

Alpha Real Capital

Annual report and financial statements

For the year ended 31 March 2018

2018

Alpha Real Capital

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Alpha Real Capital LLP is an investment services group focussed on real estate, infrastructure and other asset-backed investment markets, with a strong focus on long-income investing



Highlights

- AUM grew by 11% to £2.4 billion including capital commitments
- The group expanded from 80 to over 100 people as we continue to invest for future growth
- Growth of Index Linked Income Fund by £260 million acquiring over 200 properties
- Continuing growth of TIME:ADVANCE with over £300 million raised to date following the major expansion of our capital raising team to over 25 to accelerate future growth
- TIME:CFF, our commercial long income fund, continued its growth to over £130 million
- Further growth in Alpha Property Lending, our specialist real estate lending business
- Strong growth of Alpha Real Renewables, our specialist renewable energy investing business, which has now invested over £200 million into over 40 renewable energy infrastructure projects including wind, solar, hydro and biomass
- Wind Renewables Income Fund launched with £100 million of commitments from institutional investors
- Growth of Social Long Income Fund and Social Freehold Fund which invest in social real estate
- Continuing investment in our specialist platforms
- Strong group balance sheet with £58 million net assets and no debt

Report of the Chief Executive

About Alpha

Alpha Real Capital LLP (“Alpha”) is an investment services group focussed on income security from real assets. We invest in asset-backed income from real estate, infrastructure, and lending, with an emphasis on long income and inflation protection. **Alpha has a 100 plus strong professional team with over £2 billion of assets under management, including capital commitments.**

Established in 2005, Alpha is jointly owned by Phillip Rose, members of the Alpha management team and companies ultimately owned by the PS Gower Personal Settlement.

Alpha’s experienced management team combines seasoned real estate, infrastructure and asset-backed lending experience with specialist sector knowledge to create value-added real-asset investment solutions.

We look for long term relationships with our investment partners, tenants, lenders and other stakeholders.

Alpha operates across diversified investment markets: listed and unlisted property vehicles, open and closed-ended property vehicles, UK and international funds, working with large institutional investors as well as private investors, family offices and wealth managers.

Alpha also owns TIME Investments (www.time-investments.com), its authorised wealth management investment solutions arm which acquired the real estate investment management business of Close Brothers Group.



Phillip Rose
CEO

Report of the Chief Executive (continued)

Key statistics

£2.4 billion assets under management

£58 million net asset value

100+ professional team



Alpha's expert platforms focus on long-income investing, renewables infrastructure, asset-backed lending and other specialist real asset sectors and services.

We offer each of our stakeholders:

An active-management approach that continuously seeks to add value

A commitment to innovation

Robust investment and operating processes with financial accountability

A strong emphasis on identifying, measuring and controlling risk

A passion for integrity in all we do and all we think

A deep respect and genuine spirit of partnership with our investors, business partners and other stakeholders

An ability to integrate decades of global experience with our local market knowledge

GROWTH INVESTOR
2017 AWARDS
RUNNER-UP
BEST BPR
INVESTMENT
MANAGER



UK Property
Investment Awards
WINNER 2016

Report of the Chief Executive (continued)

Our investment style

Independently owned and managed by its partners, Alpha thinks independently and acts responsively.

We focus on income security, income longevity and inflation protection.

Investors benefit from our ability to bring together specialist sector knowledge, industry connectivity and pro-active management to originate, finance and manage real asset-backed investment opportunities.

Our strong balance sheet gives us the ability to co-invest alongside our investment partners, as well as to greenhouse future opportunities.

Communication

We strive to be leaders in transparency and provide our investment partners and stakeholders with clear, regular and relevant communication.



Report of the Chief Executive (continued)

Investment process

Alpha operates a robust investment process which integrates local market intelligence, strategic research, active management strategies with financial and risk management.

Origination <ul style="list-style-type: none"> › Focus on asset selection, valuation metrics and value upside › Assess and quantify active management opportunities › Develop asset management strategies 	Structuring and financing <ul style="list-style-type: none"> › Detailed assessment of valuation fundamentals, rental profile and cashflows › Forensic due diligence-physical, technical, legal, environmental › Evaluate financing and structuring options to deliver value and flexibility › Financial stress testing › Develop risk management and monitoring strategies 	Investment Committee <ul style="list-style-type: none"> › Independently review all investments based on risk return profile and strategic portfolio fit › Sense test and stress test underwriting assumptions › Review and test detailed due diligence
Active asset management <ul style="list-style-type: none"> › Detailed business plan including investment horizon › Utilise optimum mix of in-house and closely managed service providers › Partner-based relationships with key tenants 	Portfolio management <ul style="list-style-type: none"> › Monitor portfolio and asset level characteristics, cashflows, financial covenants, projected IRRs and exit multiples 	Optimal exit <ul style="list-style-type: none"> › Continually review exit options, pricing and potential buyers

Report of the Chief Executive (continued)

Our business model

Alpha utilises its core strengths in establishing, building and managing specialist investment platforms focussed on discrete investment strategies:

