24 June 2020

Alpha Financial Markets Consulting plc

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

Alpha Financial Markets Consulting plc (AIM:AFM), a leading global provider of specialist consultancy services to the asset and wealth management industry, is pleased to report its audited results for the 12 months ended 31 March 2020 (FY 20).

A YEAR OF FURTHER GROWTH AND STRATEGIC PROGRESS

Financial Highlights

- Group revenue[1] increased by 17.0% to £90.9m (FY 19: £77.7m) and net fee income increased by 17.1% to £88.9m (FY 19: £76.0m)
- Group adjusted[2] EBITDA increased by 22.9% to £20.2m (FY 19: £16.5m) and 17.8% on a comparable pre-IFRS 16 basis
- Strong adjusted cash conversion of 106% (FY 19: 101%), with adjusted cash generation from operating activities of £19.9m (FY 19: £16.4m) resulting in a year-end net cash balance of £21.0m
- Adjusted earnings per share increased by 17.9% to 14.21p (FY 19: 12.05p)
- Group operating profit is £10.4m (FY 19: £12.6m) and basic earnings per share is 6.11p (FY 19: 9.05p) after adjusting expense items, which increased mainly as a result of the Axxsys and Obsidian acquisitions
- No final dividend is recommended, in order to maintain maximum liquidity, given COVID-19 uncertainty

	12 months to **31 March 2020**	*12 months to* **31 March 2019**	**Change**
Revenue	**£90.9m**	£77.7m	17.0%
Gross Profit	**£34.4m**	£29.1m	18.3%
Adjusted EBITDA	**£20.2m**	£16.5m	22.9%
Adjusted Profit before Tax	**£18.6m**	£16.2m	15.2%
Profit before Tax	**£9.3m**	£12.5m	(25.8%)
Adjusted EPS	**14.21p**	12.05p	17.9%
Basic EPS	**6.11p**	9.05p	(32.6%)
Total Dividend per Share	**2.10p**	6.00p	-

Operating Highlights

- Successful acquisition and integration of two new businesses, Axxsys[3] and Obsidian[4], expanding the Group's geographic footprint and service proposition
- Extension of the Group's business practices with launch of Pensions & Retail Investments
- Addition of offices in Canada and Denmark, taking the Group to 12 client-facing offices globally

- Strong growth in new clients globally; the number of clients that the Group has supported increased to 381 (FY 19: 279)
- Continued investment in the highest calibre consultants[5]; number of consultants increased by 20.4% to 436 (March 2019: 362)
- Expansion of the Group's director team through the addition of 13 directors[6] globally

COVID-19 Update and Outlook

- Transition to remote working executed swiftly and seamlessly; the entire team has adjusted very well and continues to service clients to the highest standards
- Alpha took early decisive action to protect the business; alongside careful management of the Group's cash resources, protective measures included temporary salary sacrifices of 40% for the senior leadership team and Board, and 20% for the broader director team, modest staff furloughs, and the cancellation or deferral of all discretionary expenditure
- In addition to £23m current June net cash position, in order to provide further flexibility the Group has recently agreed an increased revolving credit facility of £20m
- The Group has made a solid start to the new financial year and continues to make selective investments in strategic hires
- The Group is navigating a shifting business development landscape and continues to see opportunities, new wins and extensions to existing projects
- The market drivers remain in place and the Group is confident that it is well positioned for future growth in market recovery
- Ongoing uncertainty due to COVID-19 and early stage of the year mean that the likely impact on the business is difficult to predict with accuracy; as such, the Board believes it is prudent not to provide financial guidance for the current financial year

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

"The Alpha Group has delivered strong growth, expanded services and products, made two successful acquisitions and enhanced its market-leading reputation for the quality of its people and service delivery excellence.

Alpha continued to perform well in FY 20, grew and delivered on its strategic objectives, validating the Group's business model. This year has seen the Group invest further to deliver organic growth through expansion of the service offering and investment in the highest calibre people, including several key senior hires. We also successfully completed and integrated two acquisitions, increasing the Group's capability and ability to provide a highly compelling proposition to the asset and wealth management industry.

I am pleased to report that we have delivered good growth across all the Group's financial KPIs, growing revenues by 17.0% and generating over £20m of adjusted EBITDA, up by 22.9% compared to FY 19, with improved H2 20 momentum. In particular, I am pleased with the performance in North America, where we continue to see a wide domestic client base and significant further growth potential.

Following another successful year, we are now in a period of economic uncertainty relating to the COVID-19 pandemic. In recent months, we acted quickly to ensure the safety of our people, transition seamlessly to remote working, manage costs and protect our robust balance sheet. We continue to monitor the situation and will take appropriate actions to manage the business to address the potential impacts of COVID-19. With the strength of the Alpha proposition and protective measures taken, the Group is well positioned for the market recovery."

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Analyst Presentation:

A results presentation from Alpha will take place at 9.30 a.m. on the day by conference call. Those investment analysts wishing to attend should email alpha@templebaradvisory.com.

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

[1] FY 19 revenue is restated to reflect the presentation of revenue gross of rechargeable expenses. Refer to note 1 of the financial statements for further detail and note 2 for a reconciliation of revenue to net fee income
[2] 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
[3] "Axxsys" refers to Axxsys Limited and its subsidiaries, acquired by the Group in June 2019
[4] "Obsidian" refers to Obsidian Solutions Limited, acquired by the Group in November 2019
[5] "Consultants" and "headcount" refer to fee-generating consultants at the year end: employed consultants plus utilised contractors in client-facing roles
[6] "Directors" 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

Chairman's Report

Introduction

It gives me great pleasure to present to you the Annual Report & Accounts of the Group for the 12 months to 31 March 2020. As we end our third year as a public company, Alpha continues to deliver strategically, operationally and financially. Whilst the Board[7] continues to monitor the global uncertainty caused by COVID-19 situation closely, our position at the end of FY 20 represents a strong validation of the Group's strategy and places Alpha well for the market recovery.

Overview of the Financial Year

I am delighted that Alpha continued to perform well across its business areas and met market expectations for the year ended 31 March 2020. The Group has also made strategic progress, including the acquisition of two new businesses, Axxsys and Obsidian; launching its Pensions & Retail Investments ("P&RI") practice; as well as growing its highly skilled team including several key senior hires. This is all coupled with the continued success of Alpha's core consulting services globally, including an especially strong performance from the business in North America.

The Group has achieved annual revenue growth of 17.0% on the previous financial year to £90.9m. I am also pleased to report the Group's highest ever adjusted EBITDA of £20.2m (FY 19: £16.5m) and growth in adjusted earnings per share of 17.9% to 14.21p. Basic earnings per share was 6.11p, after increased adjusting costs as set out in note 3 of the notes to the consolidated financial statements.

During the year, through the acquisitions of Axxsys and Obsidian, the Group has expanded its geographic footprint further into Canada and Denmark, as well as establishing a software development capability centre aligned to Alpha Data Solutions ("ADS") in Serbia. Alpha's clients remain central to everything that the Group considers and does, and this will continue to drive investment both in offices and consulting practices that support Alpha's existing and prospective base of clients.

Governance and the Board

Alpha maintains a robust corporate governance framework and continues to ensure that it reflects the needs of the Group's shareholders, employees, clients and wider stakeholders. The Board has significant knowledge of the asset and wealth management industry, as well as a deep pool of leadership experience to draw from.

The Board continues to review and evolve the corporate governance framework, and this has included the appointment of Prism Cosec as Company Secretary from October 2019. This creates a fully dedicated function, separate from the executive role of Chief Financial Officer, in line with governance best practice. Prism Cosec brings experience and expertise to assist in monitoring and further improvement of the corporate governance framework and processes.

Having altered the composition of the Board committees to enhance independence in the previous financial year, we committed to the appointment of an additional independent Non-Executive Director before the 2020 Annual General Meeting ("AGM"). As recently announced, I am very happy that Jill May has agreed to join the Board from July 2020 and I look forward to Alpha benefitting from her range of experience across financial services, regulation and public companies.

As part of its activities during the year, the Board resolved to rename the Audit Committee as the Audit and Risk Committee. This change confirms the Board's ongoing commitment to risk control and management, and better reflects the role and activities of the Committee in assisting the Board to oversee the risk management framework of the Group. The governance arrangements and responsibilities of the Audit and Risk Committee remain unchanged.

I am also delighted that we are introducing formal environment, social and governance ("ESG") and sustainability reporting into this year's Annual Report, including the disclosure of a number of ESG metrics for the first time. We believe that the provision of these non-financial metrics and reporting will allow us to facilitate an understanding of Alpha as a risk-managed business that is equipped for sustainable, long-term growth.

The Board continues to meet regularly to oversee the Group's activities, to ensure the Group progresses with its strategic objectives, and that we adhere to our core values of governance, integrity and business ethics. One of the actions from last year's Board evaluation and effectiveness review process was to ensure that it remains directly and closely engaged with the Group's management teams, and I am pleased to report that the Board has received and discussed presentations from a number of the regional and operational teams during FY 20.

Strategy

The Group continues to make progress on its strategic objective to be recognised as the leading global asset and wealth management consultancy. As Alpha expands the breadth and depth of its service offering, the focus remains on understanding the needs of its clients and providing them with the highest quality service. Whilst historically the majority of the Group's growth has been organic, the Board recognises the benefits of increasing the breadth of the service offering through both selective acquisitions and expansion of the senior team.

This year, the Group has successfully built upon the strategy of extending and deepening the range of services that it offers. With the introduction of the P&RI practice, Alpha can replicate its highly successful business model into a new area and has hired a number of high-performing individuals to lead and work in the new practice. At the same time, organic growth has been achieved in all regions. The Board and I are particularly pleased with the performance in North America and the addition to the Group of an office in Canada to further support this growth.

Alpha will continue to invest in and incentivise its high-performing employees, financially through a market-leading incentive package, operationally through effective support and communication, and culturally through a range of initiatives across social events, corporate social responsibility, diversity and inclusion, wellbeing, and performance recognition. I am confident that Alpha's growth and performance further validates the Group's overall strategy in the long term as we navigate through the global events that are currently impacting every aspect of our lives.

Dividend

In light of the uncertainty caused by the COVID-19 pandemic, the Board has decided not to recommend a final dividend for the year ended 31 March 2020. The Board considers that, during these exceptional times, it is in the best interests of all stakeholders to preserve the strength of the Group's balance sheet to provide maximum flexibility throughout, so that Alpha is as well positioned as it can be for the future. Therefore, the total dividend for FY 20 comprises only the previously paid interim dividend of 2.1p.

Outlook and COVID-19

The Alpha Board recognises that COVID-19 provides challenges to all areas of life, to both the Group and the asset and wealth management industry at large. However, the Group starts its new financial year with strength across its people, strategy, finances and business model. The Group has taken pre-emptive measures to limit the immediate effects of COVID-19, which included implementing remote working arrangements and reducing spend appropriately to maximise liquidity.

Given the current environment, the Board is pleased with a solid start to trading in the current financial year. Whilst the Board is monitoring closely the situation presented by the COVID-19 pandemic, including the impact on win rates, sales cycles and project start dates, now and over the coming months, we continue to see opportunities, new client wins and extensions to existing projects. The Board remains confident that Alpha's strengths mean that it is positively positioned, with the underlying industry trends of cost reduction, changing regulation and increasing assets under management remaining in place, to drive client demand for Alpha's quality consulting services. In light of the ongoing uncertainty and the early stage of the new financial year, the likely financial impact on the business is difficult to predict with accuracy. As such, the Board believes it is prudent not to provide financial guidance for the current financial year.

