £5.0m to £16.0m (H1 22: £11.0m) in the first six months. Discretionary spend continues to return to normalised levels following COVID-19, for example across staff and client entertainment and travel spend, and in recruitment spend as we grow our consulting teams globally. We also continued to invest in the Group's central team through the year in areas such as finance, HR, legal, risk and responsible business.

Including the adjusting items, which fell comparatively, administrative expenses increased to £22.7m (H1 22: £21.0m) on a statutory basis. The adjusting items, set out in note 3, reduced in the period to £5.7m (H1 22: £9.2m), reflecting lower acquisition costs and earn-out and deferred consideration charges, partially offset by higher intangible asset amortisation and share-based payments charges.

Acquisition costs fell to nil in the period (H1 22: £0.6m) with the comparative including Lionpoint-related acquisition transaction costs. The acquired intangibles amortisation charge increased against the comparative period, reflecting a full period charge. In the first half, the Group recognised an earn-out and deferred consideration credit of £0.3m (H1 22: charge of £2.5m), reflecting a fair value reduction in the liability held for Obsidian as a lower, mutually-agreed position was reached with the original vendors, part of which was paid in the period. Further details on the earn-out and deferred consideration charges are set out in note 8.

The share-based payments charge continues to develop since Alpha's share incentive plans were established at AIM admission, with Alpha's share price growth and new awards, alongside relatively limited award vests to date, being key factors in the higher charge for the period. Further detail of the share-based payments charge is set out in notes 3 and 13.

Adjusted EBITDA grew 45.6% to £22.5m (H1 22: £15.4m) and adjusted EBITDA margin was 21.0% (H1 22: 22.6%), reflecting increased gross profit and higher administration expenses. Operating profit rose 188.3% to £15.8m (H1 22: £5.5m) after charging reduced adjusting expenses. Further detail of these adjusting items is set out in note 3.

Finance expenses rose in the first half overall, primarily from increased non-underlying finance expenses relating to acquisition consideration discount unwinding, as set out in note 4. Adjusted profit before tax rose by 47.2% to £21.3m (H1 22: £14.4m) after charging depreciation, amortisation of capitalised development costs and underlying finance costs. Statutory pre-tax profit was £14.2m (H1 22: £4.2m) after also charging adjusting expenses and non-underlying finance expenses.

Taxation charges for the period were £3.9m (H1 22: £3.3m), reflecting the growth in taxable profits and the blended tax rate of the increasingly international jurisdictions in which the Group operates. Further detail on the tax charge is set out in note 5.

Adjusted earnings per share ("EPS") improved by 43.0% to 14.09p per share (H1 22: 9.85p) and adjusted diluted EPS increased by 41.6% to 13.23p (H1 22: 9.34p). After including the adjusting items, basic earnings per share increased to 9.10p (H1 22: 0.87p), while diluted EPS increased to 8.55p (H1 22: 0.83p), reflecting the increase in the share options awards outstanding.

Net assets at 30 September 2022 totalled £147.9m (31 March 2022: £132.7m). This increase principally arises from foreign exchange gains in the period on the goodwill and intangibles recognised on the acquisition of Lionpoint. The Group continues to maintain a strong financial position.

Net cash flow generated from operations was £2.2m (H1 22: £6.0m). Adjusted cash generated from operating activities was £4.2m (H1 22: £8.5m). Operating cash generation was affected in the half by the payment of last year's increased profit share, given the strong FY 22 performance, as well as additional North America tax payments as that business grows and moves to quarterly payments in that region. While debtor days remain good and similar to last year, accrued income increased at 30 September 2022, simply reflecting the timing of project approvals. We continue to expect good adjusted cash conversion for the full year, while reflecting these specific cash outflows.

Interim Report continued

The Group's net cash position was £40.3m as at 30 September 2022 (31 March 2022: £63.5m), after a further £22.5m of deferred and contingent acquisition payments, including £1.8m of employment-linked amounts, and the payment of the FY 22 final dividend in the half. During the period, the Group provided £1.1m funding to Alpha's employee benefit trust ("EBT") to purchase 254,817 shares at the prevailing market share price, to hold for the satisfaction of future award vests. Alpha will likely fund the EBT further in the future to build the shares held in the EBT for the satisfaction of future share option exercises. Alpha also drew £7.5m temporarily on its revolving credit facility ("RCF"), to assist with managing currency requirements in the period.

The Board is pleased to declare today an interim dividend for FY 23 of 3.70p per share (H1 22: 2.90p), which will be paid on 21 December 2022 to shareholders on the register at the close of business 9 December 2022.

Risk Management

The Board is pleased with the Group's progress in the first half, while remaining cognisant of the potential risks and uncertainties. These risks include political and economic uncertainty, as well as market volatility. The Board does not consider that these principal risks and uncertainties differ from those at 31 March 2022 as detailed on pp 50-54 of the Annual Report & Accounts 2022. These risks relate to the following areas: people and resourcing; quality of service; data security; acquisition risk; market strategy; strategic objectives; macroeconomic conditions; political/regulatory environment; competitors; client concentration; skills and subject matter expertise; utilisation rates; and cash collection.

The Directors⁹ and the senior management team are closely monitoring the situation in Ukraine as it evolves and continues. Alpha's operational footprint does not extend to either Russia or Ukraine, and we do not service clients based in those countries. The principal risk to Alpha therefore remains from a macroeconomic perspective, and the possible market impacts.

We are aware of the risk of rising inflation globally, driven by an uplift in costs, demand for personnel in key areas and the increase in energy costs. Alpha remains alert to inflationary pressures, the risks of which we believe will continue to be balanced by strong structural growth drivers and demand for Alpha's services.

Outlook

We are pleased to be reporting on a strong performance in H1 23, whilst being mindful of the macroeconomic and wider geopolitical uncertainty.

There is good momentum within the Group globally and we remain focussed on identifying and progressing ways to grow the business both organically and inorganically.

The structural drivers in the asset management, wealth management and insurance industries, which will drive ongoing demand for Alpha's services, remain prevalent. We are confident that with the quality of our people, which we continue to reinforce, our excellent market reputation, and business opportunities to extend the service offering, we are in the best position to withstand further challenges ahead.

