

18 July 2006



## ALPHA STRATEGIC PLC

### AUDITED PRELIMINARY RESULTS FOR PERIOD ENDED 31ST MARCH 2006

Alpha Strategic plc, the specialist hedge fund management group, announces maiden preliminary results since its successful IPO in August last year:

#### Highlights

- **First year of operation**
- **Shareholders' funds of £2,520m; tight cost control**
- **Loss on ordinary activities before taxation £209,000**
- **(Post period end) First acquisition of Winton Advisors Limited achieved**

Colin Barrow, Chairman commented,

"We are extremely pleased with our progress since the IPO last year especially following our success in completing our first transaction, since the year end, with one of the highest quality managers in London, Winton Capital Management Limited.

We firmly believe that the long-term future of the company will be determined by entering into arrangements with large, high quality managers who have the financial strength, track record and foresight to see the many advantages of the Alpha model.

We have a very healthy level of cash, which is key at this stage in our development as a listed company and we believe that together with Alpha's excellent business model we are in a good position to secure future interest in the company from similarly high quality managers to Winton."

For further information:

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## **Chairman's Statement**

It is with great pleasure that we present this our first annual report. It has been an eventful and pleasing first period.

Since our successful flotation in August 2005 we have been pursuing our stated aim of seeking to acquire revenue streams from hedge fund management businesses. We have held discussions with a large number of managers and their advisers, informing the industry about our business model and the benefits to hedge fund managers. The reception has been universally positive and we have established a number of relationships, which we believe should prove fruitful in the future.

Throughout, we have stressed that our primary concern in selecting target acquisitions is quality. We firmly believe that the long term future of the company will be determined by only entering into arrangements with large, high quality managers who have the financial strength, track record and foresight to see the many advantages of the Alpha model.

We were therefore extremely pleased, that following the period end, we were successful in completing our first transaction with one of the highest quality managers in London, Winton Capital Management Limited.

Winton, who manage over US \$5 billion in a style based upon the statistical properties of market behaviour, was founded by David Harding, one of the original creators of the AHL trading system (now part of Man Group PLC).

We agreed to acquire a subsidiary company from Winton, called Winton Advisors Limited, which provides certain services in return for an entitlement to half the fees due on a US \$100 million capacity sub-fund based in Luxembourg.

The fund is aimed at the Swiss institutional market and is therefore in the process of seeking Swiss regulatory approval in addition to the Luxembourg approval already granted. This will facilitate the marketing process and we expect the fund to reach capacity within 12 months. If Winton perform to their historic average of approximately 20% return, then our share of the annual management and performance fees once capacity has been reached, would be around US \$2.5 million. Funds under management have risen since the acquisition to US \$16.5m.

The key component of this transaction however is the very high quality that Winton represent. We believe this can only add to the future success of the company, and will doubtless make us more attractive to future candidate managers.

During the period we also appointed Nicola Meaden as a non-executive director. Nicola brings many years of top level experience in the hedge fund industry, and has already been an invaluable addition to the board. Our thanks go to her and our senior non-executive director, Colin Clark, for their wise counsel and work during the period. Our thanks also go to our shareholders for their continuing support

In financial terms, the result for the period is satisfactory. Cost containment was uppermost in our mind, and I am pleased that, despite the fairly heavy cost of flotation, we have maintained a very healthy cash balance.

Colin Barrow CBE, Chairman

**Profit and Loss Account  
For the period ended 31<sup>st</sup> March 2006**

**Period from  
Incorporation to 31<sup>st</sup>  
March 2006  
£'000**

	<b>Notes</b>	
Administrative expenses		(282)
Operating Loss		<u>(282)</u>
Interest receivable and similar income		73
Loss on ordinary activities before tax		<u>(209)</u>
Taxation on loss on ordinary activities	3	-
Loss for the period		<u>(209)</u>
Loss per share (pence)	4	<u>(11.62)p</u>

There are no recognised gains or losses for the period other than the loss for the period.

**Reconciliation of movement in Shareholders' funds**

**Period from  
Incorporation to 31<sup>st</sup>  
March 2006  
£'000**

Loss for the financial period	(209)
Issue of Ordinary Shares	2,950
Issue of A Shares	50
Share issue expenses	<u>(271)</u>
Net addition to Shareholders' funds	2,520
Shareholders' funds at the start of the period	-
Shareholders' funds at the end of the period	<u>2,520</u>

<b>Balance Sheet</b> <b>As at 31<sup>st</sup> March 2006</b>	<b>Notes</b>	<b>31<sup>st</sup> March 2006</b> <b>£'000</b>
Current assets		
Debtors		8
Investments	5	2,476
Cash		73
		<hr/> 2,557
Creditors: Amounts falling due within one year		(37)
Net current assets		<hr/> 2,520
Net assets		<hr/> <hr/> 2,520
Capital and Reserves		
Called up share capital		80
Share Premium Account		2,649
Profit and Loss Account		(209)
Shareholders' Funds		<hr/> <hr/> 2,520

The financial statements were approved by the board of directors and authorised for issue on 13<sup>th</sup> July 2006.