Finally, I would like to thank Alpha's Board of Directors, management team and employees for their continued hard work, dedication and contributions this year, especially given the disruptions presented by COVID-19. I look forward to continuing to make positive progress and pursuing the Group's long-term strategic goals.

Ken Fry

Chairman

24 June 2020

[7] "Alpha Board" is the Alpha Board of Directors, also referred to as the "Board of Directors", the "Board" and the "Directors"

Global Chief Executive Officer's Report

Introduction

Welcome to Alpha's third set of full-year results as a public company. I am pleased to report that we have achieved a further year of strategic progress as the Group continues the momentum from previous years.

We have delivered on our strategic growth objectives through the launch of the Pensions & Retail Investments practice and the successful acquisition and integration of the Axxsys and Obsidian businesses. Through our strong and comprehensive service offering and the performance of our highly skilled team of consultants, Alpha has enjoyed a good year of growth in the underlying business, as shown by increases in revenue, adjusted EBITDA, adjusted profit after tax and adjusted earnings per share ("EPS"). Operating profit and profit after tax have reduced as a result of increased adjusting items, primarily driven by the Group's acquisition activities in the year.

COVID-19

We now face a period of economic uncertainty in the face of the global COVID-19 pandemic. Alpha, like many companies, is seeing the effects of this crisis on its business and business planning. At the time of writing, given the strength of the Alpha service proposition and a strong balance sheet entering the new financial year, the Group is well positioned for the market recovery. We have also taken steps to protect the business, including limiting recruitment to only a small number of strategic hires, maximising our cash position and reducing discretionary operational expenditure. Alpha's director team has taken a voluntary temporary reduction of 20 per cent in salary for six months and the Group's senior leadership team, including the Global Chief Executive Officer, Chief Financial Officer and the Non-Executive Directors of the Board, have taken a voluntary temporary 40 per cent reduction in salary and fees. We have also implemented modest staff furlough plans within the UK and Europe, which we believe is prudent to retain maximum flexibility in protecting the business.

To date, the Group has seen minimal impact to its in-flight projects, following a successful and seamless transition to remote working with its clients. Core projects have continued to progress with minimal pressure on fee rates, no material cancellations and excellent client feedback. Alpha, similar to many companies, is facing a shifting business development environment but has continued to make solid progress at the start of the new financial year, with good win rates and project extensions. We also expect that the earlier cost protection actions we have taken will help us through the uncertainty going forwards. The Board and leadership team will continue to monitor data points and leading indicators to respond appropriately to market conditions.

Summary of Financial Performance

The Group has continued to demonstrate strong growth in the year, despite the market and political uncertainty globally through much of 2019, including around the UK's Brexit discussions and general election. This has resulted in net fee income[8] increasing by 17.1% to £88.9m (FY 19: £76.0m), adjusted EBITDA by 22.9% to £20.2m (FY 19: £16.5m) and adjusted profit before tax by 15.2% to £18.6m (FY 19: £16.2m). The outstanding work that our consultants deliver while working on some of the largest, most complex and challenging projects in the asset and wealth management industry has allowed us to see excellent client retention rates as well as the addition of new clients in all regions.

I am particularly pleased to report that the North American region achieved excellent growth this year, as expected, with net fee income increasing by 57.4% to £14.4m (FY 19: £9.2m) and revenue similarly. This demonstrates that our blueprint for geographic expansion is successful, and we will continue to invest in people and further our global reach, while exercising prudence, as part of the Group growth strategy.

While I am pleased with FY 20 performance, the Board is not recommending a final dividend for the year. We believe that this is the correct, prudent approach to maximise the Group's balance sheet strength through the current period of uncertainty, to align with the cost mitigants and deferrals implemented across the business and, in the interests of all stakeholders, to help position Alpha as well as possible for the future.

Operational Review

During the year, the Group continued to see strong demand for its service offering, subject matter expertise and consulting support across the asset and wealth management value chain. At a global level, I am delighted to confirm that the Group added 102 new clients during the year, with a number of those coming from our successful acquisitions and integrations of Obsidian and Axxsys, as well as in new jurisdictions including Australia and Canada. Continued interest in and demand for the Alpha proposition enabled a good set of results to be delivered across all the Group's core geographies: the UK, North America, Europe & Asia.

We have continued to progress our strategy through organic growth, developing the service offering for our clients and delivering value for our stakeholders. We have seen continued expansion and good revenue contributions from our well-established practices such as Investments, Distribution, M&A Integration and Operations & Outsourcing, as well as a further geographic expansion of these core practices within our global offices. We also saw a good performance from our newer practices such as ETF & Indexing, Digital and Regulatory Compliance. We expect to see further interest and demand in those areas as structural drivers such as demographic change increase the importance of effective digital experiences, and as the industry continues to consolidate and implement further regulatory changes. The ADS component of the business has also made progress in the year, both through increasing its client footprint and the acquisition of Obsidian.

During the year, we launched the P&RI practice as part of a roadmap to move into the insurance sector and strategy to diversify our service offering across the value chain. We welcomed two new directors to the UK team to lead the practice and are delighted that their increasing client focus in this space, combined with working closely with other Alpha business practices to ensure that we can provide a comprehensive proposition and delivery experience for all our clients, is already gaining traction with new client project wins.

As the business grows, it is increasingly important for us to assess and disclose how sustainability informs the way we plan and operate. The overriding objective has always been to ensure that our business model remains effective and sustainable in the longer term. As part of this, we have consolidated and are in the process of formalising Alpha's ESG approach. We have begun the journey to adhere to a formal disclosure framework, a description of which we are including in our Annual Report 2020.

In the last month of the financial year, our key operational focus was securing the health and safety of our people and transitioning to remote working in the context of the COVID-19 pandemic. Leveraging our strong operational, technological and cultural foundations, we were able to transition quickly and effectively, and did not see any material disruption to our business operations. We have also worked closely with all our clients, again without material disruption to our client delivery engagements. As we enter a period of economic uncertainty, I am confident that our high-performing team and flexibility to respond to client demand in many different environments and locations will help ensure that we remain resilient and can fully support our client stakeholders through this turbulent time.

Geographic Overview

As a global business, we can provide an exceptional end-to-end advisory service to our clients, irrespective of where they are located; as well as support our larger clients on international change programmes. I am delighted to present our regional financial figures for the period:

	12 months to **31 March 2020**	*12 months to* **31 March 2019**	**Change**
Net Fee Income			
UK	**£50.5m**	£45.4m	11.4%
US	**£14.4m**	£9.2m	57.4%
Europe & Asia	**£24.0m**	£21.4m	11.7%
Year-end totals	**£88.9m**	**£76.0m**	**17.1%**

	12 months to **31 March 2020**	*12 months to* **31 March 2019**	**Change**
Gross Profit			
UK	**£22.3m**	£19.7m	12.8%
US	**£4.8m**	£1.7m	187.3%
Europe & Asia	**£7.3m**	£7.7m	(4.1%)
Year-end totals	**£34.4m**	**£29.1m**	**18.3%**

	As at **31 March 2020**	*As at* **31 March 2019**	**Change**
Consultant Headcount			
UK	**217**	174	24.7%
US	**68**	55	23.6%
Europe & Asia	**151**	133	13.5%
Year-end totals	**436**	**362**	**20.4%**

I am very pleased with the exceptional growth that we have seen this year in the North American business, achieving our aim to make substantial gains in that market after investing in and strengthening the team in the previous year. We added several new domestic clients in the region, which has demonstrated the importance, interest and breadth of the Alpha service offering to clients on both sides of the Atlantic. We have also established an office in Toronto as part of our acquisition of Axxsys, which both complements and enhances the reach of our existing US offices. Our growth in North America has also been recognised by *Forbes*, who identified us as one of “America’s Best Management Consulting Firms” this year.

The UK remains the geography with the largest revenues within the Group and we are delighted with the growth achieved this year in the context of some sustained political and economic uncertainty. Decision making from many clients improved following the UK General Election, although it has been disrupted once again with the onset of COVID-19. We are monitoring the situation and will continue to act to protect our business and people, as and when required, in a careful and considered manner.

There was a consistent performance across Alpha Europe & Asia, which includes offices in Singapore, France, Luxembourg, the Netherlands, Switzerland and, following the acquisition of Axxsys, Denmark. We continue to be recognised as one of the leading management consultancies in those jurisdictions, once again being recognised as a “#1 consulting firm” by *Decideurs Magazine* in France[9]. We see the Nordics and Central Europe as a key area of growth and, as part of this, the Group appointed a new Chief Executive Officer of Central Europe for Axxsys. This appointment is a significant move in our strategic objective to become a market leader in that area.

We see Asia as a region with exceptional growth potential over the longer term. We have been extending our footprint there by growing our team in Singapore and implementing projects for clients across the region, including in Hong Kong and Australia. We will continue to invest in our people there to ensure that we can demonstrate Alpha’s fantastic knowledge and talent, as well as take advantage of opportunities that arise.

The Group’s year-on-year growth reflects an expanding international footprint and growing global reputation as the consulting partner of choice for clients across the asset and wealth management value chain as we continue to support some of their most complex and challenging projects. Our strong financial figures, international awards and operational growth indicates that we have a geographical expansion blueprint that remains successful and allows us to be well positioned for the years ahead.

Our People

Alpha’s people are our greatest strength and we are proud of the exceptional calibre and commitment of our global teams. The quality of our people allows us to support and deliver some of the most complex and high-profile change programmes within the asset and wealth management industry, and to retain very strong recognition and loyalty across our client base.

We are committed to hiring and retaining the very best quality of people at every level, and this year we have increased our global headcount to 436 (March 2019: 362). Of that headcount figure, an increase of 30 is attributable to the organic growth of the existing business, with the remaining 44 arising from the Group’s acquisition activity in the year. We have also increased our director team by 13 globally, through a combination of key hires and promotions, which further reflects our growth and investment in people this year.

We recognise the high performance of our people through financial, operational and other peopleorientated initiatives and incentives. We are proud to have market-leading compensation packages to ensure that we attract and retain the very best consulting talent. We provide our employees with a profit share, linked to Company performance, as well as the opportunity to take part in employee equity schemes to become shareholders in Alpha. During the reporting period, 3,374,881 share options were awarded to new joiners and certain members of the senior management team. As of 31 March 2020, approximately 17% of the Company's issued share capital with voting rights was held by employees. We will continue to benchmark our financial incentive schemes against the industry in order to maintain best-in-class compensation and, therefore, attract the best candidates in the market and achieve market-leading retention rates.

In supporting a global client base, our consultants are required to work across different locations and time zones. We make sure that our technology and operations are cloud based, secure and versatile to allow them to work wherever they need in order to support our clients most effectively. Our strong operations were put to the test following decisions to work from home due to COVID-19, and the resilience of our people and operational infrastructure meant that we were able to quickly and successfully move to remote working whilst maintaining every aspect of delivery excellence for our clients.

Alpha's unique culture and quality have always been an important part of working at Alpha and a fundamental part of our historic success. We work hard to maintain the same culture globally, which in turn ensures the same high level of quality of delivery for our clients. This unique culture has been recognised globally, for example allowing us to win a place in the Sunday Times 100 Best Small Companies to Work For list for four consecutive years, as well as being named as a "Best of the Best" in the 2020 Asia Asset Management Awards (Journal of Investments & Pensions).