It is unclear how long the current macro uncertainty may prevail and how precisely it may affect local and global markets. However, the structural drivers remain firmly in place and Alpha continues to experience strong demand; the Board therefore looks forward with confidence in the outlook for H2 and beyond. The Group now enters the second half well positioned, with a healthy pipeline of new business opportunities and having made excellent progress on its objectives. The performance of the business demonstrates the strength of our business model and growth strategy, which we continue to progress. Consequently, we expect to deliver full-year results ahead of current market expectations.

Ken Fry
Chairman

Euan Fraser
Global Chief Executive Officer

23 November 2022

⁹ "Director" refers to the executive and non-executive members of the Board; meanwhile "directors" refers to non-Board directors within the management teams of the Group

Responsibility Statement

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

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

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

Ken Fry
Chairman

Euan Fraser
Global Chief Executive Officer



Interim condensed consolidated statement of comprehensive income

For the six months ended 30 September 2022

	Note	Unaudited six months ended 30 Sep 2022 £'000	Unaudited six months ended 30 Sep 2021 £'000
Continuing operations			
Revenue	2	107,599	68,421
Rechargeable expenses	2	(583)	(31)
Net fee income	2	107,016	68,390
Cost of sales	2	(68,573)	(41,930)
Gross profit	2	38,443	26,460
Administration expenses		(22,679)	(20,992)
Operating profit		15,764	5,468
Depreciation		898	497
Amortisation of capitalised development costs		151	301
Adjusting items	3	5,668	9,171
Adjusted EBITDA	3	22,481	15,437
Finance income	4	65	1
Finance expense	4	(1,630)	(1,238)
Profit before tax		14,199	4,231
Taxation	5	(3,922)	(3,278)
Profit for the period		10,277	953
Exchange differences on translation of foreign operations		9,963	2,100
Total comprehensive income for the period		20,240	3,053
Basic earnings per ordinary share (p)	6	9.10	0.87
Diluted earnings per ordinary share (p)	6	8.55	0.83

Interim condensed consolidated statement of financial position

As at 30 September 2022

	Note	Unaudited as at 30 Sep 2022 £'000	Unaudited as at 30 Sep 2021 £'000	Audited as at 31 Mar 2022 £'000
Non-current assets				
Goodwill	7	107,310	100,307	100,991
Intangible fixed assets	7	30,936	33,661	31,333
Property, plant and equipment		1,109	576	806
Right-of-use asset		1,904	2,032	2,304
Deferred tax asset		1,088	—	671
Capitalised contract fulfilment costs		119	168	131
Total non-current assets		142,466	136,744	136,236
Current assets				
Trade and other receivables	9	41,695	27,644	29,569
Cash and cash equivalents		47,764	40,032	63,516
Total current assets		89,459	67,676	93,085
Current liabilities				
Trade and other payables	10	(55,709)	(47,579)	(56,671)
Provisions		(3,433)	—	(3,277)
Corporation tax		(3,226)	(2,307)	(4,788)
Lease liabilities		(1,072)	(745)	(1,134)
Interest bearing loans and borrowings		(7,477)	—	—
Total current liabilities		(70,917)	(50,631)	(65,870)
Net current assets		18,542	17,045	27,215
Non-current liabilities				
Deferred tax liability		(3,765)	(5,598)	(4,331)
Other non-current liabilities	11	(8,357)	(22,279)	(25,100)
Lease liabilities		(941)	(1,375)	(1,275)
Total non-current liabilities		(13,063)	(29,252)	(30,706)
Net assets		147,945	124,537	132,745
Equity				
Issued share capital	12	90	89	89
Share premium		119,438	119,438	119,438
Foreign exchange reserve		13,445	2,402	3,482
Other reserves		12,867	6,545	9,361
Retained earnings		2,105	(3,937)	375
Total shareholders' equity		147,945	124,537	132,745

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

Interim condensed consolidated statement of cash flows

For the six months ended 30 September 2022

	Note	Unaudited six months ended 30 Sep 2022 £'000	Restated ¹⁰ unaudited six months ended 30 Sep 2021 £'000	Audited year ended 31 Mar 2022 £'000
Cash flows from operating activities:				
Profit for the period		10,277	953	8,512
Taxation		3,922	3,278	6,370
Finance income		(65)	(1)	(1)
Finance expenses		1,630	1,238	2,894
Depreciation of property, plant and equipment		898	497	1,155
Loss on disposal of fixed assets		—	21	32
Amortisation of intangible fixed assets		2,507	2,559	5,272
Share-based payment charge		3,588	1,672	4,075
Increase in provisions		—	—	1,302
Foreign exchange gain on cash and cash equivalents		(4,764)	—	—
Operating cash flows before movements in working capital		17,993	10,217	29,611
Working capital adjustments:				
Increase in trade and other receivables		(9,065)	(5,160)	(7,066)
(Decrease)/increase in trade and other payables		(676)	3,573	15,729
Tax paid		(6,062)	(2,660)	(4,767)
Net cash generated from operating activities		2,190	5,970	33,507
Cash flows from investing activities:				
Interest received		65	1	1
Consideration paid on acquisitions, net of cash acquired	8	(20,716)	(23,796)	(23,796)
Purchase of intangible assets	7	(319)	—	—
Purchase of property, plant and equipment, net of disposals		(564)	(204)	(684)
Net cash used in investing activities		(21,534)	(23,999)	(24,479)
Cash flows from financing activities:				
Issue of ordinary share capital		—	31,102	31,102
Share issuance costs		—	(1,053)	(1,053)
Net settlement of vested share options		(322)	—	—
EBT purchase of Company's own shares		(1,129)	(187)	(205)
Drawdown of bank borrowings		7,477	—	—
Interest and bank loan fees		(110)	(199)	(285)
Principal lease liability payments		(650)	(348)	(814)
Interest on lease liabilities		(53)	(52)	(111)
Dividends paid		(8,547)	(5,431)	(8,678)
Net cash (used in)/generated from financing activities		(3,334)	23,832	19,956
Net (decrease)/increase in cash and cash equivalents		(22,678)	5,803	28,984
Cash and cash equivalents at beginning of the period		63,516	34,012	34,012
Effect of exchange rate fluctuations on cash held		6,926	217	520
Cash and cash equivalents at end of the period		47,764	40,032	63,516