Specialist platforms	Real estate investment funds	Wealth management solutions & funds
Alternative Real Capital Long-income assets and social infrastructure	Index Linked Income Fund Long-income, inflation linked commercial freehold ground rents	TIME: Freehold Freehold ground rents
Alpha Real Renewables Long-income energy infrastructure	Social Long Income Fund Long-income, inflation linked social infrastructure	TIME: Commercial Freehold Long-income, inflation linked commercial property investment
Alpha Property Lending Asset-backed lending	Alpha Real Trust Commercial property and asset-backed lending	TIME: Social Freehold Long-income, inflation linked social property investment
Alpha Germany Commercial property	Active UK Real Estate Fund Commercial property	TIME: Advance IHT investment services
		Tempo Structured Products Structured products

Alpha's expert platforms benefit from sector specialist teams who can draw on the wider Group's resources and skill base to bring together cross-functional teams with deep experience in investment selection, active asset management, risk management, financing and structuring.

Alpha has specialist expertise in long income investing including freehold ground rents, social infrastructure and renewable energy infrastructure.

Alpha continues to create new funds and services that enable our investment partners to access a wider choice of asset-backed strategies and attractive risk-adjusted investment returns.

Report of the Chief Executive (continued)

Our organisational strengths

Alpha's business is built on the breadth and depth of our 100 plus professional staff's collective experience, our ability to work flexibly on an inter-disciplinary basis, our expert sector-focussed investment platforms, and our disciplined investment processes.



Report of the Chief Executive (continued)

Key funds and platforms review

Fund focus: Index Linked Income Fund (ILIF)



Park Leisure

Total transaction value: £31.5m

Term: 175 years

Review: Annual RPI (0% floor, 5% cap)



Friars Walk

Total transaction value: £29m

Term: 130 years

Review: Annual RPI (0% floor, 5% cap)



HC One

Total transaction value: £136m

Term: 175 years

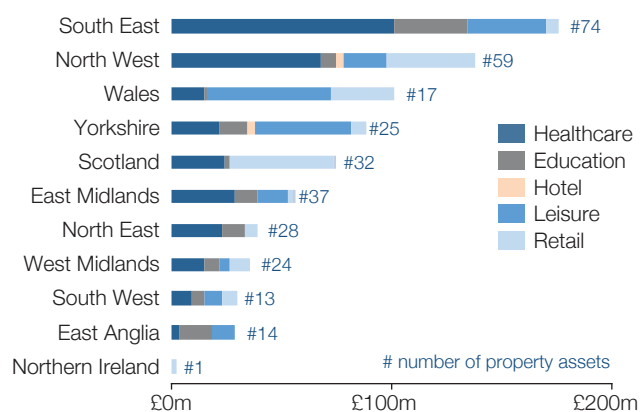
Review: Annual RPI (0% floor, 5% cap)

The Index Linked Income Fund invests in a portfolio of UK ground rent assets to provide a long-term secure and predictable inflation-linked income stream with associated capital growth. ILIF seeks to invest in opportunities to create new ground leases as well as existing assets and portfolios.

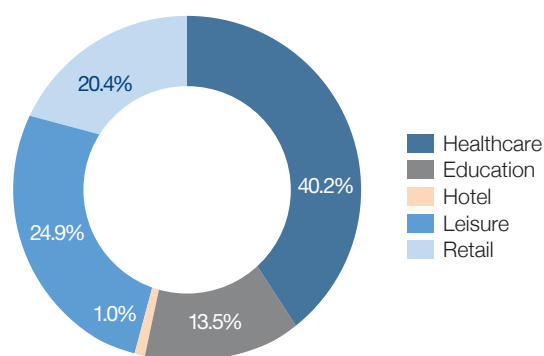
ILIF's investment strategy includes:

- Long-lease tenancies, typically over 100 years
- Rents indexed to inflation
- Defensive rental levels set at well below market levels
- Geographic and economic diversification

Geographical diversification



Sector diversification (% of capital value)



Report of the Chief Executive (continued)

ILIF successfully acquired over 200 properties during the year across the retail, leisure, education and healthcare sectors.



Busy Bees

Total transaction value: £70m

Term: 175 years

Review: Annual RPI (0% floor, 5% cap)



Aria Resorts

Total transaction value: £3.7m

Term: 175 years

Review: Annual RPI (0% floor, 5% cap)