We remain committed to providing an open and collaborative working environment. Following the transition to remote working due to COVID-19, the Alpha team designed and launched an internal programme that focusses on the pillars of wellbeing, productivity, technology and community. By sharing best practice, keeping connected, optimising the use of remote functionality and tools, and supporting one another, our people are promoting the very best aspects of the Alpha culture.

Our employees are and will always be the main reason for the Group's ongoing success. Whether this is in developing new products and ideas through the "Innovation at Alpha" platform, running our Diversity and Inclusion initiatives, or deciding on our partnership with a charity for the year, they remain central to how Alpha is run.

Growth Strategy and Acquisitions

The Group continues to follow a growth strategy that is both organic and inorganic to achieve its objective to be recognised as the leading global asset and wealth management consultancy. In the period, as part of the strategy, the Group has expanded through acquisition into complementary data and technology services.

Historically, Alpha has mainly grown organically, and experience has shown that our business model can lead to successful expansions of our service offering, geographic footprint and our ability to cater to increasingly large parts of the asset and wealth management value chain, such as vendors and third-party administrators in addition to traditional asset managers and asset owners. We continue to see shifting structural changes across the industry, and we will utilise our reputation for exceptional service to act on opportunities for organic growth as part of our strategy. We have increased our range of services in the past year from 12 practices to 13, and we expect that to grow as we explore new industry opportunities and client propositions.

During the year, the Group made two strategic acquisitions. In both cases, the acquired organisation provided services that enhanced the Group's strengths and business lines, which in turn enhanced our client proposition in all regions. The addition of Axxsys has brought a strong technology-led consulting service offering to the Group's core functions, in particular, extending our expertise in SimCorp and investment management platforms. Meanwhile, Obsidian has created a strong complementary software development and product expertise within the ADS team.

These acquisitions have added to Alpha's organic growth this year, enabling strong local introductions and cross-selling opportunities in the markets where they operate, with Obsidian bringing an increased focus on the alternatives space and Axxsys incorporating a strong pension client base. Acquisition remains a key part of the Group's growth strategy and we will continue to monitor how we implement that strategy in line with both market opportunity and client demand. We will keep seeking investment opportunities that provide diversified and established revenues, looking in particular at data and product businesses and technology consulting firms that can complement and grow the Group's service offering.

Current Trading and Outlook

We are reporting on a strong FY 20 but remain conscious that we are navigating a period of economic uncertainty. Despite these difficult times, and at the point of writing, we have seen a limited impact on change projects and Alpha remains in a good position with a substantial net cash balance, a strong client base and a robust business model.

I am confident that the structural drivers facing the industry remain and, therein, the opportunity to continue to broaden our geographic footprint and offering for clients, and, in turn, for our investors. We are monitoring and responding to the COVID-19 situation as it unfolds and we are in a good position to evolve and adapt our approach as is required.

Finally, I would like to join with Ken in thanking everyone at Alpha. The business growth and successes that Alpha enjoys would not be possible without the teamwork, energy and dedication of all Alpha's employees in delivering projects of the highest quality every day for our clients. The response of our people to the COVID-19 challenge globally has demonstrated the exceptional talent, resourcefulness and team spirit across the Group. I believe that Alpha has the best consulting team in the industry, which will continue to position the Group well and allow us to achieve our strategic objectives.

Euan Fraser

Global Chief Executive Officer

24 June 2020

[8] Net fee income is revenue net of incidental rechargeable expenses. Please see note 3 for further detail
[9] Joint first position with McKinsey and BCG in "asset management"; joint first position with Bain, McKinsey and BCG in "wealth management"

Chief Financial Officer's Report

Group Results

I am pleased to report that Alpha has delivered another year of further strong growth during a year of geopolitical uncertainty.

	FY 20 IFRS 16	FY 20 IAS 17	FY 19 IAS 17	Change vs FY 19 IFRS 16	Change vs FY 19 IAS 17
Revenue	**£90.9m**	**£90.9m**	£77.7m	17.0%	17.0%
Net Fee Income	**£88.9m**	**£88.9m**	£76.0m	17.1%	17.1%
Gross Profit	**£34.4m**	**£34.4m**	£29.1m	18.3%	18.3%
Operating Profit	**£10.4m**	**£10.4m**	£12.6m	(17.1%)	(17.6%)
Adjusted EBITDA	**£20.2m**	**£19.4m**	£16.5m	22.9%	17.8%
Adjusted EBITDA Margin	***22.8%***	***21.8%***	*21.7%*	*1.1%*	*0.1%*
Adjusted Profit before Tax	**£18.6m**	**£18.7m**	£16.2m	15.2%	15.5%
Profit before Tax	**£9.3m**	**£9.4m**	£12.5m	(25.8%)	(25.3%)
Adjusted EPS	**14.21p**	**14.26p**	12.05p	17.9%	18.4%
Adjusted Diluted EPS	**13.62p**	**13.67p**	11.77p	15.8%	16.2%
Basic EPS	**6.11p**	**6.16p**	9.05p	(32.6%)	(31.9%)

The Group has experienced almost no FY 20 effect on trading from the COVID-19 lockdowns and related social distancing measures, given the swift transition to effective remote working by our clients and consultants and the timing of the Group's year end. Alpha has implemented a number of cost mitigations in recent months to prepare for this more uncertain environment and continues to monitor developments closely for the year ahead.

Revenue

The Group has delivered another strong year of progress, growing revenue and net fee income 17.0% and 17.1% respectively on the previous year, delivered through both organic and inorganic growth. Organic revenue[10] growth totalled 7.7% in the year.

Alpha North America delivered the strongest regional growth with net fee income up 57.4%, almost entirely organically. The North American business expanded its domestic client base in the year, supporting a good range of client projects, including several longer duration acquisition and integration, operations transformation and systems implementation projects, which lifted consultant team utilisation substantially from last year, reaching Group target levels. The UK business, Alpha's geography with the largest net fee income, grew 11.4% overall, benefitting from strong growth in Alpha Data Solutions ("ADS") and the additional Axxsys contribution in the year, while good client demand maintained close to target consultant utilisation levels, mitigating a weaker UK contracting environment. Alpha Europe & Asia delivered 11.7% regional growth, with a consistent organic revenue performance across the region overall, complemented by the contribution from Axxsys Europe, which grew well in the year with new client wins and team headcount expansion.

Alpha continues to support clients in some of the largest, most challenging and interesting projects across the industry. Alpha's revenue is driven by continuing strong demand in its established practices, including Investments, Distribution, M&A Integration and Operations & Outsourcing, as well as progress in newer practices, including strong growth in Regulatory Compliance in the year. Alpha's ETF & Indexing practice, launched in March 2019 to further enhance Alpha's response to the growing significance of index funds and exchange traded derivatives, made strong progress in the year in multiple geographies. Alpha's Pensions & Retail Investments practice, launched in September 2019, gained good traction by winning a number of projects in H2 20[11], both with existing and new client relationships. Alpha's growth was supported by further investment in the global consultant headcount, with the number of consultants (including contractors) reaching 436 by the year end (March 2019: 362).

Group Profitability

The Group also increased its profits. Gross profit rose 18.3% to £34.4m (FY 19: £29.1m), improving margin, as a percentage of net fee income, to 38.7% (FY 19: 38.3%). This reflects a combination of near target consultant utilisation levels, margin benefit from improved consultancy mix, headcount growth, and lower overall employee profit share accruals partially offset by continued investment in the business, including 13 director appointments. North American margin improved with strong growth lifting consultant utilisation through the year, UK margin was relatively consistent and Europe & Asia margin eased slightly, reflecting more mixed market conditions.

Group administrative expenses, before the adjusting items detailed in note 3 of the consolidated financial statements, increased to £15.0m (FY 19: £12.6m) on a comparable basis. Adjusted administrative costs increased 18.9% overall, including both the inorganic addition of Axxsys and Obsidian costs since acquisition and on an organic basis, which was principally from increased Group central management team resource supporting the overall business growth globally, larger technology security and infrastructure improvement spend, and higher professional fees, together offsetting lower consultant recruitment spend in the year. Including the adjusting items, administrative expenses increased to £24.0m (FY 19: £16.5m), reflecting the one-off acquisition, integration and other costs related to the on-boarding of Axxsys and Obsidian, as set out further in note 3.

Adjusted EBITDA grew 22.9% to £20.2m (FY 19: £16.5m). The Group adopted the new accounting standard IFRS 16 Leases for the first time in the year, as set out in note 6, on a modified retrospective basis. On a comparable basis, as set out above and in note 6, adjusted EBITDA grew 17.8%, in line with revenue growth and margin was consistent at 21.8% on a comparable basis (FY 19: 21.7%). Reported margins improved further on this basis. Adjusted profit before tax increased by 15.2% to £18.6m (FY 19: £16.2m). This metric is comparable under the new standard and also reflects the increased ADS capitalised development amortisation charge in the year.

Group operating profit decreased by 17.1% to £10.4m (FY 19: £12.6m) after charging all costs including the adjusting items listed in note 3. These cost adjustments, which are detailed in note 3 of the consolidated financial statements, increased to £8.4m (FY 19: £3.6m) due to the Axxsys and Obsidian acquisition-related costs, including increased employment-linked consideration in the year. The share-based payment charge, including relevant social security costs, increased in the current year reflecting new awards, time elapsed and updated current year valuation assumptions. Further details are set out in notes 3 and 16. Similarly, profit before tax reduced to £9.3m after charging these increased adjusting item costs, increased depreciation and increased finance expenses.

Currency

Currency translation had a minimal impact on both net fee income and profits in FY 20, as a result of a flat average sterling against key currencies. In the year, sterling averaged $1.28 (FY 19: $1.31) and €1.15 (FY 19: €1.13). Currency translation immaterially increased FY 20 net fee income by £0.3m (0.4%). The statement of comprehensive income reflects £1.3m currency gain on asset translation.

Net Finance Expense

Net finance costs increased in the year to £1.1m (FY 19: £0.1m), representing the first full-year adoption of IFRS 16 Leases and the annual unwinding of the discount applied to deferred and earn-out consideration due on recent acquisitions. Since its admission to AIM, the Group has operated with a net cash position.

Taxation

Pre-tax profit, after non-operating items, was £9.3m (FY 19: £12.5m). The Group's tax charge for the year was £3.1m (FY 19: £3.3m), reflecting the lower taxable profit, disallowable expense items and the blended tax rate of the jurisdictions in which the Group operates. The Group's cash tax payment in the year was £2.4m (FY 19: £2.0m).

For further taxation details, see note 7 to the consolidated financial statements. Adjusted profit after tax is shown after adjustments for the applicable tax rates on adjusting items as set out in note 3.

Acquisition Activity

Complementary bolt-on acquisitions that enhance the product and service proposition offered to Alpha's clients are an important part of the Group's strategy. The Group made two acquisitions during the year, Axxsys and Obsidian, in June and November 2019 respectively. Both businesses have performed well since acquisition.

Axxsys has integrated into the Group well and grown since acquisition, particularly in further expanding the team to take advantage of opportunities across Europe. Since June, Axxsys has contributed £7.1m revenue with margin improvement through the year.