10 The Group has re-presented the consolidated statement of cash flows in the comparative period to reconcile from "profit for the period" rather than "operating profit" to align with the requirements of IAS 7. Share issuance costs have also been restated in the comparative period to be separated from the issue of ordinary share capital, to align with the audited FY 22 disclosure

Interim condensed consolidated statement of changes in equity

For the six months ended 30 September 2022

	Share capital £'000	Share premium £'000	Foreign exchange reserves £'000	Other reserves £'000	Retained earnings £'000	Total £'000
As at 1 April 2021	80	89,396	302	4,044	543	94,365
Comprehensive income						
Profit for the period	—	—	—	—	953	953
Foreign exchange differences on translation of foreign operations	—	—	2,100	—	—	2,100
Transactions with owners						
Shares issued (equity)	9	30,042	—	—	(2)	30,049
EBT purchase of Company's own shares	—	—	—	(187)	—	(187)
Share-based payments	—	—	—	1,672	—	1,672
Current tax recognised in equity	—	—	—	146	—	146
Deferred tax recognised in equity	—	—	—	870	—	870
Dividends	—	—	—	—	(5,431)	(5,431)
As at 30 September 2021	89	119,438	2,402	6,545	(3,937)	124,537
Comprehensive income						
Profit for the period	—	—	—	—	7,559	7,559
Foreign exchange differences on translation of foreign operations	—	—	1,080	—	—	1,080
Transactions with owners						
Shares issued (equity)	—	—	—	—	—	—
EBT purchase of Company's own shares	—	—	—	(18)	—	(18)
Share-based payments	—	—	—	2,403	—	2,403
Net settlement of vested share options	—	—	—	(12)	—	(12)
Current tax recognised in equity	—	—	—	74	—	74
Deferred tax recognised in equity	—	—	—	369	—	369
Dividends	—	—	—	—	(3,247)	(3,247)
As at 31 March 2022	89	119,438	3,482	9,361	375	132,745
Comprehensive income						
Profit for the period	—	—	—	—	10,277	10,277
Foreign exchange differences on translation of foreign operations	—	—	9,963	—	—	9,963
Transactions with owners						
Shares issued (equity)	1	—	—	—	—	1
EBT purchase of Company's own shares	—	—	—	(1,129)	—	(1,129)
Share-based payments	—	—	—	3,588	—	3,588
Net settlement of vested share options	—	—	—	(322)	—	(322)
Current tax recognised in equity	—	—	—	1,180	—	1,180
Deferred tax recognised in equity	—	—	—	189	—	189
Dividends	—	—	—	—	(8,547)	(8,547)
As at 30 September 2022	90	119,438	13,445	12,867	2,105	147,945

Interim condensed consolidated statement of changes in equity continued

For the six months ended 30 September 2022

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 that arise on consolidation from the translation of the financial statements of foreign subsidiaries, including goodwill.

Other reserves

The other reserves represent the cumulative fair value of the IFRS 2 share-based payment charge recognised each year, associated current tax, deferred tax and equity-settled acquisition consideration reserves.

Retained earnings

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

Notes to the interim condensed consolidated financial statements

1. Basis of preparation and significant accounting policies

General information

The principal activity of the Group is the provision of consulting and related services to clients in the asset management, wealth management and insurance industries, principally in the UK, North America, Europe and APAC.

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

These interim condensed consolidated financial statements were authorised for issue on 23 November 2022 in accordance with a resolution of the Directors.

Basis of preparation

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting and should be read in conjunction with the Group's most recent annual consolidated financial statements, for the year ended 31 March 2022. They do not include all of the information required for a complete set of IFRS financial statements, however selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since Alpha's Annual Report & Accounts 2022.

The financial information presented for the period ended 30 September 2022 and the period ended 30 September 2021 is unaudited. The financial information for the 12 months to 31 March 2022 was audited.

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

Statutory accounts

Financial information contained in this document does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 (the "Act"). The statutory accounts for the year ended 31 March 2022 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.

Basis of consolidation

These interim condensed financial statements consolidate the interim financial statements of the Company and its subsidiary undertakings (the "Group") as at 30 September 2022.

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

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

Seasonality of operations

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

Going concern

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

Since the assessment at 31 March 2022, the Group has considered whether there are any indicators of significant adverse variations or material uncertainty in the Group's trading performance, both against the internal budget for the period, and in the Group's forecasts for the going concern period. No such indicators have been identified. The ongoing trading performance of the Group's core revenue-generating regions has been encouraging and is ahead of the downside scenarios modelled during the Group's FY 22 going concern assessment.

Notes to the interim condensed consolidated financial statements continued

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

The Group has maintained a strong balance sheet and liquidity position. The Group held a net cash position of £40.3m as at 30 September 2022 and has access to a £20.0m revolving credit facility ("RCF") providing further liquidity, of which £7.5m was drawn temporarily at the end of the period.

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

Principal accounting policies

Please refer to Alpha's Annual Report & Accounts 2022 for full disclosures of the principal accounting policies that have been adopted in the preparation of these interim condensed consolidated financial statements. There have been no changes to the accounting policies adopted by the Group in the period.

Significant judgements and estimates

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

Judgements

The Directors have made one judgement, excluding those involving estimations, in the process of applying the Group's accounting policies, which is considered to have a significant effect on the amounts recognised in the financial statements for the period ended 30 September 2022.

Alternative performance measures

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

All adjusting items are considered individually for exclusion by virtue of their nature or size. In the period ended 30 September 2022, these items totalled £5.7m (H1 22: £9.2m) and are recognised in administration expenses. A further £1.4m (H1 22: £1.0m) was recognised within finance expenses.

Estimates

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

The Directors have identified the following areas as key estimates that are considered to have a significant risk of resulting in a material adjustment to the carrying amounts of assets or liabilities within the next financial year.