Cognita Schools

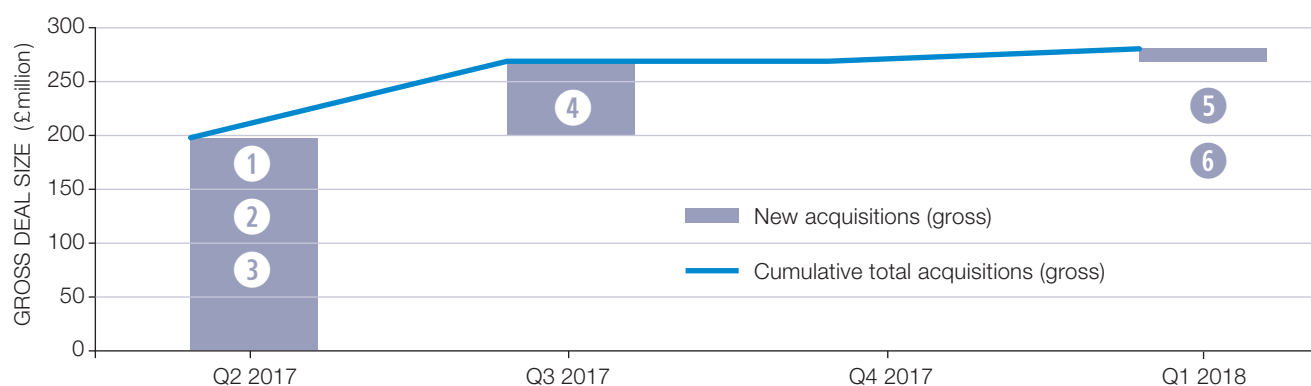
Total transaction value: £10.7m

Term: 150 years

Review: Annual RPI (0% floor, 5% cap)

In the year ended 31 March 2018, ILIF's NAV grew from £510 million to £768 million, with 200 properties worth over £260 million acquired during the year.

Acquisition timeline



- 1 Park Leisure**
7 holiday parks throughout the UK
- 2 Friars Walk**
A shopping centre in Newport

- 3 HC one**
105 care homes
- 4 Busy Bees**
90 day care nurseries

- 5 Aria Resorts**
2 holiday resorts
- 6 Cognita**
5 independent schools

Report of the Chief Executive (continued)

Key funds and platforms review



Fund focus: Alpha Real Renewables

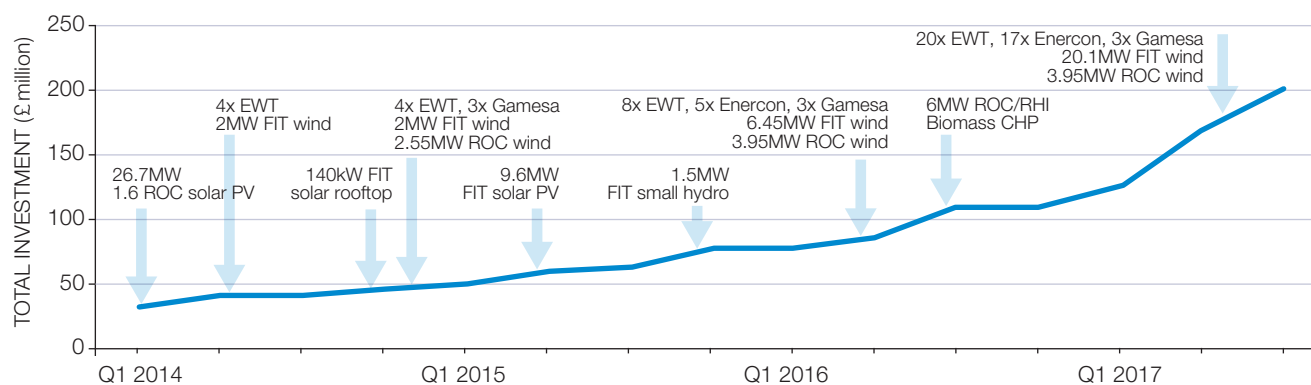
Alpha Real Renewables was set up in 2013 to invest across the renewable energy sector. The platform now benefits from a dedicated portfolio & investment team of five with a track record of 25 completed transactions since start up, having deployed over £200 million in equity in over 40 individual projects.

Alpha Real Renewables has experience of funding projects through planning, design, build and operation, having successfully commissioned 15 schemes, and is responsible for 44 utility scale power and heat projects spanning onshore wind, solar, biomass, and hydro generation. Through its largely off market origination efforts, the business has

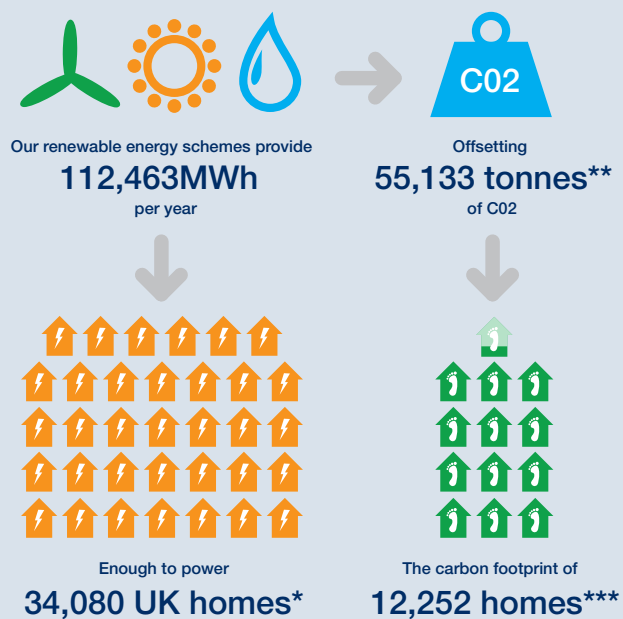
visibility over an investment pipeline of over £150 million of predominantly existing UK onshore wind assets to support its ongoing investment mandates. At the time of writing, three transactions from this pipeline with a combined investment of up to £50 million are expected to close during the next quarter bringing the number of assets under management to 49, or just over 85MW.