Since acquiring Obsidian in November within ADS, the combined ADS Obsidian product has been successfully implemented for an Alpha client, and the Obsidian technology integration work to enhance Obsidian product security features and align technology protocols with the ADS 360 SalesVista product set has largely been completed. These one-off integration costs total £0.5m to date. Obsidian has contributed £0.2m revenue since acquisition and is well placed for further growth within ADS.

Earnings per Share

Adjusted EPS improved 17.9% to 14.21p per share (FY 19: 12.05p) and, after including the adjusting expense items, the basic EPS is 6.11p per share (FY 19: 9.05p). Adjusted diluted EPS increased 15.8% to 13.62p (FY 19: 11.77p). At the year end, 6,490,661 share options remained outstanding and no share options vested in the year.

Cash Flow and Net Funds

The Group enjoyed strong cash generation with net cash generated from operating activities rising to £18.2m (FY 19: £16.4m) and, after adjusting for employment-linked acquisition payments, to £19.9m (FY 19: £16.4m). This represents a 106% adjusted cash conversion rate from adjusted operating profit, improving on FY 19's 101% adjusted cash conversion rate, through working capital focus and internal process rigour around timely debtor collection.

The Group's income tax paid totalled £2.4m (FY 19: £2.0m). A total of £7.3m acquisition payments were paid in the year, net of cash acquired, in relation to both the Axxsys and Obsidian initial consideration payments plus acquisition related costs. The increase in capital expenditure in the year reflects the now completed 360 SalesVista investment programme designed to enhance product data security, improve implementation simplicity and add product functionality.

Net interest paid was £0.1m (FY 19: £0.1m), reflecting the cost of maintaining the Group's revolving credit facility ("RCF") less the benefit of holding net cash balances through the year. At the year end, the Group's cash position had improved to £21.0m net cash or £26.0m total (FY 19: £18.6m), having drawn Alpha's £5m revolving credit facility in full shortly before year end to maximise liquidity, in anticipation of a COVID-19 effect.

After the year end, the Group further improved its available liquidity by renewing and extending its committed RCF with Lloyds Banking Group into a £20m committed facility expiring in June 2023 with an improvement to terms. The two RCF covenants are a 2x maximum net debt to adjusted EBITDA ratio and a 4x interest cover covenant. This facility, alongside cash balances, ensures Group funding flexibility.

Statement of Financial Position

The principal changes to the Group's statement of financial position relate to acquisition activity and the adoption of IFRS 16 during the year. The increase in the Group's total non-current assets is principally driven by a combination of acquisition intangibles, the addition of lease right of use assets under IFRS 16 and the investment in the ADS software product.

Increases in trade receivables and payables represent the enlarged group. Acquisition related deferred consideration and earn-out payments increased both current and non-current liabilities as at 31 March 2020, as set out in note 11. Deferred tax liabilities arise on timing differences and increased in the year mainly due to acquisition related timing differences.

The year-end net cash balance improved after acquisition payments, investment in the business and payment of dividends to shareholders in the year.

Dividends

The Board is not recommending a final dividend this year (FY 19: 4.09p), given the exceptional COVID-19 circumstances and the subsequent business uncertainty. Alongside the other cost mitigants and deferrals, Alpha seeks to best maintain its strong balance sheet to maximise flexibility. Therefore, the FY 20 interim dividend of 2.10p per share is the total dividend for the year (FY 19: 6.00p).

Total Shareholders' Funds

Total shareholders' funds increased to £91.4m (March 2019: £89.1m). The changes in equity reserves reflect the retained profit after tax for the year, currency movements on overseas asset and goodwill values, the addition of further share-based payment reserves and the payment of dividends. As at 31 March 2020, the Company had 103,607,638 ordinary shares in issue, of which no shares were held in treasury and 2,669,429 shares were held in the Company's employee benefit trust ("EBT") for satisfaction of future option vesting.

Risk Management and the Year Ahead

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

The current COVID-19 situation is a significant event that brings an unprecedented level of uncertainty to the business environment and a shifting business development landscape. Alpha took early decisive action in response to the pandemic, implementing protective measures in March to reduce costs and maintain liquidity. These measures included 40 per cent salary and fee reductions for the senior leadership team for six months, reducing recruitment to all but a handful of strategic hires, freezing annual salary increases globally and deferring the annual profit share payments for FY 20 to employees until later in FY 21. In April, the remainder of the global director team agreed to a voluntary 20 per cent temporary salary reduction and, in June, staff furlough plans have been cautiously introduced in the UK and France.

FY 21 trading has begun well and the Group continues to see opportunities, new client wins as well as extensions to existing projects. However, while the trading environment remains uncertain, Alpha will continue to monitor the COVID-19 situation closely; and will act sensitively and appropriately in managing the Group through uncertain times in the interests of all stakeholders.

The Board has considered all of the above factors in its review of going concern and has been able to conclude the review positively. While cognizant of potential macro-economic risks and the competitive environment, the Group's people, investment in product and service offerings and increasing international footprint help position Alpha for the year ahead. Alpha has delivered another year of strategic acquisitions, strong growth and cash generation in FY 20. While COVID-19 means that uncertainty exists over how the coming year will unfold, we start FY 21 well positioned.

John Paton

Chief Financial Officer

24 June 2020

[10] Organic revenue growth is an APM and represents FY 20 revenue less £7.3m revenue attributable to the Axxsys and Obsidian acquisitions completed during the year. Refer to note 3 for further detail of APMs
[11] H2 20 refers to the second half of the financial year ending 31 March 2020

Consolidated statement of comprehensive income
For the year ended 31 March 2020

	Note	Year ended 31 March 2020 £'000	Restated[12] Year ended 31 March 2019 £'000
Continuing operations			
Revenue	2	**90,901**	**77,661**
Rechargeable expenses	2	(1,977)	(1,701)
Net fee income	2	**88,924**	**75,960**
Cost of sales		(54,521)	(46,878)

Gross profit		**34,403**	**29,082**
Administration expenses		(23,977)	(16,510)
Operating profit		**10,426**	**12,572**
Depreciation	6	1,022	263
Amortisation of capital development costs	10	428	-
Adjusting items	3	8,372	3,643
Adjusted EBITDA	3	**20,248**	**16,478**
Finance income	5	1	-
Finance expense	5	(1,133)	(52)
Profit before tax		**9,294**	**12,520**
Taxation	7	(3,127)	(3,321)
Profit for the year		**6,167**	**9,199**
Exchange differences on translation of foreign operations		1,311	2,505
Total comprehensive income/(expense) for the year		**7,478**	**11,704**
Basic earnings per ordinary share (p)	9	6.11	9.05
Diluted earnings per ordinary share (p)	9	5.85	8.84

[12] Prior year restatement relates to the alignment of the Group's revenue recognition policy to IFRS 15 B35B, presenting revenue inclusive of expenses recharged to clients. This restatement has no impact on the Group's adjusted EBITDA, profit after tax or net asset positions as such rechargeable expenses are recharged with nil mark-up. Please see note 1 for further details

Consolidated statement of financial position

As at 31 March 2020

	Note	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Assets			
Non–current assets			
Goodwill	10	64,553	55,162
Intangible fixed assets	10	25,774	20,768
Property, plant and equipment		530	414
Right-of-use asset	6	2,611	-
Total non–current assets		**93,468**	**76,344**
Current assets			
Trade and other receivables	12	21,212	19,680
Cash and cash equivalents		25,996	18,581
Total current assets		**47,208**	**38,261**

Current liabilities			
Trade and other payables	13	(25,929)	(18,427)
Corporation tax		(4,150)	(3,359)
Lease liabilities	6	(791)	-
Interest bearing loans and borrowings		(5,000)	-
Total current liabilities		**(35,870)**	**(21,786)**
Net current assets		**11,338**	**16,475**
Non-current liabilities			
Deferred tax provision		(4,438)	(3,193)
Other non-current liabilities	14	(7,104)	(486)
Lease liabilities	6	(1,878)	-
Total non-current liabilities		**(13,420)**	**(3,679)**
Net assets		**91,386**	**89,140**
Equity			
Issued share capital	15	78	76
Share premium		89,396	89,396
Capital redemption reserve		-	1
Foreign exchange reserve		3,406	2,095
Other reserves		1,652	737
Retained earnings		(3,146)	(3,165)
Total Shareholders' equity		**91,386**	**89,140**

Consolidated statement of cash flows
For the year ended 31 March 2020

	Year ended 31 March 2020 £'000	**Year ended 31 March 2019 £'000**
Cash flows from operating activities:		
Operating profit for the year	10,426	12,572
Depreciation of property, plant and equipment	1,022	263
Loss on disposal of fixed assets	11	6
Amortisation of intangible fixed assets	3,804	2,586
Share-based payment charge	917	436
Acquisition related costs	-	61
Operating cash flows before movements in working capital	16,180	15,924
Working capital adjustments:		
(Increase)/decrease in trade and other receivables	30	1,562
Increase/(decrease) in trade and other payables	4,444	878
Tax paid	(2,446)	(1,996)

Net cash generated from operating activities	**18,208**	**16,368**
Cash flows from investing activities:		
Interest received	1	-
Acquisition of subsidiaries, net of acquired cash	(7,339)	(1,113)
Capitalised development costs	(1,387)	-
Additions to property, plant and equipment	(349)	(728)
Net cash used in investing activities	**(9,074)**	**(1,841)**
Cash flows from financing activities:		
Issue of ordinary share capital	(1)	-
Repayment of borrowings	-	-
Drawdown of bank borrowings	5,000	-
Interest paid	(47)	(45)
Lease liability payments	(835)	-
Dividends paid	(6,256)	(5,687)
Net cash used in financing activities	**(2,139)**	**(5,732)**
Net increase in cash and cash equivalents	**6,995**	**8,795**
Cash and cash equivalents at beginning of the period	18,581	9,774
Effect of exchange rate fluctuations on cash held	420	12
Cash and cash equivalents at end of the period	**25,996**	**18,581**

Consolidated statement of changes in equity

For the year ended 31 March 2020

	Share capital £'000	**Share premium £'000**	**Capital redemp-tion reserve £'000**	**Foreign exchange reserves £'000**	**Other reserves £'000**	**Retained earnings £'000**	**Total £'000**
As at 1 April 2018	77	89,396	-	(410)	267	(6,677)	82,653
Comprehensive income							
Loss for the period	-	-	-	-	-	9,199	9,199
Foreign exchange differences on translation of foreign operations	-	-	-	2,505	-	-	2,505
Transactions with owners							
Shares cancelled (equity)	(1)	-	1	-	-	-	-
Share-based payment reserves	-	-	-	-	409	-	409

Consideration to be settled in equity	-	-	-	-	61	-	61
Dividends	-	-	-	-	-	(5,687)	(5,687)
As at 31 March 2019	76	89,396	1	2,095	737	(3,165)	89,140
Effect of changes in accounting standard	-	-	-	-	-	109	109
As at 1 April 2019	76	89,396	1	2,095	737	(3,056)	89,249
Comprehensive income							
Profit for the period	-	-	-	-	-	6,167	6,167
Foreign exchange differences on translation of foreign operations	-	-	-	1,311	-	-	1,311
Transactions with owners							
Shares issued (equity)	2	-	(1)	-	-	(1)	-
Share-based payment reserves	-	-	-	-	917	-	917
Deferred tax recognised in equity	-	-	-	-	(2)	-	(2)
Dividends	-	-	-	-	-	(6,256)	(6,256)
As at 31 March 2020	**78**	**89,396**	**-**	**3,406**	**1,652**	**(3,146)**	**91,386**

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.

