13 Sept 2023

Alpha Group International plc

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

Interim Report

Alpha Group International plc (AIM: ALPH), a global provider of financial solutions dedicated to corporates and institutions, today announces its Unaudited Interim Report for the six months ended 30 June 2023.

Highlights for H1 2023

Financial Highlights

- Group revenue increased by 20% to £55m (H1 2022: £46m)
- Underlying profit before tax up 9% to £19.6m (H1 2022: £18.0m), and on a statutory basis increased 194% to £52.4m (H1 2022: £17.8m)[1]
- Underlying profit before tax margin of 35%, whilst continuing with accelerated investment programme (H1 2022: 39%)[1]
- Basic earnings per share up 163% at 87.8p (H1 2022: 33.3p) and on an underlying basis decreased by 2% to 33.0p (H1 2022: 33.7p), reflecting increased UK corporation tax rates
- FX Risk Management revenue increased by 21% to £39m (H1 2022: £32m)
- Alternative Banking revenue increased by 17% to £16m (H1 2022: £14m), and increased 30% when including deferred revenue from account fees
- Other operating income from interest on client balances of £33m in H1, driving exceptional statutory profit growth, with average Alternative Banking client balances in Q2 2023 of £1.9bn and blended average interest rates of 3.8% (Q1 2023: £1.6bn and 2.8%)
- Strong cash and liquidity position with adjusted net cash increasing 25% in six months to over £142m[2]
- Proposed interim dividend of 3.7 pence per share (H1 2022: 3.4 pence)

Operational Highlights

- FX Risk Management client numbers increased 12% to 1,089 (H1 2022: 975) and average revenue per client increased by 6%.
- Alternative Banking accounts increased 75% to 5,350 (H1 2022: 3,061)
- Group headcount increased to 430 (H1 2022: 288, H2 2022: 357)
- Launch of Fund Finance offering to the Institutional market in May, with over £450k contracted revenue generated to date
- Proposed acquisition of Cobase, a leading provider of bank connectivity technology (post period end)
- Launch of FXRM sales office in Madrid, focused on Spanish-speaking markets
- Opening of second office in Paddington to bring together teams focused on the Institutional market (on track for October)

[1] Underlying excludes the impact of interest on client funds reported as Other Operating Income, and share-based payments
[2] Calculation can be seen in the cashflow and balance sheet section of the Financial Review

Outlook

Whilst we are mindful of macro headwinds, we have proven in H1 that we can grow strongly despite these, given the resilience and momentum within our business. Moving into H2, macro headwinds are likely to remain, however as a result of the strategic diversification of our business, and our performance to date, we remain confident in delivering full-year results in line with our expectations.

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Market Abuse Regulation

This announcement is released by Alpha Group International plc and contains inside information for the purposes of the Market Abuse Regulation (EU) 596/2014 ("MAR") and is disclosed in accordance with the Company's obligations under Article 17 of MAR. The person who arranged for the release of this announcement on behalf of Alpha Group International plc was Tim Powell, Chief Financial Officer.

Notes to editors

Alpha is a high-tech, high-touch provider of enhanced financial solutions dedicated to corporates and institutions operating internationally. Working with clients across 50+ countries, we blend intelligent human capabilities with new technologies to solve complex problems across three key areas: FX risk management, global accounts and mass payments.

Key to our success is our team – over 350 people based across seven global offices, brought together by a high-performance culture and a partnership structure that empowers them to act as owners of our business.

Despite being an established business listed on the London Stock Exchange, we remain relentlessly focused on maintaining the same level of operational agility and client focus we had when we first started in 2009. This dynamic, combined with the passion of our people, have enabled us to make a substantial and enduring difference to our clients, and deliver a growth story to match.

Overview

In the first six months of this year, both our Corporate and Institutional markets have faced significant external headwinds. Despite these challenges, we have continued to deliver in line with expectations, with Group revenue increasing by 20% against the same period last year to £55m (H1 2022: £46m), and rising 25% when including deferred revenue from Alternative Banking account fees (which are invoiced but not yet recognised as revenue).

This performance has been underpinned by the strategic steps we have taken to diversify our business across geographies, product offerings and client types, as well as the strength of our highly differentiated service offerings. In our institutional markets our FX hedging business has benefitted from increasing levels of cross-selling with our Alternative Banking and Fund Finance divisions, whilst our Alternative Banking division has continued to grow its account numbers and revenues as the value of its product offering becomes increasingly recognised. Meanwhile, in our corporate markets, whilst the rate of growth in our UK business has been impacted by macroeconomic factors, this has been counterbalanced by our increasingly global footprint, which is the result of the strategic investments we have made in new international offices over the past five years.

In addition to the resilient underlying performance, we also generated a further £33m in other operating income, as interest rates and the adoption of our alternative banking solution both continued to increase, helping to support a 25% increase in our adjusted net cash figure of £142m at the period end (FY 2022: £114m).

Both our divisions continue to make good progress against their strategies and are proving they can deliver attractive levels of sustainable growth, even in testing environments. Moving into H2, this is giving us the confidence to continue investing in scaling our business for the long term and ensure we have the foundations in place to deliver on our ambitions.

FX Risk Management ("FXRM")
Read an overview of our offering here

H1 Highlights

- 21% revenue growth to £39m (H1 2022: £32m)
- Client numbers increased to 1,089 (H1 2022: 975)
- 29% increase in FXRM Front Office headcount to 117 (H1 2022: 91)
- 6% increase in average annual revenue per client
- Underlying profit before tax margin of c. 35%

FXRM Business Environment

When faced with supply chain shortages in 2022, many corporates overstocked and therefore entered H1 2023 with excess inventory. In H1 2023, however, supply chain pressures have fallen to their lowest levels since records began[1], and this, combined with the increased cost of borrowing and macro