The Wind Renewables Income Fund (WRIF) is a new fund that has been established as a closed ended institutional investment fund dedicated to UK renewables (sub 5MW onshore wind) with a target size of £150-200 million in equity.

Alpha Real Renewables' timeline:



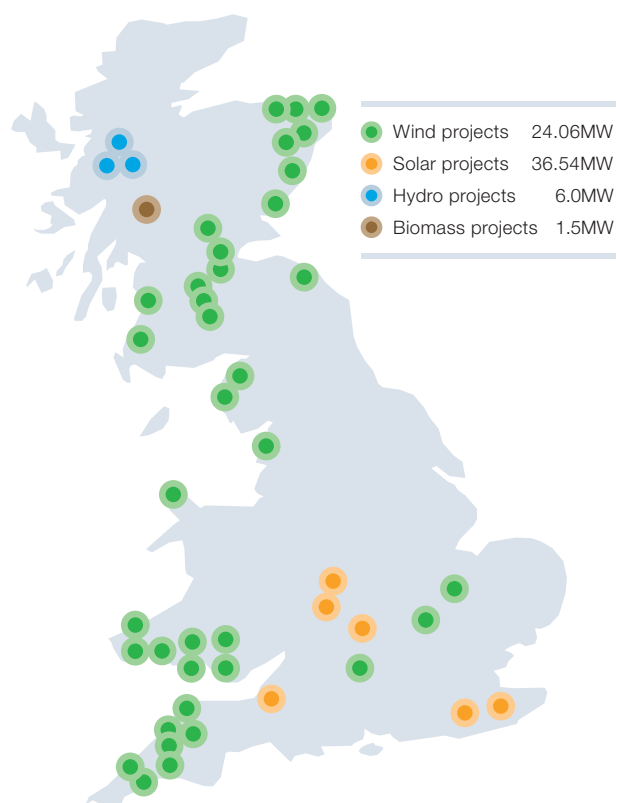
Report of the Chief Executive (continued)



The existing portfolio offers an attractive mix of UK operating assets comprising ground mount and rooftop solar PV (36.5MW), onshore wind (24MW), biomass combined heat and power (6MW) and small hydro (1.5 MW) with an average useful life of 20-40 years. Good levels of production and availability continue to be achieved across the portfolio, which produced over 95GWh over the last year with an achieved availability of 97.7%. This output is set to rise by 18% to just over 112GWh for the year ahead. This will be equivalent to offsetting the annual electricity consumption of over 34,000 average UK households with a CO₂ reduction of over 55,000 tonnes equivalent.

Renewable energy infrastructure provides investors with predictable, long-term cash flows with a significant component of revenues linked to inflation and underwritten by the UK Government.

Project locations



* Ofgem - Typical domestic consumption values, electricity, medium level 2013 - 3,300 kWh

** DEFRA Carbon Factors - Standard Set 2014 - UK Electricity - 490.23gCO₂/kWh of electricity generated

*** UK Housing Energy Fact File 2013, tables, CO₂ emissions per household, 4.5 tonnes in 2011

Report of the Chief Executive (continued)

Key funds and platforms review



Social Long Income Fund (SLIF)

The Social Long Income Fund invests in a portfolio of UK real estate assets that provide a secure long-term, inflation linked income stream and capital growth, whilst generating a positive social impact.

SLIF typically invests either via acquisition or through the construction of real estate assets let on long leases to providers of services such as:

- Specialist social housing such as supported living and extra care
- Affordable housing
- Specialist residential care
- Primary care
- Education

SLIF has initial investment commitments of £25 million from two Local Authority Pension Schemes.

Supported living seed portfolio

SLIF has partnered with a registered provider specialising in supported living, a leading care provider and a specialist developer of social real estate to build 68 supported living apartments in 4 developments across the UK.

SLIF has also completed the acquisition of a supported living and a specialist residential care scheme in Hingham in May 2017 and is forward funding the development which is due to complete in Q4 2018.

Alternative Real Capital

Established in 2014, Alternative Real Capital is a wholly-owned division of Alpha that specialises in long income real asset investment.

Alpha has raised circa £1.3 billion from UK pension funds for investment in long-income ground rents and social real estate assets through funds and direct mandates. These assets all have rents with inflation indexation.

The Alternative Real Capital team has considerable experience in the origination, structuring and placing of long income investments and has extensive knowledge within pension fund de-risking and cashflow driven investing (CDI).

Occupiers benefit from Alpha's track record in clearly identifying occupancy needs of tenants in individual or multiple locations and in delivering flexible partnership-based real estate solutions.

Report of the Chief Executive (continued)



**Alpha Real Trust
(ART)**

Alpha Real Trust targets investment opportunities across the asset-backed spectrum, including real estate operating companies, securities, services and other related businesses that offer attractive risk-adjusted total returns. ART currently focusses on high-yielding property debt, including mezzanine finance, and high-yielding equity investments in the UK and Western Europe that benefit from underlying strong cash flows. ART is a closed-ended Guernsey registered investment company listed on the Specialist Fund Segment of the London Stock Exchange.