Capital redemption reserve
The capital redemption reserve is a non-distributable reserve into which amounts are transferred following the redemption or purchase of the Company's own shares.

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 to be recognised each year and equity-settled consideration reserves.

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

Notes to the consolidated financial statements

1. Basis of preparation and significant accounting policies

The financial information set out in this financial results announcement does not constitute statutory accounts as defined in section 435 of the Companies Act 2006. The consolidated statement of comprehensive profit and loss and other comprehensive income, consolidated statement of financial position, consolidated statement of change in equity, consolidated statement of cash flows and the associated notes have been extracted from the Group's financial statements for the year ended 31 March 2020, upon which the auditor's opinion is unqualified and does not include any statement under section 498 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2020 will be delivered to the Registrar of Companies following the Annual General Meeting.

These condensed preliminary financial statements for the year ended 31 March 2020 have been prepared on the basis of the accounting policies adopted by the Group upon admission to AIM. They are in accordance with the Group's accounting policies as set out in the historical financial information included in the Annual Report & Accounts 2018.

The recognition and measurement requirements of all International Financial Reporting Standards (“IFRSs”), International Accounting Standards (“IAS”) and interpretations currently endorsed by the International Accounting Standards Board (“IASB”) and its committees, as adopted by the EU, and as required to be adopted by AIM listed companies, have been applied.

Going Concern

The Directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group has adequate resources to continue in operation for the foreseeable future.

Impact of Coronavirus (COVID-19)

The Directors note that the World Health Organisation declared a pandemic relating to COVID-19 on 11 March 2020, and social distancing measures were introduced in key Alpha territories during March 2020. Therefore, the Directors have considered the significance of the economic ramifications of the virus before the end of the Group’s financial year and its potential effect on the Group’s financial statements for the year ended 31 March 2020. In particular, the Directors have assessed the impact of incorporating additional COVID-19 risk factors in the discount rates and medium- and long-term growth rates used in impairment testing of non-financial assets, as well as applying additional downside sensitivities in the Going Concern assessment over a period of 12 months after the signing of these financial statements.

Key assumptions considered by management when assessing going concern include adjusting managements best estimate of forecasted performance for factors including the length and extent of current lockdown restrictions, the resulting general business environment, the speed of recovery of trading after lockdown restrictions ease and utilisation of relevant government support schemes. These have been estimated for their respective impacts on the Group’s revenues, fixed and variable costs and resultant expected cash flow requirements.

The Group’s forecasts and projections, taking into account reasonable estimate of a possible downturn in trading performance arising from the COVID-19 outbreak, show that the Group has sufficient financial resources, both from the Group’s robust balance sheet and its expected cash flow generation, sufficient for the going concern period. The Group do not believe that the COVID-19 outbreak represents a material uncertainty about the entity’s ability to continue as a going concern. Accordingly, the Directors have adopted the going concern basis in preparing these consolidated financial statements.

Prior year adjustment - Revenue including rechargeable expenses

In line with IFRS 15 Para. B35B, revenue has been restated to be recognised on a gross basis and the fees and associated rechargeable expenses are disaggregated and shown separately. This change in presentation has arisen from the Group’s reassessment of the principal versus agent considerations guidance in IFRS 15 with regard to rechargeable expenses arrangements, following a review letter from the Financial Reporting Council. This represents a prior year adjustment under ‘IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors’ and has been applied retrospectively from the earliest comparative period disclosed within these financial statements.

This change has no impact on the Company's profits or net asset position.

The impact of this change has been to increase revenue and rechargeable expenses by £2.0m in FY 20 and £1.7m in FY 19.

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 & Asia. The Group's operations all consist of one type: consultancy and related services to the asset and wealth management industry.

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

Revenues associated with software licensing arrangements were immaterial in both the current and prior years. Therefore, the Directors consider 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.

31 March 2020	**UK[13]**	**North America[14]**	**Europe & Asia[13]**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	51,391	15,222	24,288	90,901
Rechargeable expenses	(864)	(786)	(327)	(1,977)
Net income[15]	50,527	14,436	23,961	88,924
Cost of sales	(28,247)	(9,672)	(16,602)	(54,521)
Gross profit	**22,280**	**4,764**	**7,359**	**34,403**
Margin on net fee income[16] (%)	*44.1%*	*33.0%*	*30.7%*	*38.7%*
Net assets	**53,740**	**9,556**	**28,090**	**91,386**

31 March 2019 (restated)	**UK[13]**	**North America[14]**	**Europe & Asia[13]**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Revenue	46,137	9,879	21,645	77,661
Rechargeable expenses	(796)	(707)	(198)	(1,701)
Net income[15]	45,341	9,172	21,447	75,960
Cost of sales	(25,594)	(7,514)	(13,770)	(46,878)
Gross profit	**19,747**	**1,658**	**7,677**	**29,082**
Margin on net fee income[16] (%)	*43.6%*	*18.1%*	*35.8%*	*38.3%*
Net assets	**60,184**	**6,258**	**22,698**	**89,140**

During the year, the Group had no customers that comprised more than 10% of the Group's revenues, with the largest customer comprising 8.0%. One customer contributed £8.1m, or 10.4% of Group revenues in FY 19. The largest customer was different in each of FY 19 & FY 20.

The Group's central net assets have been allocated to the UK operating segment, with the exception on goodwill balances, which have been allocated to operating segments in line with note 10.

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[13] Alpha Data Solutions ("ADS") revenue, previously shown within Europe & Asia, in the current year is included in the UK segment in line with the ADS business growth and focus. To allow for easier comparison, this has been restated in the comparative period. Within Europe & Asia, France is a material entity and generated profits after tax of £1.1m (FY 19: £1.9m) and revenue of £11.2m (FY 19: £12.1m)
[14] North America replaces previously used "US" as a geographic segment, taking into consideration an office in Canada through the acquisition by the Group of Axxsys
[15] Net fee income is revenue stated before incidental expenses recharged to clients. As noted in note 1, the Group has aligned to IFRS 15 para B35B to show revenue on a gross basis including these associated rechargeable expenses. The Directors assess performance across the Group before such rechargeable expenses as it is considered that this alternative performance measure better indicates the underlying productive operating performance of the Group. Further detail is set out in note 3
[16] Margin on net fee income is gross profit expressed as a percentage of net fee income. Please refer to note 3 for further detail

3. Reconciliations to Alternative Performance Measures ("APMs")

Alpha uses APMs, which are not defined or specific under the requirements of IFRS. The APMs, including net fee income, margin on net fee income, adjusted profit before tax, adjusted operating profit, adjusted EBITDA, adjusted cash conversion and organic growth, are provided to allow stakeholders a further understanding of the underlying trading performance of the Group and aid comparability between accounting periods and are not considered a substitute 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 net fee income by segment is reconciled to revenue in note 2.

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

	Note	FY 20 £'000	FY 19 £'000
Profit before tax		**9,294**	**12,520**
Amortisation of acquired intangible assets	10	3,376	2,586
Loss on disposal of fixed assets		11	6
Share-based payments charge	16	1,307	872
Earn-out & deferred consideration	11	2,761	295
Acquisition costs		488	-
Integration costs		509	-
Foreign exchange (gains)/losses		(80)	(116)
Adjusting items		8,372	3,643
Non-underlying finance expenses	5	951	-
Adjusted profit before tax		**18,617**	**16,163**
Net underlying finance expenses	5	181	52

Adjusted operating profit		**18,798**	**16,215**
Depreciation of plant and equipment		1,022	263
Amortisation of capitalised development costs	10	428	-
Adjusted EBITDA		**20,248**	**16,478**
Adjusted EBITDA margin (%)		*22.8%*	*21.7%*

Adjusted EBITDA

Adjusted EBITDA is a commonly used operating measure, which is defined by the Group as earnings stated before non-cash items including intangible asset amortisation, depreciation, net finance expenses and other non-operating expenses. Adjusted EBITDA is a measure that is used by management and the Board to assess trading performance across the Group and forms the basis of the performance measures for aspects of remuneration, including consultant profit share.

Adjusted EBITDA also excludes the employee share-based payments charge and related social taxes. This allows comparability between periods as the Group's share option plans were established on AIM admission, aligns more closely with the operational activities of the business, the charge is a non-cash item, and the estimated future social taxes payable fluctuate with the future market value of shares. This has been applied consistently across reporting periods. Note 16 sets out further details of the employee share-based payments expense calculation under IFRS 2.

As per note 11, the acquisition of Axxsys and Obsidian in the current year involved deferred contingent and non-contingent consideration payments, which, in accordance with IFRS 3, will be expensed annually, for several years, dependent on the ongoing employment of the respective vendors. This cost has been removed to calculate adjusted EBITDA as, whilst it will recur in the short term, it represents additional payments linked to these acquisitions and not operational performance. In the prior period, the employment-linked deferred consideration relating to the acquisition of TrackTwo was similarly adjusted.

Similarly, the impact of foreign currency volatility in translating to the underlying trading of the Group to the Group's functional currency has been excluded from the calculation of adjusted EBITDA on the basis that such exchange rate movements do not reflect the underlying trends or operational performance of the Group.

Other acquisition costs expensed in the current year, relating to the Axxsys and Obsidian acquisitions, have also been excluded from adjusted EBITDA as they are not directly attributable to the ongoing trading performance of the Group. This is consistent with other acquisition and the AIM admission costs excluded in previous years.

Integration costs, to align the acquired Obsidian product suite security and to integrate the technology protocols with the ADS 360 SalesVista product, directly result from the acquisition and have been managed as a discrete short-term project subsequent to the acquisition to early FY 21. These costs are excluded to allow clarity on the underlying operational performance of the Group between periods.

Adjusted EBITDA is also shown under IAS 17, which preceded the IFRS 16 Leases accounting standard. This allows comparability between accounting periods as IFRS 16 was adopted in the current year on a modified retrospective approach. A further reconciliation is set out in note 6. Adjusted EBITDA margin is noted below.

Reconciliation of underlying administrative expenses

	FY 20	FY 19

	Note	£’000	£’000
Administrative expenses		23,977	16,510
Adjusting items		(8,372)	(3,643)
Depreciation of plant and equipment		(1,022)	(263)
Amortisation of capitalised development costs	10	(428)	-
Adjusted administrative expenses		**14,155**	**12,604**
Lease liability payments	6	835	-
IAS 17 adjusted administrative expenses		**14,990**	**12,604**

Adjusted Group administrative expenses are administrative expenses excluding adjusting items, depreciation and amortisation of capitalised development costs and is used by the Board to monitor the underlying administrative costs of the business. IAS 17 adjusted Group administrative expenses excludes lease liability payments, which are not recorded as administrative expenses under IFRS 16 to allow comparability between periods. On a comparable basis, underlying administrative expenses grew 18.9% to £15m.

Adjusted profit before tax

Adjusted profit before tax is an alternative performance measure that allows comparability of the Group’s underlying performance following its modified retrospective adoption of IFRS 16 (see note 6). Lease asset depreciation and related finance expenses are included within adjusted profit before tax. This measure also reflects the increased underlying amortisation charges arising from the recently capitalised costs of ADS product development. This measure should be of increasing importance to allow comparability across periods as the ADS business grows further in future years.