[1] Federal Reserve Bank of New York, Global Supply Chain Pressure Index

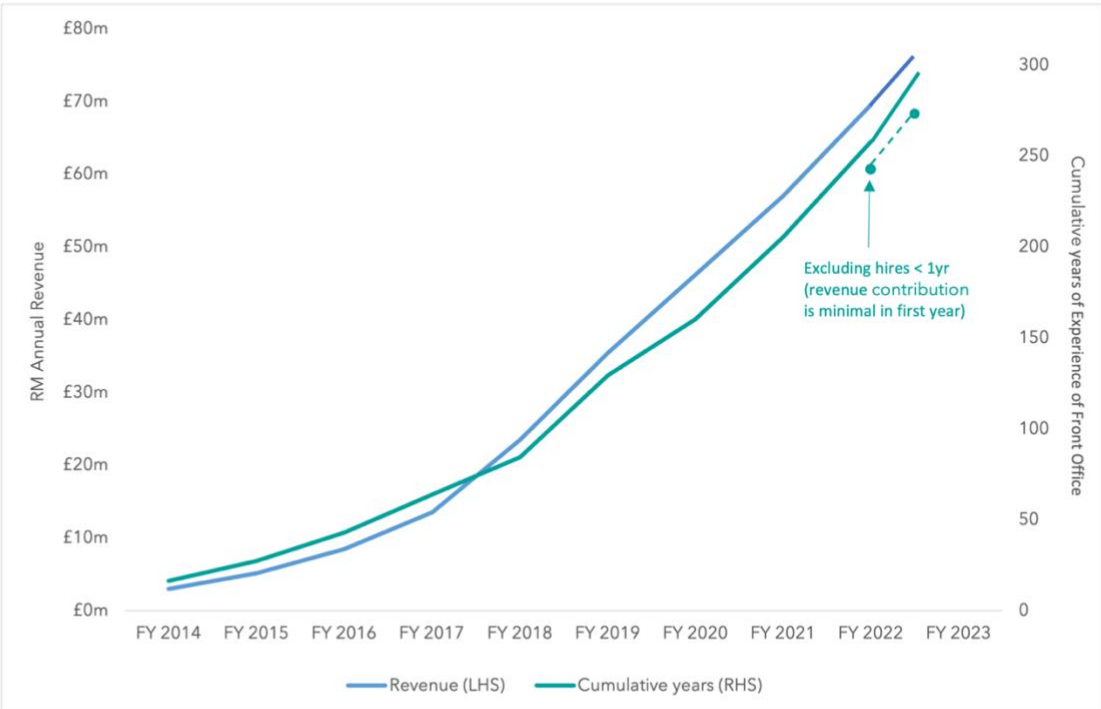
uncertainty, means we saw companies in H1 taking a more short-term and conservative approach to their sales forecasts, the amount of stock they hold, and consequently their future orders. Even for companies that don't hold inventory (such as those in the services sector), the macro uncertainty has resulted in a noticeably more conservative approach to forecasting and thus hedging. As a division that helps clients hedge their orders and forecasts, the combination of the above factors has temporarily reduced our corporate clients' appetite for FX hedging contracts which has been more pronounced across our larger UK client base.

FXRM Performance

Collectively our FXRM division delivered revenue growth of 21% in H1, with client numbers increasing from 1,047 to 1,089 in the half (H1 2022: 975). These divergent growth rates reflect a continued focus on larger, higher revenue potential businesses, as well as an evolution of our credit appetite in response to the macro environment, resulting in a number of clients having hedging facilities removed or reduced over the past 18 months. Consequently, average revenue per client has increased by 6% in the last twelve months.

As we grow our headcount, Front office productivity is a key metric for us. We track this by looking at the total cumulative tenure of our Front Office, compared to our revenues. The graph below shows that we have been able to maintain productivity despite both the market headwinds, and experienced sales people moving into roles focused on leading international expansion and/or the growth and development of our Front Office teams. When we take into account new joiners, whose contribution in their first year is naturally lower than more experienced colleagues, this is even more pronounced.

FXRM Front Office Productivity



Alongside this performance, we have continued to invest strongly in the growth of our FXRM global locations and teams, and have not let temporary headwinds dampen our long-term ambitions, with

Front Office headcount increasing in the half by 15 people to 117 (FY 22: 102). Our decision to continue investing despite these headwinds means we have experienced a short-term reduction in profit before tax margins within FXRM, from 39% in FY 2022 to 35% in H1. We do, however, expect this to unwind as macro conditions improve, hedging activity resumes, our investments mature, and our Front Office hires progress along their learning curves.

Corporate FXRM[2]

Despite the subdued backdrop, our Corporate FXRM revenues continued to grow; revenue from forwards was broadly flat and revenue from spot contracts (which are inherently lower-margin) increased by almost 50%, reflecting the strength and relevance of our service throughout different economic cycles. Breaking this performance down, revenue for our UK Corporate office was broadly flat, but has undoubtedly been the most impacted by the current environment, and because it has the largest client base, has also been affected the most by the adjustments to our credit appetite. Meanwhile, our newer overseas offices all delivered year-on-year revenue growth, except for Toronto, which was expected. We are, however, pleased to report that Toronto has resumed its growth trajectory, with revenues increasing in H1 2023 against H2 2022.

Corporate FXRM Product Expansion | Acquisition of Cobase

To date, our corporate teams have been helping businesses more effectively and efficiently manage their finances through a product suite that is predominantly focused on FX risk management and payments. In the fourteen years that we have been helping corporates solve challenges around these areas, we have also gained first-hand knowledge of other challenges that we could be solving for them, but have lacked the appropriate product set to do so. One particularly common challenge is the difficulty international businesses face managing multiple bank accounts and providers across different countries – a problem that compounds as they become larger and more global. Here, the solutions available in the market have traditionally been provided by Treasury Management Systems (“TMS”). Such systems are focused on streamlining and centralising cash management functions by providing greater connectivity and automation. In our experience, however, uptake within our core target market has been low as the time, cost, resource, and technological expertise required to implement and manage them outweighs their perceived benefits. In short, a traditional TMS is “inappropriate” for most of our target market, and research of our existing client base has confirmed this, with less than 10% using one.

This is a dynamic we have been aware of for a while and we believed that our target market would benefit considerably from a more flexible and accessible form of TMS. Ultimately, building such a system ourselves would have represented a significant undertaking and distraction from the growth of our core business and required knowledge and expertise that we did not have. A company that did have the capability to provide this, however, was Cobase – an innovative provider of bank connectivity technology based in Amsterdam who had been developing its product for over six years and invested in excess of €20m.

[2] Corporate FXRM refers to our seven Corporate offices across London, Bristol, Amsterdam, Sydney, Toronto, Milan and Madrid. It does not include our Institutional FXRM office in London.

As per our announcement on 12 September, we have entered into a conditional agreement to acquire circa 85% of Cobase for an initial consideration of €9.4m (£8.0m) in cash, with the remaining stake to be acquired via a performance-based earn-out between 2025-2028. More details about the company and our investment rationale can be found within that announcement here. We are excited by the prospect of having their team and technology as part of the Alpha Group, and over time believe the offering they have built will provide a significant value-add to our target market, and enable us to become increasingly more integrated with our clients whilst also enabling us to attract new types of clients for whom bank connectivity is an initial purchasing driver. Alongside its bank connectivity technology, key features of Cobase's offering include a Central Payments Hub, as well as a Cash Management and Treasury Management module. The company's current revenue is solely from SaaS subscription fees, generating recurring revenues of circa £2m per annum. It has a client base of circa 100 corporate groups across the world, reflecting over 50% growth in the last 12 months.

Institutional FXRM

Our Institutional FXRM offering has continued to show particularly strong growth over the period, with revenue increasing by 56% to £12.6m (H1 22: £8.1m). This performance is particularly encouraging given the headline contraction in the alternative investment market as a whole, and ultimately reflects the team's growing reach as well as cross-selling opportunities through the Group's alternative banking solution coming into fruition.

As we expand our offering to provide a whole-product solution to the Institutional marketplace, we expect our Institutional FXRM team to continue to benefit strongly from increased levels of awareness, cross-selling, and the attractiveness of having an increasingly comprehensive solution for alternative investment funds. At the same time, the strong levels of cash generation created from these products is also enabling us to provide larger hedging facilities to support larger funds, whilst also invest in new offerings such as fund finance (as covered later).