Share-based payments (note 13)

Management has estimated the share-based payments charge under IFRS 2. In determining the fair value of share-based payments, management has considered several internal and external factors to judge the probability that management and employee share incentives may vest and to assess the fair value of share options at the date of grant. Such assumptions involve estimating future performance and other factors. The fair value calculations have been externally assessed for reasonableness in the current and prior periods. Refer to note 13 for sensitivity analysis.

Acquisition earn-outs (note 8)

Alpha's acquisition earn-out liability calculations under IFRS 3 contain estimation uncertainty, as the earn-out potentially payable is linked to the future performance of the acquiree. To determine the fair value of the earn-out liability at the balance sheet date, management has assessed the potential future cash flows of the acquired businesses respectively, the likelihood of an earn-out payment being made and discounted using an appropriate discount rate. These estimates could potentially change because of events over the coming years. Refer to note 8 for sensitivity analysis.

Notes to the interim condensed consolidated financial statements continued

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

New accounting standards and interpretations

In the period ended 30 September 2022, the Group has adopted the following amendments to existing accounting standards with no material impact on the financial statements. Refer to pp 144–45 of the Group's Annual Report & Accounts 2022 for details of recently adopted standards and interpretations in the prior period.

- Reference to the Conceptual Framework (Amendments to IFRS 3), effective from 1 January 2022;
- Property, Plant and Equipment – Proceeds before Intended Use (Amendments to IAS 16), effective from 1 January 2022;
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37), effective from 1 January 2022; and
- Annual Improvements to IFRS Standards 2018-20 Cycle, effective from 1 January 2022.

The following other standards, interpretations and amendments to existing standards have been issued but were not mandatory for accounting periods beginning on 1 April 2022 and are not expected to have a material impact on the Group.

- Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4), effective from 1 January 2023;
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (amendments to IAS 12), effective from 1 January 2023 (not yet endorsed by the UK);
- IFRS 17 Insurance Contracts, effective from 1 January 2023;
- Amendments to IFRS 17, effective from 1 January 2023;
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2), effective from 1 January 2023 (not yet endorsed by the UK);
- Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (Amendment to IAS 1), effective from 1 January 2023 (not yet endorsed by the UK);
- Definition of Accounting Estimates (Amendments to IAS 8), effective from 1 January 2023 (not yet endorsed by the UK);
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16), effective from 1 January 2024 (not yet endorsed by the UK); and
- Non-Current Liabilities with Covenants (Amendments to IAS 1), effective from 1 January 2024 (not yet endorsed by the UK).

2. Segment information

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

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

Revenues associated with software licensing arrangements were immaterial in both the current and prior periods. Therefore, the Directors consider that disaggregating revenue by operating segments is most relevant to depict the nature, amount, timing and uncertainty of revenue and cash flows as may be affected by economic factors.

Notes to the interim condensed consolidated financial statements continued

2. Segment information continued

	UK £'000	North America £'000	Europe & APAC £'000	Total £'000
30 September 2022				
Revenue	39,912	44,602	23,085	107,599
Rechargeable expenses	(128)	(279)	(176)	(583)
Net fee income	39,784	44,323	22,909	107,016
Cost of sales	(23,728)	(29,026)	(15,819)	(68,573)
Gross profit	16,056	15,297	7,090	38,443
Margin on net fee income (%) ¹¹	40.4%	34.5%	30.9%	35.9%

	UK £'000	North America £'000	Europe & APAC £'000	Total £'000
30 September 2021				
Revenue	32,433	18,854	17,135	68,422
Rechargeable expenses	(4)	(22)	(6)	(32)
Net fee income	32,429	18,832	17,129	68,390
Cost of sales	(18,577)	(12,349)	(11,004)	(41,930)
Gross profit	13,852	6,483	6,125	26,460
Margin on net fee income (%) ¹¹	42.7%	34.4%	35.8%	38.7%

3. Alternative performance measures

Alpha uses alternative performance measures (“APMs”) that are not defined or specific under the requirements of IFRS. The APMs, including net fee income, margin on net fee income, adjusted EBITDA, adjusted profit before tax, adjusted operating profit, adjusted profit after tax, adjusted administration expenses, adjusted cash from operating activities, adjusted EPS, adjusted cash conversion and organic net fee income growth, are provided to allow stakeholders a further understanding of the underlying trading performance of the Group and aid comparability between accounting periods. They are not considered a substitute for, or superior to, IFRS measures.

Net fee income

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

Profit margins

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

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

Notes to the interim condensed consolidated financial statements continued

3. Alternative performance measures continued

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

	Note	30 Sep 2022 £'000	30 Sep 2021 £'000
Profit before tax		14,199	4,231
Amortisation of acquired intangible assets	7	2,356	2,258
Loss on disposal of fixed assets		—	21
Share-based payments charge	13	4,091	2,357
Earn-out and deferred consideration ¹²	8	(316)	2,539
Acquisition costs		—	643
Foreign exchange (gains)/losses		(463)	1,353
Adjusting items		5,668	9,171
Non-underlying finance expenses	8	1,383	1,032
Adjusted profit before tax		21,250	14,434
Net underlying finance expenses		182	205
Adjusted operating profit		21,432	14,639
Depreciation of property, plant and equipment		898	497
Amortisation of capitalised development costs	7	151	301
Adjusted EBITDA		22,481	15,437
Adjusted EBITDA margin (%)		21.0%	22.6%

Adjusting items

The Group's APMs exclude certain expense items in order to aid understanding of the comparable underlying performance of the business. These items are generally non-cash, non-recurring by nature or are acquisition related.

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

The share-based payments charge and related social taxes are excluded from adjusted profit measures. This allows comparability between periods as the Group's share option plans were established on AIM admission and have not yet settled into a regular cycle of awards and vesting. The accounting treatment of the Group's share options requires the charge for each share option award to be recognised over the vesting period, resulting in significant growth in the charge in the period as the Group matures post-AIM admission. The estimated future social security taxes payable are closely linked to the share-based payments charge and fluctuate with the assumed future market value of shares. This approach has been applied consistently across reporting periods. Note 13 sets out further details of the employee share-based payments charge calculation under IFRS 2. A more regular share option award cycle is anticipated in the coming years. If no adjustment was made for the share-based payments charge, adjusted EBITDA for the six-month period would be £18.4m (H1 22: £13.1m).