In addition to these adjustments to administrative expenses, the related unwinding of the discounted contingent and non-contingent acquisition consideration within finance expenses is also considered a non-operating adjusting item to adjusted profit before tax.

Reconciliation to adjusted profit after tax and adjusted EPS

	FY 20 £’000	FY 19 £’000
Adjusted profit before tax	**18,617**	**16,163**
Tax charge	(3,127)	(3,321)
Tax impact of adjusting items	(1,142)	(602)
Adjusted profit after tax	**14,348**	**12,240**

Adjusted profit after tax and adjusted earnings per share metrics are further alternative performance measures, 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.

Adjusted EPS	**Year ended 31 March 2020**	**Year ended 31 March 2019**
Adjusted EPS (p)	14.21	12.05
Adjusted diluted EPS (p)	13.62	11.77

Adjusted 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 potential ordinary shares. Potential ordinary shares are only treated as dilutive when their conversion to ordinary shares would decrease EPS (or increase loss per share). Refer to note 9 for further detail.

Profit margins

Margin on net fee income and adjusted EBITDA margins are calculated using gross profit and adjusted EBITDA 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.

Profits and margins without IFRS 16 are also shown within the Chief Financial Officer's Report to allow better comparability between years, as IFRS 16 was adopted on a modified retrospective basis.

Adjusted cash conversion

	FY 20 £'000	**FY 19 £'000**
Net cash generated from operating activities	**18,208**	**16,368**
Employment-linked acquisition payments	1,200	-
Acquisition costs	488	-
Adjusted cash generated from operating activities	**19,896**	**16,368**

Adjusted cash generated from operating activities excludes any employment-linked acquisition payments and other acquisition costs expensed in the year, treated as operating cash flows under IFRS, in order to exclude the effect of cash payments relating to acquisitions from underlying operating performance.

	FY 20	**FY 19**
Cash conversion	175%	130%
Adjusted cash conversion	106%	101%

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.

Organic growth

Organic revenue growth of 7.7% for the current year represents FY 20 revenue less £7.3m revenue attributable to the acquisitions completed during the year.

Constant currency growth

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

Currency translation had a minimal impact on both net fee income and profits in FY 20, as a result of a flat average sterling, against key currencies. In the year, sterling averaged $1.28 (FY 19: $1.31) and €1.15 (FY 19: €1.13). Currency translation immaterially increased FY 20 net fee income by £0.3m (0.4%).

4. Staff costs

The average number of employees employed by the Group, where “employees” includes Executive Directors but excludes contractors, was:

	FY 20	**FY 19**
	Number	**Number**
UK	174	145
North America	53	49
Europe & Asia	128	110
Administration	42	32
	397	**336**

	FY 20	**FY 19**
	£’000	**£’000**
Wages and salaries	42,178	35,638
Social security costs	5,076	4,083
Pension costs	952	453
Share-based payment charge	1,307	872
	49,513	**41,046**

The share-based payment charge, including social security taxes, in respect of key management personnel was £136,000 (FY19: £79,000).

5. Finance income and expenses

	FY 20 £'000	FY 19 £'000
Bank interest receivable	**1**	**-**
Interest payable on bank loans and overdraft	(53)	(52)
Interest on lease liabilities (note 6)	(129)	-
Total underlying finance expenses	(182)	(52)
Net underlying finance expenses (note 3)	**(181)**	**(52)**
Non-underlying finance expenses (note 3)	**(951)**	**-**
Total finance expenses	**(1,133)**	**(52)**

6. Leases

The Group has adopted IFRS 16 Leases during the year using the Modified Retrospective approach. This new accounting standard replaces accounting treatment for leases previously depicted in IAS 17. IFRS 16 introduced a single lessee accounting model whereby a lessee is required to recognise a right-of-use asset and a lease liability for all leases with a term of more than 12 months.

Right-of-use assets	**Buildings**	**Equipment under lease**	**Total**
	£'000	**£'000**	**£'000**
Cost			
At 1 April 2019	2,886	11	2,897
Additions	377	-	377
Disposals and other movements	-	-	-
Cost of sales	101	-	101
At 31 March 2020	**3,364**	**11**	**3,375**
Depreciation			
At 1 April 2019	-	-	-
Charge for the period	(760)	(4)	(764)
Cost of sales	-	-	-
At 31 March 2020	(760)	(4)	(764)
Net book value at 31 March 2020	**2,604**	**7**	**2,611**

A summary of the Group's lease liabilities as at 31 March 2020 is presented below:

	31 March 2020 £'000	**1 April 2019 £'000**

Current	791	228
Non-current	1,878	2,669
Total lease liabilities	**2,669**	**2,897**

Interest expense recognised in the year arising from the above lease liabilities amounted to £0.1m.

The income statement records, within operating profit, £0.6m relating to leases not within the scope of IFRS 16, such as leases with a remaining lease term of less than 12 months as at 1 April 2019 as "short-term leases", and those with a low value as "low value leases". Variable service charge costs associated with the Group's property leases represent future outflows relating to the lease arrangements are also not included within the IFRS 16 lease liability. These currently amount to £0.1m per annum and are expensed as incurred.

The Group has no income associated with sub-leasing arrangements, or gains/losses associated with sale-and-leaseback transactions in the current year.

In order to aid comparability between periods, the table below shows the income statement captions to 31 March 2020 as if IFRS 16 had not been adopted:

	FY 20 under IAS 17 £'000	**IFRS 16 adjustments £'000**	**FY 20 under IFRS 16 £'000**
Continuing operations			
Revenue	90,901	-	90,901
Rechargeable expenses	(1,977)	-	(1,977)
Net fee income	88,924	-	88,924
Cost of sales	(54,521)	-	(52,521)
Gross profit	**34,403**	**-**	**34,403**
Administration expenses	(24,048)	71	(23,977)
Operating profit	**10,355**	**71**	**10,426**
Depreciation	258	764	1,022
Amortisation of capital development costs	428	-	428
Adjusting items	8,372	-	8,372
Adjusted EBITDA	**19,413**	**835**	**20,248**
Net finance expenses	(1,003)	(129)	(1,132)
Profit before tax	**9,352**	**(58)**	**9,294**

7. Taxation

	FY 20 £'000	**FY 19 £'000**
Current tax		
In respect of the current year	2,473	2,433

Adjustment in respect of prior periods	(372)	(274)
Foreign taxation	1,243	1,397
Deferred tax		
In respect of the current year	(829)	(460)
Change in tax rate	426	13
Adjustment in respect of prior periods	186	212
Total tax expense for the year	**3,127**	**3,321**

The difference between the total tax expense shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax is as follows:

	FY 20	**FY 19**
	£'000	**£'000**
Profit/(loss) before taxation	9,294	12,520
Tax on profit on ordinary activities at standard UK corporation tax rate of 19% (2019: 19%)	1,766	2,381
Effects of:		
Fixed asset differences	(1)	3
Expenses not deductible for taxation	1,042	99
Income not taxable for tax purposes	-	-
Differences due to overseas tax rates	74	887
Adjustments in respect of prior periods	(372)	(274)
Adjustments in respect of prior periods – deferred tax	186	212
Change in deferred tax rate	406	13
Deferred tax not recognised	26	-
Total tax expense for the year	**3,127**	**3,321**

Expenses not deductible for taxation relate mainly to employment-linked acquisition consideration, treated as capital for tax purposes.

8. Dividends

	FY 20	**FY 19**
	£'000	**£'000**
Amounts recognised as distributions to equity holders:		
Interim dividend for the year ended 31 March 2020 of 2.10p (FY 19: 1.91p) per share	2,121	1,938
No proposed final dividend for the year ended 31 March 2020 (FY 19: 4.09p) per share	-	4,135

Total dividend for the year ended 31 March 2020 of 2.10p (FY 19: 6.00p) per share	**2,121**	**6,073**

The Directors have not proposed a final dividend for the year ended 31 March 2020.

9. Earnings per share and adjusted earnings per share

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

In order to reconcile to the adjusted profit for the financial period, the same adjustments as in note 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:

	Year ended 31 March 2020	Year ended 31 March 2019
Basic & diluted EPS		
Profit/(loss) for the financial year used in calculating basic and diluted EPS (£'000)	6,167	9,199
Weighted average number of ordinary shares in issue ('000)	101,003	101,604
Number of dilutive shares ('000)	4,341	2,416
Weighted average number of ordinary shares, including potentially dilutive shares ('000)	105,344	104,020
Basic EPS (p)	6.11	9.05
Diluted EPS (p)	5.85	8.84
Adjusted EPS		
Adjusted profit for the financial year used in calculating adjusted basic and diluted EPS (note 3) (£'000)	14,348	12,240
Weighted average number of ordinary shares in issue ('000)	101,003	101,604
Number of dilutive shares ('000)	4,341	2,416
Weighted average number of ordinary shares, including potentially dilutive shares ('000)	105,344	104,020
Adjusted EPS (p)	14.21	12.05
Adjusted diluted EPS (p)	13.62	11.77

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

10. Goodwill and intangible fixed assets

Goodwill

	31 March 2020 £'000	31 March 2019 £'000
Cost at beginning of the year	55,162	52,626
Additions	8,469	-
Gains/(losses) from foreign exchange	922	2,536
Cost at end of the year	**64,553**	**55,162**

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill is represented by assets that do not qualify for separate recognition and includes the potential synergy benefits of combining the intellectual property and talents of the teams into the Group.

In prior years, goodwill was recognised upon the acquisitions of Alpha FMC Group Holdings Limited by Alpha Financial Markets Consulting plc in February 2016 and TrackTwo GmbH in July 2017, and is the difference between the consideration paid and the fair value of assets acquired and liabilities assumed.

In the current year, goodwill additions have been as a result of the acquisitions of Axxsys Limited and its subsidiaries and Obsidian Solutions Limited, adding £2.6m and £5.8m goodwill respectively.

In line with IAS 36, the carrying value of goodwill is not subject to systematic amortisation but is reviewed at least annually for impairment. The review assesses each cash-generating unit ("CGU") to which goodwill has been allocated for impairment, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The carrying values of goodwill have been assessed by reference to value in use. These have been estimated using cash flows from the most recent forecasts prepared by management.