Alternative Banking
Read an overview of our offering here

H1 Highlights

- 17% revenue growth to £16m (H1 2022: £14m), increasing to 30% when including the deferred revenue from account fees (H1: 2023 £7m, H1 2022: £4m)
- Underlying profit before tax margin of c. 36%
- Account numbers increased to 5,350 (H1 2022: 3,061, FY 2022: 4,200)
- 70% growth in headcount to 214 (H1 2022: 126, FY 2022: 171)
- Technology roadmap delivering ahead of schedule and driving a step change in operational gearing
- Record month for number of new accounts in August 2023 (363)

Alternative Banking Business Environment

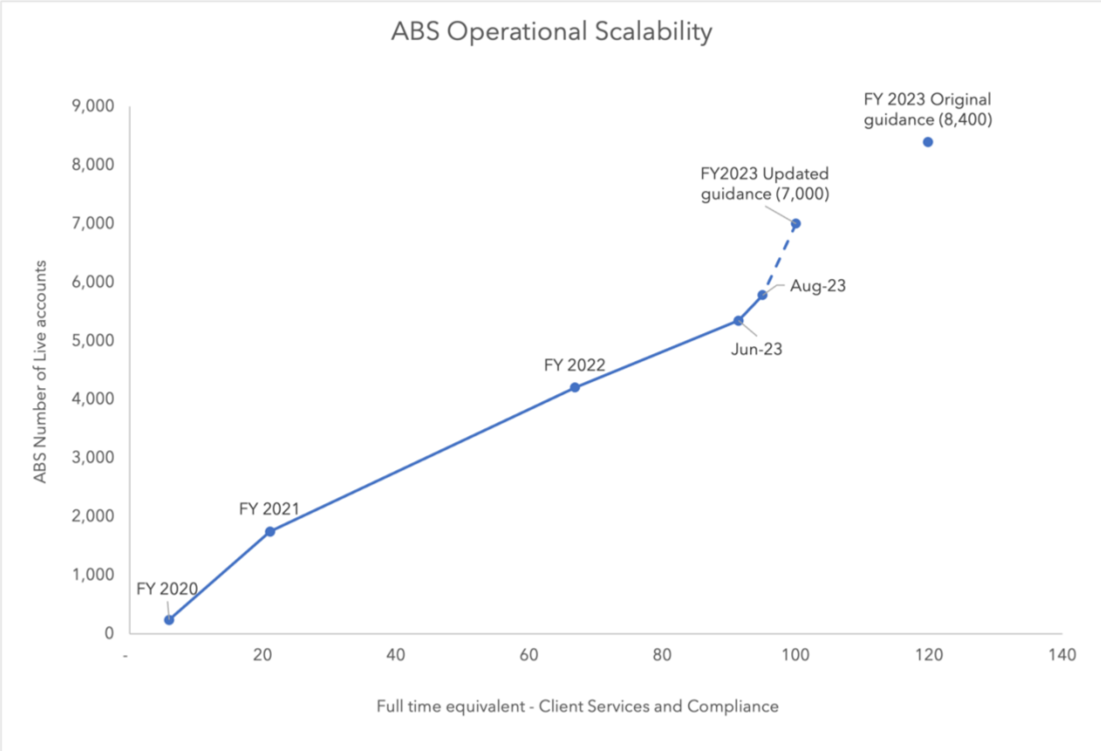
Across the alternative investment market globally, the decline in deal activity in the second half of 2022 has continued into 2023, with Preqin reporting that both deal volumes and flows were significantly down in Q1 and Q2 against the same periods last year, across all of the key asset classes we serve. This backdrop has meant lower demand for new accounts and less payments or FX spot transactions made.

At the same time, rising interest rates have meant that banks are generating more income from the investment funds that hold accounts with them. This has meant that banks have reduced their offboarding of alternative investment clients, as their cost to serve them has for now been offset by the interest income they are receiving (most of which is not being passed onto clients). With funds less concerned about offboarding and facing numerous other challenges in this environment, this has understandably pushed account migrations down the priority list for both fund managers, and also the service providers that support them, and who need a good reason to suggest a migration to the fund managers. New SPV creation may be slower in the current environment, but in the long-term remains an enormous opportunity in its own right, with new SPVs opened every year, as existing SPVs come to the end of their lifecycles.

Alternative Banking Performance

Despite these challenging market conditions, we delivered two record quarters for new accounts, and revenue increased 17% in H1 against the same period last year. In addition, deferred revenues from account fees grew from £4.9m as at FY 2022 to £7.0m, which provides further confidence and visibility going forward. When taking into account deferred revenue from account fees, growth would be 30%. We also increased our account numbers by 1,150 during H1, bringing our total to 5,350, and despite the market contracting significantly, the vast majority of these accounts came from new SPVs, demonstrating the attractiveness of our product offering.

Whilst the growth in account numbers is strong against the context of the current climate, at the start of the year we were expecting growth to be even stronger, with a total of 8,400 accounts forecasted for 2023. Given the reported slowdown within the alternative investment market and our subsequent pivot away from existing account migrations, we now expect a number of circa 7,000 accounts to be more likely for FY 2023. Our fundamentals remain strong, and we are continuing to see good levels of growth in accounts onboarded, even in this tougher environment; we had a record month in August for new accounts (363), and at the time of writing, are on track for another record month in September. As market conditions unwind, we therefore expect to see this trend accelerate and the rate of new accounts onboarded to increase further. It is also worth noting that as account fees are deferred over 12 months, the impact on our FY 2023 revenue will be broadly immaterial. Equally, we have made excellent operational progress throughout H1, particularly in the areas of compliance and technological automation, to the extent that we anticipate we will capture greater economies of scale as we grow. Indeed, our technology roadmap is running ahead of schedule, and we expect to see the significant benefits of this on operational gearing in H2, as shown by the continued improvement in scalability in the chart below.



Ultimately, the operational progress we have made to date means our market-leading offering is even stronger than it was at the start of the year, and we continue to deepen our relationships with fund managers, service providers and fund administrators. As market conditions and activity levels improve, we will be well-placed to capitalise on this.

Fund Finance

Our fund finance offering was launched publicly in May (read announcement here) and is already surpassing our early expectations, having generated over £450k in contracted revenue to date. By combining deep expertise in fund finance with Alpha's high-tech, high-touch ethos, we enable borrowers to obtain facilities quickly, efficiently and with the confidence that the terms they receive are competitive and right for them. Our offering has also been built in a modular manner, enabling clients to pick and choose the level of support that best meets their requirements or level of experience. The offering is most easily understood when we break it down into three parts – i) diagnosis, ii) a lender screening tool and iii) a structuring and execution offering.

i) Diagnosis

The first part of our offering is focused on helping clients identify the most optimal borrowing facility for them. To do this, we work in consultation with each client to create a borrowing profile based on their individual objectives and circumstances. We then align this borrowing profile to a facility that will work best for them, with consideration not just for the type of the facility (e.g. NAV, Sub-Line) but also how it might be structured and the specific terms. The experience of the borrower will typically determine the level of involvement required at the diagnosis phase – experienced borrowers will usually have a good understanding of their requirements and therefore only require a lightweight approach, whilst first-time borrowers benefit from more of a "deep dive" that may evaluate the pros and cons of a number of options.

Once we have established the optimal facility for the client, we are then able to input this information into our lender screening platform, which is the second phase of our offering.

ii) Lender Screening Platform

With over 300 lenders in the marketplace, each with their own unique lending appetites, finding a suitable fund finance partner is a difficult and time-consuming process for borrowers. Furthermore, even once a potential partner has been identified, unless borrowers are prepared to engage with multiple lenders, it is very difficult for them to validate which is the best for them.