As per note 8, the acquisition of Lionpoint in the prior year involved both deferred and contingent payments. Part of the Lionpoint acquisition payments are dependent on the ongoing employment of certain members of the senior Lionpoint management team, and this element is expensed annually over several years until the date of payment. In prior periods, the Group similarly recognised employment-linked costs through the income statement relating to payments for the previous acquisitions of Axxsys and Obsidian, or to reflect adjustments made to the fair value of the expected future payment. These costs have been treated as adjusting items as they are acquisition related, reflecting the acquisition terms rather than Group trading performance. Whilst these acquisition-related costs will recur in the short term through the earn-out period, the adjustment allows comparability of underlying productive output and operating performance across reporting periods.

Other acquisition costs expensed in the prior period relate to the acquisition of Lionpoint, including diligence and legal fees. Whilst further similar acquisition costs could be incurred in the future, these costs are not directly attributable to the ongoing operational trading performance of the Group, the timing and amount of such costs may vary and treating these as an adjusting item allows comparability of the operating performance across reporting periods.

¹² The earn-out and deferred consideration credit in the period comprises a fair value adjustment of £1.4m offset by an employment-linked consideration charge of £1.0m as set out in note 8, as well as an associated social security charge of £0.1m

Notes to the interim condensed consolidated financial statements continued

3. Alternative performance measures continued

The impact of foreign currency volatility in translating local working capital and cash balances to their relevant functional currencies has been excluded from the calculation of adjusted profit measures on the basis that such exchange rate movements do not reflect the underlying trends or operational performance of the Group. In the prior period, the movement was predominantly acquisition related and, in the current period, there is an immaterial gain on other foreign currency cash and working capital balances across the Group.

Non-underlying finance expenses

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

Adjusted profit before tax

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

Adjusted operating profit

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

Adjusted EBITDA

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

Adjusted profit after tax

Adjusted profit after tax and adjusted earnings per share metrics are also APMs, similarly used to allow a further understanding of the underlying performance of the Group. Adjusted profit after tax is stated before adjusting items and their associated tax effects. The associated tax effects are calculated by applying the relevant effective tax rate to allowable expenses that have been excluded as adjusting items.

	30 Sep 2022 £'000	30 Sep 2021 £'000
Adjusted profit before tax	21,250	14,434
Tax charge	(3,922)	(3,278)
Tax impact of adjusting items	(1,419)	(413)
Adjusted profit after tax	15,909	10,743

Adjusted earnings per share

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

	30 Sep 2022	30 Sep 2021
Adjusted EPS		
Adjusted EPS	14.09p	9.85p
Adjusted diluted EPS	13.23p	9.34p

Notes to the interim condensed consolidated financial statements continued

3. Alternative performance measures *continued*

Reconciliation of adjusted administrative expenses

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

	30 Sep 2022 £'000	30 Sep 2021 £'000
Administration expenses	22,679	20,992
Adjusting items	(5,668)	(9,171)
Depreciation of property, plant and equipment	(898)	(497)
Amortisation of capitalised development costs	(151)	(301)
Adjusted administration expenses	15,962	11,023

Adjusted cash generated from operating activities

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

	30 Sep 2022 £'000	30 Sep 2021 £'000
Net cash generated from operating activities	2,190	5,970
Employment-linked acquisition payments ¹³	1,981	1,848
Acquisition costs	—	643
Adjusted cash generated from operating activities	4,171	8,461

Adjusted cash conversion

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

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

	30 Sep 2022	30 Sep 2021
Cash conversion	13.9%	109.2%
Adjusted cash conversion	19.5%	57.8%

Organic net fee income growth

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

Organic net fee income growth of 45.3% (H1 22: 21.7%) in the current period represents H1 23 net fee income less £7.6m attributable to Lionpoint, treated as inorganic as it preceded the acquisition anniversary.

Constant currency growth

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

¹³ Of the £22.5m total deferred and contingent acquisition payments in the period as set out in note 8, £1.8m is classified as employment linked and is included within net cash generated from operating activities in the period. The associated social security payments of £0.2m are also included within net cash generated from operating activities

Notes to the interim condensed consolidated financial statements continued

3. Alternative performance measures continued

Currency translation had a noticeable impact on both net fee income and gross profit in the first half. This is most notable against the US dollar where, in the six months, British pound sterling averaged \$1.23 (H1 22: \$1.39). British pound sterling averaged €1.18 (H1 22: €1.17) against the euro. On a constant currency basis, the Group's net fee income for the period would be £5.5m lower and, similarly, gross profit would be £1.8m lower.

On a constant currency basis, Group net fee income growth would be 48.4% overall. Similarly, North America net fee income growth would be 108.3% and Europe & APAC would report 31.3% net fee income growth.

4. Net finance expenses

	Note	30 Sep 2022 £'000	30 Sep 2021 £'000
Bank interest receivable		65	1
Total finance income		65	1
Interest and fees payable on bank loans		(194)	(154)
Interest on lease liabilities		(53)	(52)
Total underlying finance expenses		(247)	(206)
Non-underlying finance expenses	8	(1,383)	(1,032)
Total finance expenses		(1,630)	(1,238)
Net underlying finance expenses	3	(182)	(205)
Net finance expenses		(1,565)	(1,237)

The Group holds one principal bank facility comprising a £20.0m committed RCF facility with Lloyds Bank Plc. £7.5m of this facility was temporarily drawn as at the end of the period to assist with managing currency requirements. The Group remains in a strong net cash position of £40.3m.