The cash generating units that have been classified in line with our operating segments, driven by shared senior management at a strategic and local operational level. Therefore, the CGUs considered for impairment testing are UK, North America and Europe & Asia, in line with our operating segments. The Directors consider that there is also a material level of operational support and linkage provided to the Group's emerging territories in Asia and Europe as they develop their presence locally, and as such these clusters of territories have been assessed as constituting one CGU for impairment purposes. The goodwill allocated to the CGU's as follows:

Goodwill by cash-generating unit	31 March 2020 £'000	Restated[17] 31 March 2019 £'000
UK	38,902	32,338
North America	8,487	7,790
Europe & Asia	17,164	15,034
At end of the year	**64,553**	**55,162**

[17] Alpha Data Solutions ("ADS") goodwill, previously shown within Europe & Asia, in the current year is included in the UK segment in line with the ADS business growth and focus. To allow for easier comparison, this has been restated in the comparative period

Intangible fixed assets

As at 31 March 2020

	Order backlog	Customer relationships	Intellectual property	Trade name	Capitalised development costs	Total
		£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost						
At the start of the year	-	20,068	2,086	5,630	441	28,225
Recognised on acquisitions (see note 11)	1,308	4,211	1,302	602	-	7,423
Additions	-	-	-	-	1,387	1,387
At the end of the year – total	1,308	24,279	3,388	6,232	1,828	37,035
Amortisation						
At the start of the year	-	(5,234)	(759)	(1,414)	(50)	(7,457)
Charge for the year	(635)	(1,967)	(389)	(385)	(428)	(3,804)
At the end of the year – total	(635)	(7,201)	(1,148)	(1,799)	(478)	(11,261)
Net book value	**673**	**17,078**	**2,240**	**4,433**	**1,350**	**25,774**

As at 31 March 2019

	Customer relationships	Intellectual property	Trade name	Capitalised development costs	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Cost					
At the start of the year	20,068	2,086	5,630	-	27,784
Additions	-	-	-	441	441
At the end of the year – total	20,068	2,086	5,630	441	28,225
Amortisation					
At the start of the year	(3,442)	(499)	(930)	-	(4,871)
Charge for the year	(1,792)	(260)	(484)	(50)	(2,586)
At the end of the year – total	(5,234)	(759)	(1,414)	(50)	(7,457)
Net book value	**14,834**	**1,327**	**4,216**	**391**	**20,768**

Customer relationships

Customer relationships at the start of the period represent the fair value at the 3 February 2016 acquisition date of the customer relationships which were owned by, but not previously recognised as assets of, Alpha FMC Group Holdings Limited and customer relationships acquired as part of the TrackTwo GmbH acquisition in July 2017.

Current year additions relate to the fair value of customer relationships from the acquisition of Axxsys Limited and Obsidian Solutions Limited. Refer to note 11 for further details.

The fair value has been determined by applying the Multi-Period Excess Earnings method to the cash flows expected to be earned from customer relationships. The key management assumptions are around forecast revenues, operating margins and discount factors. The value is given by the present value of the earnings the customer relationships generate, net of a reasonable return on other assets also contributing to that stream of earnings (contributory asset charges).

A useful economic life of 11–17 years has been deemed appropriate based on the average realisation rate of cumulative cash flows and benchmarked data for each respective acquisition. Projected cash flows have been discounted over this period. The amortisation charge is recognised in administrative expenses within the statement of comprehensive income.

Intellectual property

Intellectual property at the start of the period represents the fair value at the 3 February 2016 acquisition date of the intellectual property which was owned by, but not previously recognised as assets of, Alpha FMC Group Holdings Limited, and intellectual property acquired as part of the TrackTwo GmbH acquisition in July 2017.

Current year additions relate to the fair value of intellectual property acquired from Axxsys Limited and Obsidian Solutions Limited. Refer to note 11 for further details.

The fair value has been determined by applying the Relief from Royalty method to the cash flows earned from the intellectual property. The key management assumptions are around growth forecasts, discount factors and royalty percentage utilised. A useful economic life of 7 years has been deemed appropriate based on previous acquisitions and benchmarking data. Projected cash flows have been discounted over this period. The amortisation charge is recognised in administrative expenses within the statement of comprehensive income.

Trade name

Trade name intangible assets at the start of the period represent the fair value at the 3 February 2016 acquisition date of the trade name, which was owned by, but not previously recognised as assets of, Alpha FMC Group Holdings Limited, and the acquired intangible asset associated with the TrackTwo GmbH acquisition in July 2017.

Current year additions relate to the fair value of the trade names acquired from Axxsys Limited and Obsidian Solutions Limited. Refer to note 11 for further details.

The fair value has been determined by applying the Relief from Royalty method to the cash flows earned from the trade name. The key management assumptions are around growth forecasts, discount factors and royalty percentage utilised. A useful economic life of 10-15 years has been deemed appropriate based on previous acquisitions and benchmarking data. Projected cash flows have been discounted over this period. The amortisation charge is recognised in administrative expenses within the statement of comprehensive income.

Order backlog

The order backlog intangible additions in the current year relate to the fair value of the order backlog acquired with Axxsys. The fair value has been determined by applying the Relief from Royalty method to the cash flows earned from the order backlog. The key management assumptions are around growth forecasts, discount factors and royalty percentage utilised.

A useful economic life of 1−2 years has been deemed appropriate based on benchmarking reviews. Projected cash flows have been discounted over this period. The amortisation charge is recognised in administrative expenses within the statement of comprehensive income.

The remaining useful economic lives of each of the respective asset classes acquired on acquisition above are summarised in the table below.

Acquired Entity	Customer Relationships (years)	Intellectual Property (years)	Trade Name (years)	Order Backlog (years)
Alpha FMC Group Holdings	7.8	2.8	10.8	
TrackTwo GmbH	8.3	4.3	14.2	
Axxsys Limited – UK	10.2	0.2	14.2	0.2
Axxsys Limited – North America/Nordics	11.2	0.2	14.2	0.2-1.2
Obsidian Solutions Limited	16.6	6.6	9.6	

Capitalised development costs

Capitalised development costs represent the costs incurred in the development enhancements to the 360 SalesVista software product within Alpha Data Solutions.

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

The amortisation charge is recognised in administrative expenses within the statement of comprehensive income. There is an average of 2.6 years remaining to be amortised for the capitalised development costs in relation to the development of new software.

11. Acquisition of business

Acquisitions in the period

Axxsys

On 5 June 2019, the Group acquired 100% of the share capital and voting interests of Axxsys Limited and subsidiaries. Axxsys has provided specialised management consultancy and technology implementation services to the investment management industry since 2003.

The Group acquired Axxsys for £9 million cash in base consideration, payable partly on completion and also in non-contingent instalments over the two years following acquisition, plus an earn-out, which may be become payable in cash after the third anniversary of completion, contingent on Axxsys meeting certain earnings growth targets. The maximum earn-out payable is £5 million.

Of the £9m base consideration, £4.8m was paid during the year, of which £1.2m was employment-linked. The remaining £4.2m base consideration is due across the first and second anniversaries of the acquisition. Including the contingent earn-out and unwinding of discounting, a total £6.2m estimated consideration is recorded within liabilities, £1.9m in current liabilities and £4.3m in non-current liabilities. Any remaining employment-linked balance due will be expensed in the income statement per IFRS 3 proportionately until 2022.

The earn-out payments have been estimated by the Directors based on anticipated future earnings and discounted to current values. The unwinding of this earn-out discount annually shall be recognised as a finance cost, refer note 5. During the year, £0.6m of this discount unwinding was expensed in the year as a non-underlying cost in relation to Axxsys. Given this expense includes estimation, were assumptions adjusted for performance to be 10% better than anticipated, the earn-out related expense for the year would increase by £0.1m, or if performance was 10% worse than anticipated, the earn-out related expense for the year would decrease by £0.3m.

Axxsys contributed £7.1m to the Group's revenue and £1.4m to the Group's profit before tax for the period from the date of acquisition to 31 March 2020. If the acquisition of Axxsys had been completed on 1 April 2019, Group revenues for the period would have been £92.1m and Group profits before tax would have been £10.9m.

Axxsys Limited	Book values £'000	Fair value adjustments £'000	Values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	30	-	30
Customer relationships	-	4,067	4,067
Order backlog	-	1,308	1,308
Trade name	-	284	284
Trade and other debtors	1,572	-	1,572
Cash	374	-	374
Trade and other creditors	(1,220)	-	(1,220)
Deferred tax liability	-	(1,166)	(1,166)
Net identifiable assets and liabilities acquired	**756**	**4,493**	**5,249**
Cash consideration relating to business combination			7,890
Goodwill on acquisition (see note 10)			**2,641**

Obsidian

In addition to Axxsys Limited, the Group acquired 100% of the issued share capital of Obsidian Solutions Limited on 9 November 2019. Obsidian provides specialised software products to the investment management industry.

Of the £5.9m base consideration, £4.2m was paid on completion of the Obsidian acquisition. The remaining £1.7m base consideration is due six months from the date of acquisition. Including the contingent earn-out and unwinding of discounting, a total £4.3m estimated consideration is recorded within liabilities of which £1.7m is recorded in current liabilities and £2.6m contingent estimated earn-out consideration is recorded in non-current liabilities. Any remaining employment related balance will be expensed through the income statement per IFRS 3 proportionately until 2023.

The earn-out payments have been estimated by the Directors based on anticipated future earnings and discounted to current values. The unwinding of this earn-out discount annually shall be recognised as a finance cost, refer note 5. During the year, £0.4m of this discount unwinding was expensed in the year as a non-underlying cost in relation to Obsidian. Given this expense includes estimation, the value may be subject to change. As the maximum earn-out has been assumed, if performance were to be 10% worse than anticipated, the earn-out related expense for the year would decrease by £0.2m.

Obsidian contributed £0.2m to the Group's revenue and £0.2m loss to the Group's profit before tax for the period from the date of acquisition to the 31 March 2020. If the acquisition of Obsidian had been completed on 1 April 2019, Group revenues for the period would have been £91.5m and Group profit before tax would have been £9.4m.

Obsidian Solutions Limited	Book values £'000	Fair value adjustments £'000	Values on acquisition £'000
Acquiree's net assets at the acquisition date:			
Tangible fixed assets	6	-	6
Customer relationships	-	146	146
Trade name	-	318	318
Intellectual property	-	1,302	1,302
Trade and other debtors	501	-	501
Cash	155	-	155
Trade and other creditors	(149)	-	(149)

Deferred tax liability	-	(300)	(300)
Net identifiable assets and liabilities acquired	**513**	**1,466**	**1,979**
Cash consideration relating to business combination			7,807
Goodwill on acquisition (see note 10)			**5,828**

These acquisitions have been accounted for under the acquisition method of accounting. The fair value adjustments relate to the identification of separately identifiable intangibles and associated deferred tax liabilities. For the remaining assets and liabilities acquired, no fair value adjustments were identified. The tables above set out the book and fair values of the identifiable assets and liabilities acquired. Goodwill represents the excess of the cost of the acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiaries at the date of acquisition.

Acquisitions in prior periods

As part of the acquisition of TrackTwo GmbH in 2017, the Group agreed an earn-out arrangement and a final ownership consideration based on the financial performance of TrackTwo over the 3-year period to July 2020, subject to continuous employment of the vendor until July 2020, as previously disclosed. In the current year, the Group has netted off £0.2m within the earn-out and deferred consideration charge relating to amounts previously provided for these consideration arrangements, to reflect the expected final payment in July 2020.

The below table summarises the deferred and contingent consideration balances in relation to acquisitions held within current and non-current liabilities as at 31 March 2020:

	Current £'000	**Non-current £'000**	**Total £'000**
Axxsys Limited	1,890	4,294	**6,184**
Obsidian Solutions Limited	1,709	2,570	**4,279**
TrackTwo GmbH	100	-	**100**
	3,699	6,864	**10,563**

12. Trade and other receivables

	FY 20 £'000	**FY 19 £'000**
Amounts due within one year:		
Trade receivables	19,420	17,086
Less: allowance for expected credit losses	(523)	(447)
Trade receivables - net	**18,897**	**16,639**
Other debtors	101	589
Prepayments	926	912
Accrued income	1,288	1,540

Total amounts due within one year	**21,212**	**19,680**

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.

An expected credit loss attributable to trade receivables is established after consideration of historical loss rates in preceding periods and relevant current circumstances. The Group has determined historical loss rates for each aging category of trade receivables by performing an in-depth analysis of historical losses.