Using Alpha's lender screening platform, borrowers can now screen their specific borrowing requirements (identified during our diagnosis phase) across a current (and growing) marketplace of over 300 lenders. In doing so, we are significantly streamlining a process that would typically take months, or potentially never be undertaken. Whether the client is a first-time borrower or an experienced one, this represents a significant value add.

After using our screening tool, borrowers will receive a report of relevant lenders. From here, we then also provide a matching service, where we will secure heads of terms for a facility from one or more lenders.

iii) Structuring & Execution

The third part of our offering is focused on using the fund finance team's knowledge and expertise (built-up over 25 years of working in the industry) to negotiate, structure and execute the client's facility on their behalf. Here our focus is on ensuring the process is as efficient as possible for the borrowers and that they can feel confident they are receiving the right facility on the right terms.

Whilst the benefits outlined above are focused on borrowers, the lenders that feature on Alpha's fund finance platform also stand to benefit considerably from Alpha's solution, as it provides them with fast access to a large and growing pool of pre-qualified borrowers, and streamlined administration of their loans.

With its focus on the alternative investment market, our fund finance offering has, and will continue to, benefit from cross-selling opportunities with clients that come from Alpha's Institutional FXRM and Alternative Banking teams. At the same time, the Fund Finance team are already reciprocating this by creating new business opportunities of their own, which can then be cross-sold Alpha's other services.

Our fund finance offering generates revenues from the fees it charges for each of its respective modules, and similar to our FXRM offering, we do not charge for our diagnosis phase. Due to the current size of these revenues and the division's relationship with the Alternative Investment industry, these revenues are currently recognised within Alternative Banking.

Our expansion into fund finance is another important part of our vision to build a 'whole product' solution to the alternative investment market, in order that we can cater for the full spectrum of their needs.

New Dual HQ

With our Group UK headcount approaching over 240, space within our existing London HQ has run out, with many of our operations teams now working remotely on rotation. We are therefore looking forward to launching a neighbouring HQ in October for the teams focused on our Institutional marketplace, which comprises c. 120 people across Alternative Banking, Institutional FXRM and Fund Finance.

Given the shared clients, synergies and cross-selling opportunities between these teams, organising ourselves around these markets is a natural evolution for the Group and will support us in assembling an ecosystem of products and services focused on the institutional market that can cater for a growing range of their traditional banking needs – *a bank alternative, for Alternatives*.

The same will become true for our Corporate teams who will remain in our existing office, with our Central Services teams having the luxury of moving between the two, given they are only a stone's throw apart.

Balance Sheet & Capital Allocation Update

Average Alternative Banking client balances in Q2 of £1.9bn and a blended average interest rate of 3.8% (Q1 2023: £1.6bn and 2.8%) resulted in over £33m of other operating income, helping to grow our adjusted net cash by 25% to over £142m at the period end. With more clients adopting our alternative banking solution, and interest rates at current levels, this is expected to remain a significant tailwind for the Group, creating opportunities for new and accelerated strategic investments, as has already been detailed in this report. As a reminder, the Group's priorities for capital allocation fall into four key areas:

i) Cash for existing investments

We continue to use our cash to invest in both our FXRM and Alternative Banking divisions. Corporate FXRM has a fifteen-year track record of trading, and therefore the appropriate levels of investment required to grow are more forecastable. Our Institutionally focused divisions (Institutional FXRM, Alternative Banking, Fund Finance), however, are in a far more nascent stage and could see a significant step change in demand resulting from increasing cross-selling and an improvement in the alternative investment market conditions, which would therefore increase capital requirements. For example, our Institutional FXRM division is already benefitting from increased cross-selling from Alternative Banking and Fund Finance. This is enabling us to attract not only more clients, but also increasingly larger ones, who then often hold larger balances and require larger hedging facilities. As this continues, we will likely:

I) be investing more in our teams and infrastructure to support this demand;
II) have more capital tied up in hedging facilities;
III) have more capital tied up as regulatory capital against the client balances we hold; and
IV) want to have sufficient cash set aside to invest in further organic opportunities in this market, through, for example, expansion into new products like fund finance.

Given our Institutional-focused divisions have all performed strongly in a market that has significantly contracted, when the market returns to normal, this could further compound our growth potential and demand on our capital. We, therefore, believe it is prudent to ensure we have sufficient cash kept aside to ensure we can capitalise not only on the opportunities we have now, but also have the ability to accelerate investment in the future when there is scope for greater upside.

ii) Cash for regulatory capital

The Group is required to set aside regulatory capital of 2% against the client balances it holds as part of its global accounts solution. Further regulatory capital is required when entering into forward and derivative trades driven from various risk factors, and the volume of our trading positions in the market.

As our business grows and the average size of our clients increases, both the balances we hold for our global accounts solution and the size of forward and derivative trades we enter into are becoming larger, resulting in a growing requirement for regulatory capital.

iii) Cash for inorganic investments

The Group has an appetite to explore potential M&A that may amplify or accelerate our offering. Whilst our firm intention is to remain an organic growth business, we recognise there are opportunities to accelerate our product development and expand our offerings through the acquisition of high-quality technology companies, such as the recent acquisition of Cobase.

iv) Cash for confidence

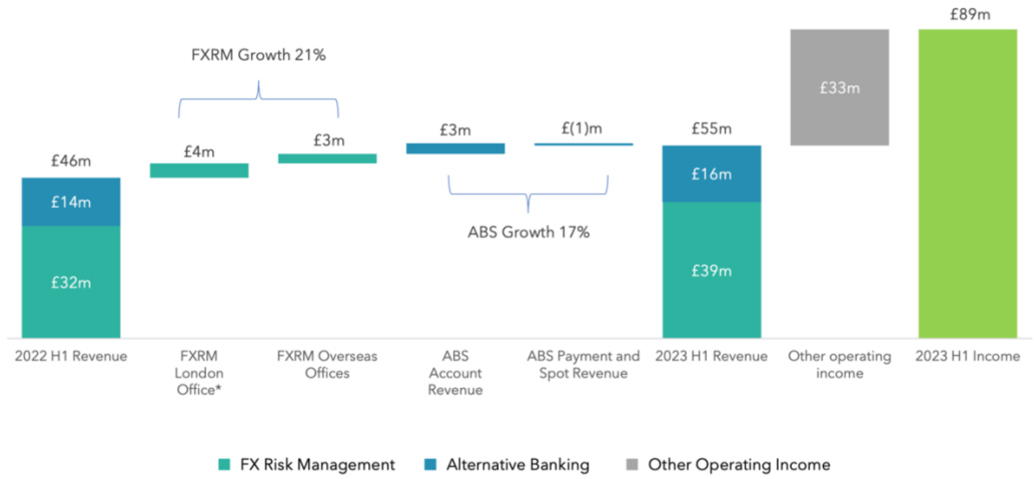
As a financial services business handling large amounts of client money, the strength of our balance sheet is a key consideration for clients looking to work with us. Furthermore, the larger our clients become, the greater (typically) their expectations are for how large our balance sheet needs to be. Maintaining a strong balance sheet is therefore important in ensuring we can continue to move up the 'food chain' and win the business of larger clients.

Summary

Alongside allocating capital to grow the business, the Group intends to continue with its progressive dividend policy. When taking all of the above into consideration, we believe the Group's current cash position creates significant return-enhancing opportunities. We will of course review our cash position on a regular basis, and if we feel it becomes excessive, will look to adjust.