ART continued to deliver shareholders double digit total returns in the year to 31 March 2018.



**Active UK Real Estate Fund
(AURE)**

Active UK Real Estate Fund invests in a diversified portfolio of UK industrial and office properties. Alpha became Investment Manager of AURE in 2011 and led a strategic injection of new capital accompanied by a programme of value-adding asset management initiatives.

AURE has continued to deliver top quartile performance with annualised returns over the last 3 years outperforming its benchmark by more than 2% per annum. AURE produced a total return of 13.8% in the year to 31 March 2018, outperforming its benchmark by over 3%.

The Alpha team has established a range of long-income and value-adding focussed real estate and asset-backed investment platforms.

Report of the Chief Executive (continued)

Key funds and platforms review



TIME:Freehold
(Freehold Income Authorised Fund)

TIME:Freehold is the UK's largest authorised freehold ground rent fund with over £300 million of Net Assets. The fund is an FCA regulated open-ended Property Authorised Investment Fund (PAIF) and has a Non-UCITS Retail Scheme ("NURS") status. TIME:Freehold seeks to provide a secure and stable investment with an attractive income stream and capital growth prospects from a portfolio of over 64,000 ground rents. For over two decades, TIME:Freehold has consistently produced inflation beating investor returns, with regular income and relatively low volatility. The investors in TIME:Freehold include pension funds, charities, trusts and individuals. TIME:Freehold has provided best risk-adjusted return of any fund in the IMA unit trust and OEIC universe over a 10-year period, according to FE Trustnet research.

TIME:Freehold provided an unleveraged return of circa 9% in the year, achieving 25 years of consecutive positive investor returns.



TIME:Commercial Freehold
(CFF)

TIME:Commercial Freehold invests in UK commercial property with long dated income streams that falls into two categories:

- Commercial freeholds with ground rents, and
- Commercial freeholds which benefit from long leases.

The income streams, security of the underlying investments and associated risk differs between these two asset types. By investing in both, CFF provides diversification and is able to spread risk.

CFF is traded monthly, is accessible via ISA, SIPP, offshore and SSASs, and aims to deliver:

- Consistent 4% per annum income returns
- Inflation mitigation
- Income security
- Potential for capital growth

CFF has continued to grow strongly to over £125 million and has continued to deliver an income return exceeding 4% per annum.

Report of the Chief Executive (continued)



TIME:Advance

TIME:Advance provides a streamlined service that invests in asset backed operating businesses that produce a steady and consistent annual return of over 3.5% and also mitigates inheritance tax (IHT) liability after a two year qualifying period through the use of Business Relief (BR). Examples of BR qualifying trades are property lending and renewable energy investment.

TIME:Advance has consistently met its 3.5% per annum return target since inception and raised around £300 million to date.

TIME:CTC

TIME:CTC offers corporate investors a method by which they can employ excess capital efficiently whilst retaining their own BR. Our IHT services have undertaken over 100 operating businesses including residential development lending, renewable energy generation, forestry, farming and self storage.

Over a period of 20 years, TIME:CTC has achieved 100% BPR from IHT for all of its qualifying investors and an inflation beating return over that period.

Report of the Chief Executive (continued)

Key funds and platforms review



Alpha Germany

Alpha Germany invests in commercial real estate across Germany let on long leases to attractive covenants with potential for value enhancement through active asset management.



Alpha Property Lending

Alpha Property Lending provides senior debt and higher loan-to-value "stretched" senior debt to experienced residential developers with a proven track record and to established investors in commercial real estate assets.

Using our knowledge and experience which covers a 19 year track record and over £400 million of completed developments we are well-placed to finance a broad range of development funding and investment lending requirements as well as other asset backed lending opportunities.

Report of the Chief Executive (continued)

Financial performance

Alpha's consolidated operating profit for the year ending 31 March 2018 is £15.4 million (2017: £15.2 million).

Alpha enjoys a strong balance sheet with no borrowings. The net asset value of Alpha at 31 March 2018 is £58.0 million (2017: £55.1 million). Alpha holds cash and investments (primarily listed securities) of £59.3 million at 31 March 2018 (2017: £51.0 million).

Outlook

Alpha manages a growing range of investment platforms diversified by geography, property type, sector and investor with investment platforms in the UK and Europe.

Alpha continues to invest in developing and enhancing its existing fund platforms and the creation of new products and business areas.

TIME Investments, our wealth management investment product management business, continues to grow its range of solutions to authorised financial intermediaries and wealth managers as well as its business development and relationship management teams to support them.

Alpha's long-income focused expert platform is well positioned to grow its freehold ground rent, social long income property, and other long-income investing funds.

Alpha Real Renewables, our renewable energy infrastructure platform with around £200 million of wind, solar, hydro and biomass energy investments, is expected to grow further in the year ahead.

Alpha's strong balance sheet and significant cash reserves, provides it with a robust platform from which to continue the expansion of its expert platforms and diversified funds management business.