The Group has considered macroeconomic factors, including the impact of the outbreak of COVID-19 and the ongoing uncertainty over Brexit on the expected credit loss rates applied to each aging category. The Group has also considered asset specific indicators such as customer correspondence, default or delinquency in payment and significant financial difficulties of the customer in determining the credit risk adjustment applied to each category for the year ended 31 March 2020.

At 31 March 2020	**Expected Loss Rate %**	**Gross Carrying Amount £'000**	**Loss Allowance £'000**	**Net Carrying Amount £'000**
<31 days	1.60%	11,787	(189)	11,598
31-60 days	2.08%	5,332	(111)	5,221
61-90 days	4.16%	913	(38)	875
91-120 days	7.59%	293	(22)	271
121+ days	14.91%	1,095	(163)	932
		19,420	**(523)**	**18,897**

At 31 March 2019	**Expected Loss Rate %**	**Gross Carrying Amount £'000**	**Loss Allowance £'000**	**Net Carrying Amount £'000**
<31 days	1.33%	8,228	(110)	8,118
31-60 days	1.39%	5,770	(80)	5,690
61-90 days	2.99%	914	(27)	887
91-120 days	1.00%	88	(1)	87
121+ days	11.00%	2,086	(229)	1,857
		17,086	**(447)**	**16,639**

The movement in the Group's allowance for expected credit losses in the year is summarised below:

Allowance for expected credit losses:	**FY 20 £'000**	**FY 19 £'000**
At 1 April	447	446
Charge for the period	76	1
Uncollected amounts written off, net of recoveries	-	-
As at 31 March	**523**	**447**

Contract assets are recognised in accrued income and relate to satisfied performance obligations recognised and not invoiced at the year end. All such contract assets are expected to be realised within one year and classified within current assets. Contract assets are recorded on a time spent basis based and as performance obligations are met on agreed fees and day rates, billed in arrears. These are typically short-term timing differences and administrative in nature at each year end date. Contract asset payments are due on standard terms once the invoices are raised. The contract assets movement in the year represents these timing differences across contracts at each year end. The following table sets out a reconciliation of the movement in contract assets in the current and prior years.

	FY 20	FY 19
	£'000	£'000
Contract assets relating to contracts with customers 1 April 2019	1,540	2,743
Increase in contract assets for the period	1,288	1,540
Contract assets released	(1,540)	(2,743)
Balance as at 31 March 2020	**1,288**	**1,540**

The expected credit loss calculated on accrued income was not material at the current or prior year ends.

13. Trade and other payables

	FY 20 £'000	FY 19 £'000
Trade payables	2,329	1,437
Accruals	12,863	12,744
Deferred income	1,336	662
Taxation and social security	4,213	2,000
Other creditors	1,489	1,584
Earn-out provision	3,699	-
Total amounts owed within one year	**25,929**	**18,427**

Trade payables comprise amounts outstanding for trade purchases and ongoing costs. The average credit period taken for trade purchases is 30 days (FY 19: 30 days). The Directors consider that the carrying amount of trade and other payables is a reasonable approximation of their fair value.

Accruals included the provision for employee profit share bonus accrued through the year and paid after the year end.

Earn-out and deferred consideration comprise £1.7m deferred consideration linked to the acquisition of Obsidian Solutions Limited and £1.9m that relate to deferred consideration and earn-out payments arising from the acquisition of Axxsys Limited at the balance sheet date. Further, earn-out and deferred consideration includes £0.1m relating to earn-out payments linked to the acquisition of TrackTwo GmbH due in 2020.

Within taxation and social security is an existing £1.4m provision relating to historic pre-AIM admission potential tax treatments. The amount of this tax provision is subject to significant uncertainty. A final position agreed with a tax authority or through the expiry of a tax audit period could differ from the estimated provision. Currently there are no significant ongoing tax audits. Whilst a range of outcomes is reasonably possible, the extent of the range is further additional liabilities of up to £0.4m or a reduction of such liabilities to £0.2m.

Deferred income recognises contract liabilities arising from the Group's revenue generating activities relating to payments received in advance of performance delivered under a contract. These contract liabilities typically arise on short-term timing differences between performance obligations in some milestone or fixed fee contracts and their respective contracted payment schedules. The contract liability movement in the year represents these timing differences across contracts at each year end. The following table sets out the revenue recognised in the current year that relates to carry forward contract liabilities and the liabilities recognised in the current year which have been deferred to the next reporting period. All current deferred income is expected to be recognised through revenue within one year.

	FY 20 **£'000**	**FY 19** **£'000**
To be undertaken and recognised within 1 year	1,513	332
To be undertaken and recognised between 1 and 3 years	1,752	556
To be undertaken and recognised after 3 years	67	225
	3,332	**1,113**

Unperformed balances represents the revenue that the Group will earn from customers when the Group satisfies the remaining performance obligations in certain contracts. These mainly relate to Alpha Data Solutions' multi-year contracts which range between 1 to 5 years in which software access revenue is recognised over the access period. The following table sets out the aggregate amount of the contracted transaction price allocated to performance obligations that are unsatisfied or partly satisfied at the year end date. Unperformed balances relating to contracts with an expected original life of less than one year are not disclosed. Similarly, the Group has adopted the practical expedient not to disclose amounts under longer term contracts in which the revenue is to be invoiced on agreed day rates. Revenue from unperformed performance obligations is expected to be recognised in the following timeframes.

14. Other non-current liabilities

	FY 20 **£'000**	**FY 19** **£'000**
Earn-out and deferred consideration (note 11)	6,864	486
Other non-current liabilities	240	-
	7,104	**486**

Within non-current liabilities are £2.6m of costs associated with the potential earn-out payments linked to the acquisition of Obsidian Solutions Limited, which are contingent on performance and fall due over 12 months from the balance sheet date. In addition, £4.3m of costs are included within non-current liabilities relating to deferred consideration and non employment-linked earn-out payments from the Axxsys Limited acquisition falling due over 12 months from the balance sheet date. Refer to note 11 for further detail.

Other non-current liabilities include social security costs due on vesting of share options. Refer note 16.

15. Called up share capital

	FY 20 Number	FY 19 Number
Allotted, called up and fully paid		
Ordinary 0.075p shares (1 vote per share)	103,607,638	101,974,874

	FY 20 £	FY 19 £
Allotted, called up and fully paid		
Ordinary 0.075p shares (1 vote per share)	77,706	76,481

Movements in share capital during the year ended 31 March 2020:

		£
Balance at 1 April 2019		76,481
101,974,874 ordinary shares of 0.075p each		
Issued shares	(i)	1,225
Balance at 31 March 2020 **103,607,638 ordinary shares of 0.075p each**		**77,706**

During the year, 1,632,764 ordinary shares were issued by the Company to the Employee Benefit Trust ("EBT") for potential future satisfaction of share incentive plans. In addition the Company bought-back 172,719 shares from prior employees at nominal value and also transferred these to the EBT.

Alpha Employee Benefit Trust
The Group held 2,669,429 (FY 19: 476,206) shares in the EBT to satisfy share options granted under its joint share ownership plan ("JSOP"). Unallocated ordinary shares held within the EBT have no dividend or voting rights.

Treasury shares
The Group held nil (FY 19: nil) shares in treasury from prior employees for nominal value.

16. 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 ("MIP")

The Group has a MIP to retain and incentivise the 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").

Options granted in the current and prior years to the Directors and senior management of the Company are subject to the fulfilment of two or more of the following performance conditions: (a) a specific business unit EBITDA, or other personal targets and goals; (b) the Group achieving a total shareholder return for the 3 years from date of award, in excess of the average total shareholder return of a peer group of comparable companies; and (c) the Group achieving at least 10% EPS growth against the comparative financial year.

MIP awards have either nil exercise price payable (or no more than a nominal purchase price payable) in order to acquire shares pursuant to options. MIP awards have either 3- or 4-year vesting periods from the date of grant and can be equity settled only.

The Employee Incentive Plan ("EIP")
In addition to the MIP, in the year ended 31 March 2018, the Board put in place a medium-term EIP. Under the EIP, a broad base of the Group's employees have been granted share options or share awards over a small number of shares. The EIP will be structured as is most appropriate under the local tax, legal and regulatory rules in the key jurisdictions and therefore varies between those jurisdictions.

At 31 March 2020 a total of 3,374,881 share option and award grants were made to employees and senior management during the period (FY 19: 407,258).

Details of the share option awards made are as follows:

	FY 20 Number of share options	**FY 20 Weighted average exercise price**
Outstanding at the beginning of the year	3,198,286	-
Granted during the year	3,374,881	-
Exercised during the year	-	-
Forfeited during the year	(82,506)	-
Expired during the year	-	-
Outstanding at the year end	**6,490,661**	**-**
Exercisable at the year end	**-**	**-**

No share options were exercisable in the year.

The options outstanding at 31 March 2020 had a weighted average remaining contractual life of 2 years and a nil or nominal exercise price.

During the year ended 31 March 2020, options were granted on 19 June 2019 and 13 January 2020 to employees and certain senior management. The weighted average of the estimated fair values of the options outstanding is £0.77 per share (FY 19: £0.78).

The MIP share options 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.

The inputs into the model were as follows:

	FY 20
Weighted average share price at grant date	2.19
Exercise price	-
Volatility	22.00%

Weighted average vesting period	3
Risk free rate	0.51%
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 has also applied incremental increases in the assumed likelihood of vesting for share options as the vesting date approaches and in line with individual entity performance to-date against the Group's approved budget, and the other performance conditions listed above.

The EIP share options outstanding were valued using a Black-Scholes model using the same inputs as above.

The Group recognised a total expense of £1.3m related to equity settled share-based payment transactions in the current year, including relevant social security taxes (FY 19: £0.9m). Given the estimation, were the future performance conditions for all outstanding share options assumed to be met, the charge in the year would increase by £0.4m

Other 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 assumed to grow in line with the performance of the business. Reasonable changes in this specific estimate does not have a material impact on the expense incurred in relation to social security costs or share based payments in the year.

17. Events after the reporting period

The Group consider that the outbreak of COVID-19 globally represents an adjusting event at the balance sheet date on the basis that the significance of the social and economic impact was apparent at that date. The Group has therefore considered all conditions up to the date of issuance of the financial statements as adjusting events. As disclosed in note 1, the impact of COVID-19 has been assessed in relation to: impairment of non-financial assets, going concern (note 1) and expected credit loss (note 12).

Renewal of the Group's revolving credit facility

The Group has one principal bank facility, which as at 31 March 2020, comprised a £5.0m committed revolving credit facility ("RCF") with Lloyds Bank plc, which was signed in October 2017, on AIM admission, expiring in October 2020.

Subsequent to the year end, in June 2020, the Group signed an extension and upscaled its RCF with Lloyds Bank plc to provide further funding flexibility. This amended RCF totals £20.0m and is for an initial three year term expiring in June 2023, with two 1-year extension options subject to lender approval. The facility is unsecured, instead guaranteed by the Company and certain subsidiaries. Drawings under this facility are charged interest at 2.1 per cent over LIBOR and the facility attracts an annual commitment fee. The loan has two covenants testing that the leverage ratio of net debt to adjusted EBITDA does not exceed two times and that interest cover exceeds four times. An arrangement fee was payable on signing.

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