Financial Review

In the six months to 30 June 2023 revenue from operating activities increased by 20% over the prior period to £55.5m. FX Risk Management revenue grew by 21% to £39.1m, with client numbers increasing in the period from 1,047 to 1,089 (30 June 2022: 975). Alternative Banking revenue grew by 17% to £16.2m. The number of client accounts opened at the end of the period increased in the period from 4,200 to 5,350 (30 June 2022: 3,061). Including deferred income relating to the annual accounts fees Alternative Banking revenue growth would have been 30% (deferred revenue H1 2023: £7.0m, H1 2022: £4.0m).



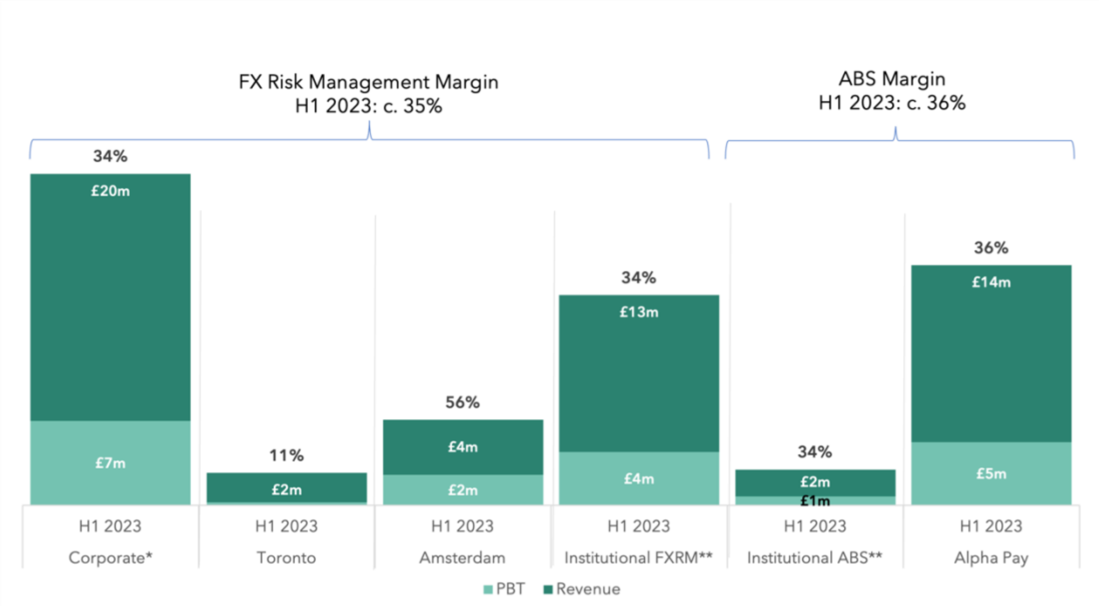
*FXRM London Office includes Corporate & Institutional FXRM

Interest earned on client balances in the six months was £33m (H1 2022: £nil), £30m of which related to our Alternative Banking business. Alternative Banking client balances were £1.9bn in Q2 and £1.6bn in Q1, with an effective interest rate of 3.8% and 2.8% respectively.

Underlying profit is presented in the income statement to allow a better understanding of the Group's financial performance on a comparable basis from year to year. The underlying profit excludes the impact of interest on client funds, (other operating income), and share-based payments. On this basis, the underlying profit before tax in the year increased by 9% to £19.6m (H1 2022: £18.0m). Statutory profit before tax increased by £34.6m to £52.4m (H1 2022: £17.8m).

In the six months to 30 June 2023 the investment programme has continued, including the launch of the Spain office in March 2023 and ongoing improvements to our technology and product offerings. A total of 73 new team members were added in the period primarily focused on business development, client services and compliance, taking our total Group headcount to 430 (H1 2022: 288, FY 2022: 357).

The underlying profit before tax margin for the period was 35% (FY 2022: 39%) reflecting the increased investment in our cost base as well as subdued market conditions. If the impact of the deferred account fee revenue is included, the underlying profit before tax margin is 42% (FY 2022: 43%).



* Corporate division is primarily London but also includes other offices not disclosed elsewhere (Bristol, Madrid, Milan, and Sydney).

** For the purpose of deriving margins for ABS and FX Risk Management, the cost base of the Institutional division has been allocated based on revenue.

The effective tax for the period of 22.5% (FY 2022 of 17.3%) has been impacted by the increase to the UK corporation tax rate in April 2023 and lower R&D tax credits with Alpha now being designated a 'large company'.

Underlying basic earnings per share decreased by 2% (0.7p) in the period to 33.0p (H1 2022: 33.7p) primarily due to a 3.2p decrease resulting from the higher corporation tax rate in the UK. Basic earnings per share were up 163% at 87.8p (H1 2022: 33.3p).

Cash flow and Balance sheet

In the six months ended 30 June 2023, 60% of the revenue was derived from products where the revenue is converted to cash within a few days of the trade date (H1 2022: 62%). Including other operating income, cash conversion in H1 2023 increased to 74%.

On a statutory basis, net cash and cash equivalents increased in the six months to 30 June 2023 by £5.8m to £142.6m. The Group's statutory cash position can fluctuate significantly from period to period due to the impact of changes in the collateral received from clients, early settlement of trades, or the unrealised mark to market profit or loss from client swaps, resulting in an increase or decrease in cash with a corresponding change in other payables and trade receivables. Therefore, in addition to the statutory cash flow, the Group presents an adjusted net cash summary below which excludes the above items.

In the six months to June 2023 adjusted net cash on this basis has increased by £28m to £142m. This represents the net impact of the cash conversion from trading in the period.

	30 June 23 £m	**30 June 22 £m**	**31 Dec 22 £m**
Net cash & cash equivalents	142	126	137
Variation margin paid to banking counterparties	50	14	45
	192	140	182
Margin received from clients & client held funds*	(59)	(57)	(70)
Net MTM timing loss from client drawdowns and extensions with trade receivables	9	14	2
Adjusted net cash**	**142**	**97**	**114**

* Included in 'other payables' within 'trade and other payables'
** Excluding collateral received from clients, early settlements and the unrealised mark to market profit or loss from client swaps

As a result of the strong growth in the period, total net assets increased from £144.5m at 31 December 2022 to £169.1m.

Dividend

The Board is pleased to declare an interim dividend of 3.7 pence per share (2022: 3.4 pence). The interim dividend will be payable on 20 October 2023 to shareholders on the register at 22 September 2023. The ex-dividend date is 21 September 2023.