5. Tax

	30 Sep 2022 £'000	30 Sep 2021 £'000
Current tax		
In respect of the current period – UK	1,553	1,418
Foreign taxation	3,768	1,836
Deferred tax		
In respect of the current period – UK	(1,033)	(1,098)
Foreign taxation	(366)	—
Change in tax rate on opening balances	—	1,146
Adjustment in respect of prior periods	—	(24)
Total tax expense for the period	3,922	3,278

An increase in the UK corporation tax rate from 19% to 25% (effective 1 April 2023) was substantively enacted during the prior period on 24 May 2021. This change would increase the Group's future current tax charge accordingly.

In addition to the tax expense for the period ended 30 September 2022, the Group has also recognised a total of £1.4m (H1 22: £1.0m) of tax through equity, of which £1.2m (H1 22: £0.1m) relates to current tax on the exercise of share options and £0.2m (H1 22: £0.9m) relates to deferred tax on share options outstanding. Additionally, a £0.7m charge (H1 22: £nil) was recognised through other comprehensive income, relating to the deferred tax impact of foreign exchange fluctuations on acquired intangible assets.

Notes to the interim condensed consolidated financial statements continued

6. Earnings per share and adjusted earnings per share

The Group presents basic and diluted earnings per share ("EPS") on both a statutory and adjusted basis. Basic EPS is calculated by dividing the profit or loss for the period attributable to ordinary shareholders by the weighted average number of ordinary shares fully outstanding during the period.

The weighted average number of diluted ordinary shares used in the calculation of diluted EPS includes the number of shares that could be issued to satisfy share incentive awards granted to employees as they fall due, adjusted for the likelihood of meeting performance criteria, if any. 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 adjusted profit after tax for the period, the same adjustments as set out in note 3 have been made to the Group's profit for the financial period. The profits and weighted average number of shares used in the calculations are set out below:

	Note	30 Sep 2022	30 Sep 2021
Basic & diluted EPS			
Profit for the period used in calculating basic and diluted EPS (£'000)		10,277	953
Weighted average number of ordinary shares in issue ('000)		112,904	109,040
Number of dilutive shares ('000)		7,310	5,949
Weighted average number of ordinary shares, including potentially dilutive shares ('000)		120,214	114,989
Basic EPS		9.10p	0.87p
Diluted EPS		8.55p	0.83p
Adjusted EPS			
Adjusted profit after tax used in calculating adjusted basic and diluted EPS (£'000)	3	15,909	10,743
Weighted average number of ordinary shares in issue ('000)		112,904	109,040
Number of dilutive shares ('000)		7,310	5,949
Weighted average number of ordinary shares, including potentially dilutive shares ('000)		120,214	114,989
Adjusted EPS		14.09p	9.85p
Adjusted diluted EPS		13.23p	9.34p

7. Goodwill and intangibles

Net book value as at 30 September 2022

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

Notes to the interim condensed consolidated financial statements continued

7. Goodwill and intangibles *continued*

Net book value as at 30 September 2021

	Order backlog £'000	Customer relationships £'000	Intellectual property £'000	Trade name £'000	Capitalised development costs £'000	Total intangible fixed assets £'000	Goodwill £'000
As at 31 March 2021	90	15,048	1,743	4,026	741	21,648	63,067
Additions	829	10,752	—	2,602	—	14,183	35,747
Amortisation charge for the period	(398)	(1,345)	(248)	(267)	(301)	(2,559)	—
Exchange differences	22	296	—	71	—	389	1,493
As at 30 September 2021	543	24,751	1,495	6,432	440	33,661	100,307

Additions in the period of £0.3m relate to the purchase by the Group of several contracts from the management enterprise technology solutions practice of CohnReznick LLP, a leading advisory, assurance and tax firm primarily based in the United States.

8. Acquisition of businesses

Acquisitions in prior periods

Lionpoint

On 20 May 2021, the Group acquired 100% of the issued share capital of Lionpoint Holdings, Inc. ("Lionpoint"), a provider of specialist consultancy services to the alternative investments industry, on a cash free, debt free basis.

The maximum payable for the acquisition (over four years) is \$90.0m (£63.8m), to be settled in cash, with the option to settle a portion of the deferred amounts in the Group's ordinary shares. Of this maximum amount payable, \$7.5m (£5.3m) is employment linked. The fair value of consideration recognised on the date of acquisition amounted to \$72.3m (£50.8m), of which \$33.5m (£23.5m) was paid on completion, alongside an additional net cash payment of \$2.1m (£1.4m) in relation to completion working capital. A balancing \$0.5m (£0.3m) receivable was held at 30 September 2021.

Deferred consideration of \$17.0m (£12.0m) is payable across the first and second anniversaries of the acquisition and contingent earn-out consideration up to a maximum of \$32.0m (£22.6m) is payable in three instalments across FY 23 to FY 25. The FY 23 to FY 25 earn-out consideration payments are contingent on Lionpoint meeting certain profitability targets over the earn-out period. The fair value of future consideration payable recognised on the date of acquisition was \$37.3m (£26.2m), of which \$20.6m (£14.5m) related to contingent consideration and \$16.7m (£11.7m) related to deferred consideration.

As at 31 March 2022, the Group held a liability of £33.7m in relation to future deferred and contingent consideration payable for this acquisition.

Employment-linked acquisition payments are expensed through the income statement proportionately until FY 26. During the period, the Group has expensed £1.0m in relation to these employment-linked payments.

The deferred and contingent consideration is discounted to fair value. Discount unwinding is recognised as a finance cost proportionately across the periods until final payment. During the period, £1.4m of discount unwinding was expensed as a non-underlying finance cost in relation to the Lionpoint acquisition consideration.

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

As consideration for the acquisition of Lionpoint is payable in US dollars, foreign exchange differences are recognised at each reporting date in relation to translating these liabilities into British pound sterling. In the period, the Group recognised a foreign exchange loss of £5.0m in the income statement arising from acquisition-related currency movements, arising from this re-translation. However, this loss is offset by a foreign exchange gain on US dollar cash held by the Group.

As at 30 September 2022, a £23.4m liability is recorded, of which £16.6m is current and £6.8m is a non-current liability.

Notes to the interim condensed consolidated financial statements continued

8. Acquisition of businesses continued

Sensitivity analysis

If the discount rates used for the Lionpoint acquisition were to be 5% higher or lower than that assumed by management, the fair value of the liability recognised by the Group would not change by a material amount.