<b>Cash Flow statement for the period ended</b> <b>31<sup>st</sup> March 2006</b>	<b>Notes</b>	<b>Period from</b> <b>Incorporation to 31<sup>st</sup></b> <b>March 2006</b> <b>£'000</b>
Net cash outflow from operating activities	6	(253)
Net cash inflow from returns on investment and servicing of finance – interest received		73
Net cash outflow before use of liquid resources and financing		<hr/> (180)
Management of liquid resources		
Sale of investment		24
Purchase of investments		(2,500)
Net cash outflow before financing		<hr/> (2,656)
Financing		
Issue of A shares		50
Issue of Ordinary Shares		2,950
Share issue costs		(271)
		<hr/>

	2,753
Increase in cash	73

**Reconciliation of net cash flow to movement in net funds**

**Period from  
Incorporation to 31<sup>st</sup>  
March 2006  
£'000**

Increase in cash	73
Cash outflow from change in liquid resources	(2,476)
Movement in net funds resulting from cash flows	(2,403)
Opening net funds	-
Closing net funds	(2,403)

<b>Analysis of changes in net funds</b>	<b>On incorporation</b>	<b>Cash movement</b>	<b>Non-cash movement</b>	<b>At 31<sup>st</sup> March 2006</b>
Cash	-	73	-	73
Other liquid resources	-	(2,476)	-	(2,476)
Total	-	(2,403)	-	(2,403)

**Notes to the Financial Statements for the period ended 31<sup>st</sup> March 2006**

**1. Basis of preparation**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards. The following principal accounting policies have been applied:

*Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date except that the recognition of deferred tax assets is limited to the extent that the company anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances are not discounted.

*Liquid resources*

For the purposes of the cash flow statement, liquid resources are defined as current asset investments and short term deposits.

### *Current asset investments*

Current asset investments are stated at the lower of cost and net realisable value.

## **2. Directors Emoluments**

Amounts paid to directors during the period was:

	<b>Period from Incorporation to 31<sup>st</sup> March 2006 £'000</b>
Directors Emoluments	159
Highest Paid Director	75

Other than the directors there were no other employees during the period.

## **3. Taxation**

There is no charge due to the loss incurred in the period. The tax assessed for the period varies from the standard rate of corporation tax in the UK. The differences are explained below:

	<b>Period from Incorporation to 31<sup>st</sup> March 2006 £'000</b>
Loss on ordinary activities before taxation	(209)
Loss on ordinary activities at the standard rate of corporation tax in the UK of 30%	(63)
Effect of:	
Expenses not deductible for tax purposes	1
Losses carried forwards	62
Current tax charge	-

At 31<sup>st</sup> March 2006, the company had a deferred tax asset of £62,000 relating to tax losses carried forwards which had not been provided for in the financial statements.

## **4. Loss per share**

The loss per share is calculated on the loss on ordinary activities after tax of £209,027 and using the weighted average number of shares in issue during the period of 1,798,259. There were no instruments in issue which had a dilutive effect on the loss per share.

## 5. Investments

During the period the company has used the £2,500,000 of the cash raised during the flotation to purchase shares in a sterling currency fund in order to maximize earnings. During the period certain shares in the fund were sold to provide working capital and at 31<sup>st</sup> March 2006 the carrying and market value of this holding was £2,475,685. The investment is unlisted.

## 6. Reconciliation of operating loss to cash flows

	<b>Period from Incorporation to 31<sup>st</sup> March 2006 £'000</b>
Operating loss	(282)
Movement in debtors	(8)
Movement in creditors	37
	<hr/>
Net cash outflow from operating activities	(253)
	<hr/> <hr/>

## 7. Related party transactions

During the period, the company has accounted for costs of £33,333 for use of services and occupation of premises owned by Colin Barrow, a director of the company.

During the period the company has paid £492 to County Asset Finance Limited, a company controlled by Kit Malthouse, a director of the company. This represents a recharge of costs incurred in use of County Asset Finance's Companies House account, and was recharged at cost.

## 8. Post Balance Sheet Event

On 22nd May 2006 the company announced the acquisition of the entire share capital of Winton Advisors Limited. Consideration for the purchase was £327,010 satisfied by the issue of 308,500 Ordinary Shares of 1 pence each at a price of £1.06 per share. The shares were admitted to trading on AIM on 26th May 2006.

## 9. Status of Financial Information

The above audited financial information does not constitute the Company's full financial statements within the meaning of section 240 of the Companies Act 1985. It is an extract from the Report and Accounts for the period from incorporation to 31 March 2006 approved by the Board of Directors on 13 July 2006, but not yet delivered to the Registrar of Companies. Full audited financial statements for the period from incorporation to 31 March 2006 which include an unqualified auditors' report, will be filed at Companies House when the Report and Accounts are posted to shareholders.

## **10. Copies of the Report and Accounts**

The Report and Accounts for the period from incorporation to 31 March 2006 and the notice of the Annual General Meeting which will be held on 12<sup>th</sup> September 2006, are expected to be posted to shareholders on 19th July 2006. When posted copies will be available at London House, 8 Barton Street, London SW1P 3NE.