Private investors/ wealth management	Institutional investors
FREEHOLD LONG INCOME TIME:Freehold TIME:Commercial Freehold	ILIF
SOCIAL LONG INCOME TIME:Social Freehold	SLIF
RENEWABLES LONG INCOME TIME:Advance TIME:CTC	WRIF

Report of the Chief Executive (continued)

Our team

Alpha is headquartered in London with an international network of offices with experienced management teams, deep local market knowledge and an extensive investment sourcing, financing, asset management and realisation track record.



Phillip Rose

CEO, Partner Alpha Real Capital LLP

Phillip has over 30 years' experience in the real estate, funds management and banking industries in Europe, the USA and Australasia. He has been the Head of Real Estate for ABN AMRO Bank, Chief Operating Officer of European shopping centre investor and developer TrizecHahn Europe and Managing Director of Lend Lease Global Investment. Phillip is currently a member of the Management Committee for Hermes Property Unit Trust and was formerly a non-executive director of Great Portland Estates plc.



Philip Gower

Philip is the founder of the Antler Property Group and Rockmount Capital, a major Alpha partner. He has been a UK and international commercial and residential real estate investor and developer for over 40 years. Philip founded Antler Property Investments in 1972 and has also created a number of highly successful private companies and joint ventures in real estate, private equity, financial services, manufacturing, and e-tailing.



Brad Bauman

Partner Alpha Real Capital LLP

Brad has over 20 years' experience in the real estate, funds management and banking industries in Europe and Australasia. He served as Managing Director of CBRE Financial Services.



Mark Rattigan

COO, Partner Alpha Real Capital LLP

Mark has previously been Chief Operating Officer and Director - Finance and Operations at RREEF (Deutsche Bank's real estate funds management group) based in London. He has over 25 years' experience in real estate, funds management and investment banking.



Karl Devon-Lowe

CFO, Partner Alpha Real Capital LLP

Karl is a Chartered Accountant with over 20 years finance experience in the real estate and leisure sectors. Prior to joining Alpha, he worked in senior finance positions at Hammerson plc and Heron International. He is also an Associate Member of the Association of Corporate Treasurers.



Hugo James

Partner Alpha Real Capital LLP
Managing Director Palm Capital Partners

Hugo has over 20 years of financial services experience across investment banking, fixed income, insurance and principal finance as both principal and adviser. Prior to joining Alpha, Hugo worked in pension de-risking across investments, liability hedging and bulk annuities. He was previously CEO of PensionsFirst Capital, a managing director at Credit Suisse and, director responsible for sales and structuring of bulk annuities at Legal & General and a member of the annuities management team.

Report of the Chief Executive (continued)

The team has experience in real estate, banking and funds management gained with leading organisations from around the world to ensure:

- strategic investment selection and detailed due-diligence
- active asset management and value enhancement focus
- financing and structuring expertise and established banking relationships
- local market expertise



Patrick Grant

Partner Alpha Real Capital LLP

Patrick joined as a partner of Alpha Real Capital LLP in January 2015 from CBRE. He is a Chartered Surveyor focussing primarily on growing the group's ground rent and other long income property businesses. Patrick has over 20 years experience in the property market, the majority which has been spent in the alternative asset sectors (hotels, healthcare, pub and leisure). Prior to CBRE, he was with Gerald Eve, Christie & Co and St Martins Property Corporation.



Scott Gardner

Partner Alpha Real Capital LLP

Scott has over 19 years experience in the real estate and funds management industries across Australia, Asia and Europe and has worked in financial institutions, property companies and real estate agency.



Nigel Ashfield

Partner Alpha Real Capital LLP

Managing Director TIME Investments

Nigel founded TIME Investments, Alpha's authorised financial intermediary facing arm, in 2011 and is responsible for over £500 million of Alpha's funds under management. He was previously Managing Director of Close Brothers' Group plc's Tax Efficient and Property funds Management business where he worked for ten years. Nigel qualified as a Chartered Accountant with PwC after studying law.



Stephen Daniels

Head of Tax Products, Partner

TIME Investments

Stephen has over eight years of experience of investing in UK SMEs and is responsible for the TIME:Advance and TIME:CTC tax efficient investment services. Previously, Stephen was a divisional director at Close Brothers' Tax Efficient and Property Funds Management business, with responsibility for structuring and managing tax efficient investments, including Enterprise Investment Schemes (EISs).



Simon Housden

Sales and Marketing Director, Partner
TIME Investments

Simon is the sales and marketing Director of TIME Investments and manages a distribution team of eleven who support TIME's authorised advisor clients. Prior to joining TIME Investments he previously worked for Octopus Investments for nearly seven years, where he was head of strategic partnerships.



Anthony Buckley

Operations Director, Partner
TIME Investments

Anthony is responsible for operations across a range of both onshore and offshore commercial and residential property funds. Previously he was Director of Operations at Close Brothers' Tax Efficient and Property Funds Management business for six years. Prior to that, he worked in a public practice in New Zealand for seven years, specialising in business advisory and taxation advice for SMEs and high net worth individuals. Anthony is a Chartered Accountant.

Report of the Members

The members present their report together with the audited financial statements for the year ended 31 March 2018.