Were the financial performance achieved by Lionpoint in the remaining earn-out periods to increase by 5%, there would be a £1.1m increase to the undiscounted earn-out and a £0.9m increase in the liability as at 30 September 2022. Were financial performance to decrease by 5%, the undiscounted earn-out would fall by £2.7m and the H1 23 liability would decrease by £2.2m.

The Group has also considered a reasonable range of circumstances to sensitise the forecast cash flows to calculate reasonable estimated remaining earn-out pay-out ranges for the Lionpoint acquisition. The Directors have determined that the reasonable range of undiscounted contingent earn-out payments is between £8.5m and £20.2m, excluding the deferred consideration.

Obsidian

As at 31 March 2022, the Obsidian earn-out liability of £1.9m reflected a balanced assessment of the Directors' best estimate of projected cash flows in relation to several plausible scenarios. During the period, a lower mutually-agreed position was reached with the original vendors. As a result, a fair value adjustment of £1.4m has been credited to the Group's consolidated statement of comprehensive income in the period. A payment of £0.2m was made in the period, none of which was employment-linked, with the remainder expected to be paid within the next 12 months.

No expense has been recognised in the period in relation to employment-linked consideration given the ongoing employment condition attached to the Obsidian earn-out agreement, which lapsed in the year ended 31 March 2022.

Axxsys

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

The below table summarises the movements in the deferred contingent and non-contingent consideration liabilities to 30 September 2022:

	Axxsys £'000	Obsidian £'000	Lionpoint £'000	Total £'000
Balance as at 1 April 2022	5,000	1,898	33,748	40,646
Fair value adjustment	—	(1,448)	—	(1,448)
Employment-linked consideration	—	—	1,019	1,019
Payments in the period ¹⁴	(5,000)	(200)	(17,315)	(22,515)
Amounts receivable deducted from payments in the period	—	—	(350)	(350)
Unwinding of discounting	—	—	1,383	1,383
Foreign exchange losses	—	—	4,951	4,951
Balance as at 30 September 2022	—	250	23,436	23,686

The £23.7m liability held at 30 September 2022 comprised £7.9m related to deferred consideration and £15.8m related to contingent consideration. Within these deferred and contingent consideration liabilities, £2.1m relates to employment-linked amounts.

The above liabilities are reflected in non-current and current liabilities as shown in the following table:

	30 Sep 2022 £'000	30 Sep 2021 £'000	31 Mar 2022 £'000
Amounts due within one year	16,863	18,822	20,500
Amounts due after one year	6,823	20,725	20,146
Total earn-out and deferred liabilities	23,686	39,547	40,646

¹⁴ Of the £22.5m payments made in the period, £1.8m is classified as employment-linked and is included in net cash generated from operating activities in the statement of cash flows

Notes to the interim condensed consolidated financial statements continued

9. Trade and other receivables

	30 Sep 2022 £'000	30 Sep 2021 £'000	31 Mar 2022 £'000
Trade receivables	31,981	22,823	23,641
Other debtors	927	378	539
Capitalised contract fulfilment costs	1,725	235	1,548
Prepayments	2,105	1,373	1,113
Accrued income	4,957	2,835	2,728
Total amounts due within one year	41,695	27,644	29,569

Trade receivables are non-interest bearing and generally have a 30- to 60-day term. Due to their short maturities, the carrying amount of trade and other receivables is a reasonable approximation of their fair value.

In assessing the appropriateness of the Group's expected credit loss provision at 30 September 2022, the Directors have considered the Group's historical loss rates for each ageing category of receivables in conjunction with other factors in key Alpha territories. There are no indicators at 30 September 2022 that the profile of risk associated with the Group's receivables is materially different from that determined through the full assessment performed for the year ended 31 March 2022. Therefore, the expected credit loss provision has not changed materially from the provision disclosed in Alpha's Annual Report & Accounts 2022.

10. Trade and other payables

	Note	30 Sep 2022 £'000	Restated ¹⁵ 30 Sep 2021 £'000	31 Mar 2022 £'000
Trade payables		4,851	2,562	5,114
Accruals		22,800	16,781	23,898
Deferred income		1,599	2,534	1,865
Social security tax on share options	13	1,657	1,040	1,050
Taxation and social security		6,118	4,840	2,964
Other creditors		1,821	1,000	1,280
Earn-out and deferred consideration	8	16,863	18,822	20,500
Total amounts owed within one year		55,709	47,579	56,671

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The Directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

The reduced accruals balance reflects the payment in the period of increased employee profit share and director bonuses relating to strong FY 22 performance, partially offset by the continued growth of the Group.

Earn-out and deferred consideration comprises the fair value of deferred and contingent consideration arising from the Group's acquisitions owed within 12 months. Please refer to note 8 for further details.

¹⁵ Trade and other payables in the H1 22 comparative period have been re-presented within this note to separately disclose social security tax on share options from other tax and social security liabilities, in line with the audited FY 22 disclosure

Notes to the interim condensed consolidated financial statements continued

11. Other non-current liabilities

	Note	30 Sep 2022 £'000	Restated ¹⁶ 30 Sep 2021 £'000	31 Mar 2022 £'000
Earn-out and deferred consideration	8	6,823	20,725	20,146
Deferred income		204	236	233
Social security tax on share options	13	1,330	1,318	1,953
Other non-current liabilities		—	—	2,768
Total amounts owed after one year		8,357	22,279	25,100

Earn-out and deferred consideration of £6.8m falls due over 12 months from the balance sheet date and relates to the Group's acquisition of Lionpoint. Please refer to note 8 for further details.

Other non-current liabilities fell to nil in the period (FY 22: £2.8m) as the remaining deferred element of FY 22 bonuses for certain directors and senior management globally now falls due within 12 months.