Consolidated Statement of Comprehensive Income

	Note	Unaudited six months to 30 June 2023 £'000	Unaudited six months to 30 June 2022 £'000	Audited year ended 31 Dec 2022 £'000
Revenue	*3*	55,459	46,144	98,332
Other operating income		33,338	-	9,278
Operating expenses		(38,703)	(28,187)	(60,722)
Operating profit	*4*	50,094	17,957	46,888
Underlying operating profit		17,240	18,109	38,274
Other operating income		33,338	-	9,278
Share-based payments expense		(484)	(152)	(664)
Finance income	5	2,658	93	784
Finance expenses	5	(313)	(240)	(458)
Profit before taxation		52,439	17,810	47,214
Underlying profit before taxation		19,585	17,962	38,600
Other operating income		33,338	-	9,278
Share-based payments expense		(484)	(152)	(664)
Taxation	*6*	(11,813)	(2,931)	(8,164)
Profit for the period		40,626	14,879	39,050
Attributable to:				
Equity holders of the parent		37,601	13,866	36,372
Non-controlling interests		3,025	1,013	2,678
Profit for the period		**40,626**	**14,879**	**39,050**
Other comprehensive (loss)/income:				
Items that may be reclassified to the profit or loss:				
Exchange (loss)/gain on translation of foreign operations		(983)	515	1,382
Loss recognised on hedging instruments		(11,661)	-	(639)
Tax relating to items that may be reclassified		2,915	-	160
Total comprehensive income for the period		30,897	15,394	39,953
Attributable to:				
Equity owners of the parent		27,872	14,381	37,275
Non-controlling interests		3,025	1,013	2,678
Total comprehensive income for the period		**30,897**	**15,394**	**39,953**
Earnings per share attributable to equity owners of the parent (pence per share)				
- basic	7	87.8p	33.3p	86.8p
- diluted	7	86.8p	32.4p	83.8p
- underlying basic	*7*	*33.0p*	*33.7p*	*70.1p*
- underlying diluted	*7*	*32.6p*	*32.7p*	*67.7p*

Consolidated Statement of Financial Position

	Note	Unaudited as at 30 June 2023 £'000	Unaudited as at 30 June 2022 £'000	Audited at 31 Dec 2022 £'000
Non-current assets				
Intangible assets		7,348	3,779	4,814
Property, plant and equipment		5,724	2,720	3,248
Right-of-use assets		10,869	7,147	11,848
Derivative financial assets		28,596	35,000	27,819
Deferred tax asset	*6*	667	-	-
Total non-current assets		53,204	48,646	47,729
Current assets				
Cash and cash equivalents	10	142,633	125,952	136,799
Derivative financial assets		105,103	106,666	99,119
Other receivables	9	8,291	4,207	6,821
Fixed collateral	10	9,572	3,519	4,726
Total current assets		265,599	240,344	247,465
Total assets		**318,803**	**288,990**	**295,194**
Equity				
Share capital	12	87	84	84
Share premium account		58,014	53,252	53,513
Capital redemption reserve		4	4	4
Merger reserve		667	667	667
Retained earnings		105,082	63,379	84,220
Translation reserve		275	391	1,258
Equity attributable to equity holders of the parent		164,129	117,777	139,746
Non-controlling interests		4,979	3,434	4,707
Total equity		169,108	121,211	144,453
Current liabilities				
Derivative financial liabilities		40,598	82,065	42,764
Other payables	11	66,614	67,562	77,272
Deferred income		6,982	4,045	4,924
Lease liability		1,549	450	1,407
Current tax liability		8,609	2,758	3,781
Total current liabilities		124,352	156,880	130,148
Non-current liabilities				
Derivative financial liabilities		14,255	1,512	7,317
Other payables	11	244	-	222
Deferred tax liability	6	-	1,291	1,387
Lease liability		10,844	8,096	11,667
Total non-current liabilities		25,343	10,899	20,593
Total liabilities		149,695	167,779	150,741
Total equity and liabilities		**318,803**	**288,990**	**295,194**

Consolidated Cash Flow Statement

	Note	Unaudited six months to 30 June 2023 £'000	Unaudited six months to 30 June 2022 £'000	Audited year ended 31 Dec 2022 £'000
Cash flows from operating activities				
Profit before taxation		52,439	17,810	47,214
Other operating income		(33,338)	-	(9,278)
Finance income		(2,658)	(93)	(784)
Finance expense		313	240	458
Amortisation of intangible assets		1,254	725	1,573
Intangible assets written off		-	-	43
Depreciation of property, plant and equipment		542	380	764
Depreciation of right-of-use assets		784	512	1,154
Property, plant and equipment written off		1	-	50
Share-based payment expense		484	152	664
Decrease/(increase) in other receivables		444	(663)	(1,547)
(Decrease)/increase in other payables		(8,600)	29,416	40,006
(Increase) in derivative financial assets		(6,761)	(65,780)	(51,052)
Decrease in financial assets at amortised cost		-	5,803	5,803
(Decrease)/increase in derivative financial liabilities		(6,889)	39,135	5,000
(Increase) in fixed collateral		(4,846)	(13)	(1,220)
Cash (outflows)/inflows from operating activities		(6,831)	27,624	38,848
Other operating income received		30,980	-	7,490
Tax paid		(6,126)	(3,790)	(7,486)
Net cash inflows from operating activities		18,023	23,834	38,852
Cash flows from investing activities				
Payments to acquire property, plant and equipment		(3,017)	(775)	(1,739)
Payment to acquire right-of-use assets		-	-	(46)
Proceeds from the sale of property, plant and equipment		-	2	-
Expenditure on intangible assets		(3,946)	(1,509)	(3,435)
Net cash (outflows) from investing activities		(6,963)	(2,282)	(5,220)
Cash flows from financing activities				
Issue of ordinary shares by Parent Company		490	996	996
Issue of shares to non-controlling interest in subsidiary undertakings		198	-	46
Dividends paid to equity owners of the Parent Company		(4,765)	(3,375)	(4,810)
Dividends paid to non-controlling interests		(2,111)	(1,272)	(1,877)
Payment of lease liabilities- principal		(428)	(305)	(891)
Payment of lease liabilities- interest		(285)	(210)	(452)
Net interest received		2,658	7	729
Net cash (outflows) from financing activities		(4,243)	(4,159)	(6,259)
Increase in net cash and cash equivalents in the period		6,817	17,393	27,373
Net cash and cash equivalents at beginning of period		136,799	108,044	108,044
Net exchange (loss)/gain		(983)	515	1,382
Cash and cash equivalents at end of period	10	142,633	125,952	136,799

Consolidated Statement of Changes in Equity

	Attributable to the owners of the parent								
	Share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Translation reserve £'000	Total £'000	Non-controlling interests £'000	Total £'000
Balance at 31 December 2021	**82**	**50,783**	**4**	**667**	**54,189**	**(124)**	**105,601**	**4,193**	**109,794**
Profit for the period	-	-	-	-	36,372	-	36,372	2,678	39,050
Other comprehensive income	-	-	-	-	(479)	1,382	903	-	903
Transactions with owners									
Shares issued on vesting of share option scheme	2	-	-	-	(2)	-	-	-	-
Issue of shares to non-controlling interests in subsidiary undertakings	-	-	-	-	-	-	-	46	46
Issue of shares in relation to subsidiary earnout	-	1,906	-	-	(1,801)	-	105	(105)	-
Forfeiture of shares in subsidiary	-	-	-	-	87	-	87	(228)	(141)
Shares issued in relation to SAYE share scheme	-	824	-	-	-	-	824	-	824
Share-based payments	-	-	-	-	664	-	664	-	664
Dividends paid	-	-	-	-	(4,810)	-	(4,810)	(1,877)	(6,687)
Balance at 31 December 2022	**84**	**53,513**	**4**	**667**	**84,220**	**1,258**	**139,746**	**4,707**	**144,453**
Profit for the period	-	-	-	-	37,601	-	37,601	3,025	40,626
Other comprehensive income	-	-	-	-	(8,746)	(983)	(9,729)	-	(9,729)
Transactions with owners									
Shares issued on vesting of share option scheme	2	-	-	-	(2)	-	-	-	-
Issue of shares to non-controlling interests in subsidiary undertakings	-	-	-	-	-	-	-	198	198
Issue of shares in relation to subsidiary earnout	1	4,501	-	-	(3,710)	-	792	(792)	-
Forfeiture of shares in subsidiary	-	-	-	-	-	-	-	(48)	(48)
Share-based payments	-	-	-	-	484	-	484	-	484
Dividends paid	-	-	-	-	(4,765)	-	(4,765)	(2,111)	(6,876)
Balance at 30 June 2023	**87**	**58,014**	**4**	**667**	**105,082**	**275**	**164,129**	**4,979**	**169,108**