Principal activity, trading review and future developments

The principal activity of Alpha Real Capital LLP (the “Partnership” or “LLP”) is the provision of investment management services. The Partnership is authorised and regulated by the Financial Conduct Authority. The Chief Executive’s report on pages 2 to 19 provides an update on the Partnership’s performance for the year. The members are actively exploring opportunities to expand the Partnership’s business base and assets under management.

Principal risks and uncertainties

The members are responsible for determining the level of risk acceptable to the Partnership. This is subject to regular review. The members believe the principal risks facing the Partnership are:

- (1) **credit risk** – the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.
- (2) **market risk** – the risk of loss that arises from adverse movements in cash deposit interest rates and foreign exchange rate.
- (3) **operational risk** – the risk of loss through the loss of one or more of the Partnership’s management contracts.

The members seek to mitigate risks through the application of strict controls, a monitoring process at the operational level of cash flows and fund performance and the use of insurance policies and foreign currency hedge contracts where appropriate. The Partnership has updated its Pillar 3 disclosures, as required under Chapter 11 of the Financial Conduct Authority’s Prudential Sourcebook for Banks, Building Societies and Investment Firms (BIPRU), and includes these on the Partnership’s website.

Designated members

The designated members during the year were:

P Rose
B J Bauman
Arrco Limited

Allocation of profits

Any profits are shared among the members as governed by the Limited Liability Partnership Deed (the “Deed”) dated 25 March 2015 (as amended from time to time). Members are remunerated solely out of the profits of the Partnership and final allocation of profits to members is made in accordance with the Partnership Deed.

Capital

The members may only contribute to the Partnership’s capital in accordance with the Deed. No member is entitled to interest on their capital.

Policy for drawings, subscriptions and repayment of members’ capital

The Deed governs policies for members’ drawings, subscriptions and repayment of members’ capital. No drawings or other payments can be made to or on behalf of any members, other than by distribution of profits, without the consent of the members. The Partnership will reserve, out of profits before distribution, sufficient funds to provide for the working capital requirements of the business.

Disclosure of information to auditor

At the date of making this report each of the LLP’s members confirms the following:

- So far as each member is aware there is no relevant information needed by the LLP’s auditor in connection with the preparation of their report of which the LLP’s auditor are unaware; and
- each member has taken all the steps that he/she or it ought to have taken as a member in order to make his/her/itself aware of any relevant information needed by the LLP’s auditor in connection with the preparation of their report and to establish that the LLP’s auditor are aware of that information.

Auditor

A resolution to re-appoint BDO LLP as auditor will be proposed at the next member’s meeting.

Approved by the members of the Alpha Real Capital Limited Liability Partnership on 3 July 2018.

Phillip Rose

Designated member

3 July 2018

Members' responsibilities



The members are responsible for preparing the members' report and the financial statements in accordance with applicable law and regulation. The Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008 require the members to prepare financial statements for each financial year. Under these regulations the members have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under these regulations the members must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Limited Liability Partnership and of the profit or loss of the Group and Limited Liability Partnership for that period.

In preparing these financial statements, the members are required to:

- select suitable accounting policies and then apply them consistently.
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Limited Liability Partnership will continue in business.

The members are responsible for keeping adequate accounting records that are sufficient to show and explain the Limited Liability Partnership's transactions, disclose with reasonable accuracy at any time the financial position of the Limited Liability Partnership, and enable them to ensure that the financial statements comply with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. They are also responsible for safeguarding the assets of the Limited Liability Partnership and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report

Independent auditor's report to the members of Alpha Real Capital LLP

We have audited the financial statements of Alpha Real Capital LLP ("the Limited Liability Partnership") and its subsidiaries ("the Group") for the year ended 31 March 2018 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, Consolidated Statement of Movement in Members' Interests', the Consolidated Cash Flow Statement, Partnership Statement of Financial Position, the Partnership Statement of Movement in Members' Interests and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the Group's and the Limited Liability Partnership's affairs as at 31 March 2018 and of the Group's profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006 applied to limited liability partnerships by the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Limited Liability Partnership in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Members' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Members have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group or the Limited Liability Partnership's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Members are responsible for the other information. The other information comprises the Chief Executive's Report, the Report to the Members and the Statement of Members' Responsibilities. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report (continued)

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 as applied to limited liability partnerships requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Limited Liability Partnership, or returns adequate for our audit have not been received from branches not visited by us; or
- the Limited Liability Partnership's financial statements are not in agreement with the accounting records and returns; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Members

As explained more fully in the Statement of Members' responsibilities the Members are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Members determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Members are responsible for assessing the Group's and the Limited Liability Partnership's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Members either intend to liquidate the Group or the Limited Liability Partnership or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>.

This description forms part of our auditor's report.

Use of our report

This report is made solely to the Limited Liability Partnership's members, as a body, in accordance with the Limited Liability Partnerships (Accounts and Audit) (Application of the Companies Act 2006) Regulations 2008. Our audit work has been undertaken so that we might state to the Limited Liability Partnership's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Partnership and the Limited Liability Partnership's members as a body, for our audit work, for this report, or for the opinions we have formed.