12. Called up share capital

	30 Sep 2022 Number	30 Sep 2021 Number	31 Mar 2022 Number
Allotted, called up and fully paid			
Ordinary shares of 0.075p each	120,507,336	118,238,586	118,707,336
	30 Sep 2022 £	30 Sep 2021 £	31 Mar 2022 £
Allotted, called up and fully paid			
Ordinary shares of 0.075p each	90,381	88,679	89,031
		Note	£
Balance at 1 April 2022			89,031
118,707,336 ordinary shares of 0.075p each			
Issued shares		(i)	1,350
Balance at 30 September 2022			90,381
120,507,336 ordinary shares of 0.075p each			

- (i) During the period, a total of 1,800,000 ordinary shares were issued by the Group, all of which were issued to the employee benefit trust ("EBT") for future satisfaction of share incentive plans

Alpha Employee Benefit Trust

The Group held 6,546,656 (FY 22: 6,216,501) shares in the EBT comprising shares held to satisfy share options granted under its joint share ownership plan ("JSOP") or unallocated ordinary shares to satisfy share options granted under the Group's other share option plans.

During the period, 1,800,000 ordinary shares were transferred by the company to the EBT for potential future satisfaction of share incentive plans, through the issuance of new shares. Further, the EBT purchased 254,817 shares in the period at market value for £1.1m. Ordinary shares held within the EBT have no dividend or voting rights.

In addition, a total of 1,724,662 shares held in the EBT were utilised for employee share option exercises.

¹⁶ Other non-current liabilities in the H1 22 comparative period have been re-presented within this note to separately disclose social security tax on share options from other non-current liabilities, in line with the audited FY 22 disclosure

Notes to the interim condensed consolidated financial statements continued

12. Called up share capital *continued*

Treasury shares

The Group held nil shares in treasury at 30 September 2022 (FY 22: nil).

Shares with voting rights

The total number of voting rights in the Company at 30 September 2022 was 113,960,680 (FY 22: 112,480,835).

Dividends

During the period, the Group paid a final dividend in relation to the year ended 31 March 2022 of 7.50p per ordinary share (H1 22: 4.85p).

The Board has declared an interim FY 23 dividend of 3.70p per share (H1 22: 2.90p).

13. Share-based payments

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

The Management Incentive Plan

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

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

As disclosed in the 2022 Annual Report & Accounts, the Remuneration Committee approved performance conditions for FY 23 awards, which modified the adjusted EPS growth range set out above to reflect the growth of the Group since AIM admission. The criteria for these share incentive awards to certain directors and senior management of the Group, depending on the individual and their role, include: (a) the Group achieving adjusted EPS growth of 11.0% or more to trigger a maximum award, or 7.0% to trigger a 66% award, with a linear application of awards between these levels; (b) the Group achieving a TSR over three years in excess of the mean TSR delivered by a peer group of comparable companies; (c) personal adherence to corporate values and risk policy; and (d) specific business unit EBITDA, or other personal targets and goals.

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

The Employee Incentive Plan

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

Movements in the period

During the period, a total of 3,138,309 share option and award grants were made to employees and senior management (H1 22: 2,959,429). The weighted average of the estimated fair values of these options awarded in the period is £3.11 per share (H1 22: £2.68).

Notes to the interim condensed consolidated financial statements continued

13. Share-based payments *continued*

In June 2022 and August 2022 certain MIP awards vested, following satisfaction of performance conditions. The awards' performance conditions relating to EPS growth and total shareholder return exceeding a basket of comparable companies over three years to the vesting date were met in full and the relevant local country or divisional budgetary performance conditions were met in full or part, dependent on Alpha location. As a result, 2,020,861 nominal cost awards over ordinary shares of 0.075 pence per share vested and 156,423 share awards were forfeited under performance conditions or as a result of leavers before vesting.

Of these awards vested in the period, 1,706,999 were exercised, with an additional 109,375 share options that vested in FY 21 also exercised on 22 June 2022. Of these total 1,816,374 share options exercised, the Company settled 1,724,662 through the transfer of existing shares from the EBT, with 91,712 additional share options retained for net tax settlement. The weighted average share price at the date of these exercises was £4.18. The remaining vested award holders have a further six-year period in which to exercise their vested awards.

Movements in share options outstanding in the period ended 30 September 2022 are as follows:

	Number of share options
Outstanding at the beginning of the period	9,504,379
Granted during the period	3,138,309
Exercised during the period	(1,816,374)
Forfeited during the period	(156,423)
Expired during the period	—
Outstanding at the period end	10,669,891
Exercisable at the period end	398,655

The weighted average exercise price for all options outstanding in both the current and prior periods was nominal. The options outstanding as at 30 September 2022 had a weighted average remaining contractual life of two years.

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

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

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

	Period ended 30 Sep 2022
Weighted average share price at grant date	£3.99
Exercise price	Nominal
Volatility	20.14%
Time to maturity	4 years
Risk free rate	1.67%
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 £4.1m (H1 22: £2.4m) in the current period, comprising £3.6m (H1 22: £1.7m) in relation to equity-settled share-based payments, and £0.5m (H1 22: £0.7m) relating to relevant social security taxes. Given the estimation, were the future conditions for all outstanding share options assumed to be met at the end of the reporting period, the charge in the period would increase by £0.4m.

Notes to the interim condensed consolidated financial statements continued

13. Share-based payments *continued*

The carrying value of amounts relating to social security tax on share options as at 30 September 2022 is £3.0m (FY 22: £3.0m), with £0.5m recognised in the statement of comprehensive income in the period, offset by £0.5m of payments made in the period. Assumptions associated with the calculation of the social security tax liability due on vesting of share options include an estimation of the forward-looking share price at the vesting date based on applicable analyst research and applicable future tax rates. For these purposes, share price is updated at each reporting period to reflect historic levels, and is assumed to grow in line with the estimated future performance of the business. If the estimated future share price growth assumption were to double, the social security costs in the period could increase by £0.3m. Were the share price to remain flat the charge would reduce by £0.3m.

14. Related party transactions

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

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

Transactions between the Company and its subsidiaries are on an arm's length basis and have been eliminated on consolidation and are not disclosed in this note.

None of the Group's shareholders are deemed to have control or significant influence and therefore are not classified as related parties for the purposes of this note.

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