Notes to the Consolidated Financial Statements

1. Corporate information

The Company, Alpha Group International plc, is a public limited company having listed its shares on AIM, a market operated by The London Stock Exchange, on 7 April 2017. The Company is incorporated and domiciled in the UK (registered number 07262416). The consolidated financial statements incorporate the results of the Company and its subsidiary undertakings.

2. Basis of preparation

The basis of preparation of this financial information is consistent with the basis that will be adopted for the full year accounts which will be prepared in accordance with UK international accounting standards using the measurement bases specified by UK IFRS for each asset, liability, revenue or expense.

The financial information is presented in Pounds Sterling ("£"), which is the Group's functional currency, and all values are rounded ("£'000") to the nearest thousand except where otherwise indicated.

Whilst the financial figures included in this half-yearly report have been computed in accordance with IFRS applicable to interim periods, this half-yearly report does not contain sufficient information to constitute an interim financial report as that term is defined in IAS 34.

This interim financial information has not been audited and the financial information contained in this report does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The year to 31 December 2022 has been extracted from the audited financial statements for that year.

The Group's financial statements for the year ended 31 December 2022 have been reported on by auditors, BDO LLP, and have been delivered to the Registrar of Companies. The auditors report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

Accounting policies

New accounting policies
There are no new standards and interpretations which became mandatorily effective for the current reporting period which have had a material effect on the financial statements of the Group.

3. Segmental reporting

During the period, the Group generated revenue from the sale of forward currency contracts, option contracts, foreign exchange spot transactions and fees received from payments collections and cash accounts.

The Group has five reportable operating segments under the provisions of IFRS 8, based on the individually reportable subsidiaries and divisions. These five segments are:

• Corporate London represents revenue generated by Alpha FX Limited's Corporate clients serviced from the London head office.
• Institutional represents revenue from Alpha FX Institutional Limited, which primarily services funds. •Corporate Toronto represents revenue generated by Alpha Foreign Exchange (Canada) Limited, serviced from Toronto, Canada.
• Corporate Amsterdam represents revenue generated by Alpha FX Netherlands Limited, which services corporate clients from Amsterdam, The Netherlands.
• Alpha Pay, a division of Alpha FX Limited which services clients who require international payments and accounts. The offering is distributed via our European Corporate offices and Alpha FX Institutional Limited as well as Alpha Pay's own sales team.

The chief operating decision makers, being the Group's Chief Executive Officer and the Chief Financial Officer, monitor the results of the operating segments separately each month. Key measures used to evaluate performance are revenue, and profit before taxation. Management believe that these measures are the most relevant in evaluating the performance of the segment and for making resource allocation decisions.

In April 2021, the Group decentralised into two divisions: Alternative Banking Solutions and FX Risk Management. These two divisions are now the key drivers to the Group strategy and growth of each operating segment. Revenue for each operating segment has been split by the two divisions, as this reflects how the chief operating decision-makers manage the business.

Revenue in the table below is in accordance with the methodology used for preparing the financial information for management, for each operating segment. Although a proportion of the revenue from EU clients is initially booked through Alpha FX Europe Limited in Malta, revenue in the table below has been reallocated to the relevant entity where the sales team is located.

Within 2022, the Group opened offices in Milan Italy, Sydney Australia and Bristol. In H1 2023, the Group opened an office in Madrid, Spain. All of these offices service Corporate clients from their local offices. The results of these new offices are included within the Corporate London Segment. Under IFRS 8 these segments do not meet the quantitative reporting thresholds. The revenue of these offices in aggregate was £3.2m (£2.1m H1 2022).

Six months ended June 2023	**Corporate London**	**Institutional**	**Corporate Toronto**	**Corporate Amsterdam**	**Alpha Pay**	**Total**
	£'000	£'000	£'000	£'000	£'000	£'000
FX Risk Management*	19,811	12,584	2,346	4,403	-	39,144
Alternative Banking Solutions**	-	2,142	-	-	14,173	16,315
Total revenue	19,811	14,726	2,346	4,403	14,173	55,459
Underlying operating profit	4,226	5,091	287	2,499	5,137	17,240
Finance income	2,656	-	(1)	3	-	2,658
Finance costs	(106)	(82)	(27)	(47)	(51)	(313)
Underlying profit before taxation	6,776	5,009	259	2,455	5,086	19,585
Other operating income	3,335	15,022	-	-	14,981	33,338
Share-based payments	(474)	(10)	-	-	-	(484)
Profit before taxation	9,637	20,021	259	2,455	20,067	52,439

Six months ended June 2022	Corporate London £'000	Institutional £'000	Corporate Toronto £'000	Corporate Amsterdam £'000	Alpha Pay £'000	Total £'000
FX Risk Management*	19,177	8,058	2,464	1,918	669	32,286
Alternative Banking Solutions**	169	2,872	-	431	10,386	13,858
Total revenue	19,346	10,930	2,464	2,349	11,055	46,144
Underlying operating profit	7,863	4,733	196	943	4,374	18,109
Finance income	93	-	-	-	-	93
Finance costs	(92)	(40)	-	(44)	(64)	(240)
Underlying Profit before taxation	7,864	4,693	196	899	4,310	17,962
Other operating income	-	-	-	-	-	-
Share-based payments	(136)	(16)	-	-	-	(152)
Profit before taxation	7,728	4,677	196	899	4,310	17,810

Year ended December 2022	Corporate London £'000	Institutional £'000	Corporate Toronto £'000	Corporate Amsterdam £'000	Alpha Pay £'000	Total £'000
FX Risk Management*	43,332	15,133	4,698	5,500	846	69,509
Alternative Banking Solutions**	581	4,703	-	888	22,651	28,823
Total revenue	43,913	19,836	4,698	6,388	23,497	98,332
Underlying operating profit	18,457	7,325	536	3,095	8,861	38,274
Finance income	779	-	-	-	5	784
Finance costs	(146)	(83)	(31)	(68)	(130)	(458)
Underlying profit before taxation	19,090	7,242	505	3,027	8,736	38,600
Other operating income	468	4,412	-	-	4,398	9,278
Share-based payments	(632)	(32)	-	-	-	(664)
Profit before taxation	18,926	11,622	505	3,027	13,134	47,214

*FX Risk Management represents revenue derived from foreign exchange forward, spot, and option contracts provided to corporate and institutional clients, primarily for the purpose of hedging commercial foreign exchange exposures.

**Alternative Banking Solutions represents revenues derived from fees and foreign exchange spot contracts generated from the provision of cross border payments and accounts to corporates and institutions.

Revenue by product	30 June 2023 £'000	30 June 2022 £'000	31 December 2022 £'000
Foreign exchange forward transactions	24,689	19,307	41,073
Foreign exchange spot transactions	17,503	13,363	29,027
Option contracts	4,680	6,340	9,046
Payments, collections and account fees	8,587	7,134	19,186
Total	**55,459**	**46,144**	**98,332**

Other operating income

Interest is earned on overnight deposits with several credit institutions all 'A' rated with the leading rating agencies. The amount of interest earned is dependent on several variables:

- The absolute balance we hold, which can move significantly from day-to-day
- The mix of currency balances we hold, and;
- The interest rate environment and rates that can be obtained from credit worthy institutions.

Interest income is a natural by-product of our accounts solution, and as such is an uncontrollable income stream for the Group, which would be transitory if we return to a low interest rate environment. We have therefore chosen to recognise interest income on client cash balances as 'other operating income', not revenue.

Material interest income was earned on Alternative Banking Solutions balances in the period to 30 June 2023. The blended average client balances and interest rates to 30 June 2023 were:

Q1 23: £1.6bn and 2.8% respectively
Q2 23: £1.9bn and 3.8% respectively
PY 22: £1.6bn and 1.5% respectively (for the 4 months to December 2022).

Interest income was also earned on FX Risk Management clients in the period to 30 June 2023.

4. Operating profit

Operating profit is stated after charging/(crediting):

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Depreciation of owned property, plant and equipment	542	380	764
Amortisation of internally generated intangible assets	1,254	725	1,573
Depreciation of right-of-use assets	784	512	1,154
Rental cost of short-term leases	377	267	787
Staff costs	19,961	14,699	31,713
Bad debt expense	-	-	235
Net foreign exchange losses/(gains)	669	312	(274)

5. Finance income and expenses

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Finance income			
Interest on bank deposits	2,591	-	622
Finance income to reverse the discount relating to the Norwegian client	-	56	55
Other interest receivable	67	37	107
Total	2,658	93	784

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Finance costs			
Interest on bank deposits	-	(30)	-
Finance cost on dilapidation provision	(28)	-	(6)
Finance cost on lease liabilities	(285)	(210)	(452)
Total	(313)	(240)	(458)

6. Taxation

Tax charge

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Current tax:			
UK Corporation tax on profit for period	11,231	2,613	8,056
Adjustments relating to prior years	-	(183)	(591)
Incremental Overseas Corporation tax on the profit for the period	(279)	272	216
Total current tax	10,952	2,702	7,681
Deferred Tax			
Origination and reversal of temporary differences	861	229	483
Total deferred tax	861	229	483
Total tax expense	11,813	2,931	8,164

Deferred Tax

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Deferred tax:			
At 1 January	(1,387)	(1,061)	(1,061)
UK tax charge relating to current year	(861)	(229)	(483)
Tax charge relating to foreign exchange rate movements	-	(1)	(3)
Tax charge on other comprehensive income	2,915	-	160
Total deferred tax	667	(1,291)	(1,387)

The Group's effective tax rate at 30 June 2023 was 22.5% (30 June 2022: 16.5%). The increase is predominately due to the increase in UK statutory rate, additionally, the company no longer qualifying for the enhanced R&D tax relief for SME.

7. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to equity holders of the parent, by the weighted average number of ordinary shares during the year. Diluted earnings per share additionally includes in the calculation, the weighted average number of ordinary shares that would be issued on conversion of any dilutive potential ordinary shares. The dilutive effect is calculated on the full exercise of all potentially dilutive Ordinary share options granted by the Group.

The Group additionally discloses an underlying earnings per share calculation that excludes the impact of any non-underlying items such as share-based payments, other operating income and their tax and minority interest effect, which better enables comparison of financial performance in the current year with comparative years.

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 Dec 2022
Basic earnings per share	87.8p	33.3p	86.8p
Diluted earnings per share	86.8p	32.4p	83.8p
Underlying – basic	33.0p	33.7p	70.1p
Underlying - diluted	32.6p	32.7p	67.7p

The calculation of basic and diluted earnings per share is based on the following number of shares:

	Six months ended 30 June 2023 No.	Six months ended 30 June 2022 No.	Year ended 31 Dec 2022 No.
Basic weighted average shares	42,818,244	41,604,881	41,923,407
Contingently issuable shares	510,747	1,241,027	1,482,706
Diluted weighted average shares	43,328,991	42,845,908	43,406,113

The earnings used in the calculation of basic, diluted and underlying earnings per share are set out below:

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Profit after tax for the period	40,626	14,879	39,050
Non-controlling interests	(3,025)	(1,013)	(2,678)
Earnings – basic and diluted	37,601	13,866	36,372
Other operating income	(33,338)	-	(9,278)
Share-based payments	484	152	664
Taxation impact of the above	7,228	-	1,637
Non-controlling interests relating to Other operating income	2,163	-	-
Earnings – underlying	14,138	14,018	29,395

8. Dividends

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Final dividend for the year ended 31 December 2021 of 8.0p per share	-	3,375	3,375
Interim dividend for the year ended 31 December 2022 of 3.4p per share	-	-	1,435
Final dividend for the year ended 31 December 2022 of 11.0p per share	4,765	-	-
	4,765	3,375	4,810

All dividends paid are in respect of the ordinary shares of £0.002 each.

The Directors propose an interim dividend in respect of the year ended 31 December 2023 of 3.7p per share amounting to £1,602,907 payable on 20 October 2023 to shareholders on the register at 22 September 2023.

9. Other receivables

	Six months ended 30 June 2023	Six months ended 30 June 2022	Year ended 31 Dec 2022
Current:	£'000	£'000	£'000
Other receivables	6,256	2,516	4,384
Prepayments	2,035	1,691	2,437
	8,291	4,207	6,821

The increase in other receivables is driven by an increase in interest income receivable, which is generally paid by banking counterparties a month in arrears.

10. Cash

Cash and cash equivalents comprise cash balances and deposits held at call with banks.

Fixed collateral comprises of cash held as collateral with banking counterparties for which the Group does not have immediate access.

Cash balances included within derivative financial assets relate to the variation margin called against out of the money trades with banking counterparties.

	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Cash and cash equivalents	142,633	125,952	136,799
Variation margin called by counterparties	49,524	13,981	44,876
Fixed collateral	9,572	3,519	4,726
Total cash	201,729	143,452	186,401

11. Other payables

Other payables consist of margin received from clients and client held funds. The carrying value of trade and other payables classified as financial liabilities measured at amortised cost, approximates fair value.

Current:	Six months ended 30 June 2023 £'000	Six months ended 30 June 2022 £'000	Year ended 31 Dec 2022 £'000
Other payables	58,763	60,834	70,204
Other taxation and social security	1,184	1,836	1,369
Accruals	6,667	4,892	5,699
	66,614	67,562	77,272
Non-current:			
Dilapidation provision	244	-	222
Total other payables	66,858	67,562	77,494

12. Share capital

The following movements of share capital occurred in the 6 months to 30 June 2023:

	Ordinary shares No.	Nominal value £'000
As at 1 January 2023 - shares of £0.002 each	42,196,554	84
Shares issued on vesting of share option scheme	1,125,259	3
As at 30 June 2023	43,321,813	87