Alexander Tapp (Senior Statutory Auditor)

For and on behalf of BDO LLP

Statutory Auditor

London

3 July 2018

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated income statement

For the year ended 31 March 2018

	Note	2018 £	2017 £
Turnover	3	28,180,697	26,422,307
Cost of sales		(560,148)	(837,941)
Administrative expenses		(12,192,919)	(10,386,522)
Other operating income		18,000	27,143
Operating profit	4	15,445,630	15,224,987
Interest receivable	6	283,581	577,934
Income from current asset investments	7	46,694	137,503
Gains from changes in fair value of investments	11	479,408	109,198
Share of Associate profit before tax	12	4,280,109	4,199,556
Profit on ordinary activities before taxation		20,535,422	20,249,178
Taxation on profit on ordinary activities	8	34,901	(14,599)
Profit on ordinary activities after taxation		20,570,323	20,234,579
Profit for the financial year before members' remuneration and profit shares		20,570,323	20,234,579
Profit for the financial year before members' remuneration and profit shares attributable to:			
Members as owners of the parent entity		18,145,306	18,267,611
Non-controlling interests		2,425,017	1,966,968
		20,570,323	20,234,579
Profit for the financial year before members' remuneration and profit shares		18,145,306	18,267,611
Members' profit share charged as an expense		(18,145,306)	(18,267,611)
Result for the financial year available for discretionary division among the members		-	-

All amounts relate to continuing activities.

The notes on pages 32 to 43 form part of these financial statements.

Consolidated statement of comprehensive income

For the year ended 31 March 2018

	2018 £	2017 £
Profit for the financial year before members' remuneration and profit shares	20,570,323	20,234,579
Currency translation differences		
Group	(2,873)	22,419
Associate	(720,533)	1,083,292
	(723,406)	1,105,711
Adjustment of investment in Associate	15,142	-
Other comprehensive (losses)/income for the year	(708,264)	1,105,711
Total comprehensive income for the year	19,862,059	21,340,290
Total comprehensive income attributable to:		
Members as owners of the parent entity	17,437,042	19,373,322
Non-controlling interests	2,425,017	1,966,968
	19,862,059	21,340,290

The notes on pages 32 to 43 form part of these financial statements.

Consolidated statement of financial position

At 31 March 2018

	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	529,395	337,384
Investments	11	42,869,704	43,495,257
		43,399,099	43,832,641
Current assets			
Debtors	13	4,121,632	11,157,643
Cash at bank and in hand		16,454,375	7,536,629
		20,576,007	18,694,272
Creditors: amounts falling due within one year			
Creditors	14	(5,988,372)	(7,389,652)
Net current assets		14,587,635	11,304,620
Net assets attributable to members		57,986,734	55,137,261
Represented by:			
Loans and other debts due to members within one year			
Amounts due to members		27,777,501	25,209,669
Members' other interests			
Members' capital classified as equity		28,916,532	28,916,532
Total members' interests		56,694,033	54,126,201
Non-controlling interests		1,292,701	1,011,060
		57,986,734	55,137,261
Total members' interests			
Amounts due to members		27,777,501	25,209,669
Members' capital		28,916,532	28,916,532
		56,694,033	54,126,201

The financial statements were approved by the members of the Limited Liability Partnership and authorised for issue on 3 July 2018.

Phillip Rose

Designated member

The notes on pages 32 to 43 form part of these financial statements.

Consolidated statement of movement in members' interest

For the year ended 31 March 2018

	Members' capital (classified as equity) £	Amounts attributable to members £	Non-controlling interests £	Total £
As at 1 April 2017	28,916,532	25,209,669	1,011,060	55,137,261
Profit for the year	-	18,145,306	2,425,017	20,570,323
Members' interests after profit for the year	28,916,532	43,354,975	3,436,077	75,707,584
Comprehensive income – currency translation differences	-	(723,406)	-	(723,406)
Comprehensive income – share buy backs	-	(342,040)	-	(342,040)
Comprehensive income – dividends paid from Associate	-	(89,680)	-	(89,680)
Comprehensive income – other adjustments	-	446,862	-	446,862
Other comprehensive income for the year	-	(708,264)	-	(708,264)
Total members interests after profits for the year and comprehensive income	28,916,532	42,646,711	3,436,077	74,999,320
Contributions by and distributions to members				
Drawings	-	(14,869,210)	(2,143,376)	(17,012,586)
Total contributions by and distributions to members	-	(14,869,210)	(2,143,376)	(17,012,586)
As at 31 March 2018	28,916,532	27,777,501	1,292,701	57,986,734

The notes on pages 32 to 43 form part of these financial statements.

Consolidated statement of movement in members' interest

For the prior year ended 31 March 2017

	Members' capital (classified as equity) £	Amounts attributable to members £	Non-controlling interests £	Total £
As at 1 April 2016	28,966,623	12,200,087	1,056,679	42,223,389
Profit for the year	-	18,267,611	1,966,968	20,234,579
Members' interests after profit for the year	28,966,623	30,467,698	3,023,647	62,457,968
Comprehensive income - currency translation differences	-	1,105,711	-	1,105,711
Other comprehensive income for the year	-	1,105,711	-	1,105,711
Total members interests after profits for the year and comprehensive income	28,966,623	31,573,409	3,023,647	63,563,679
Contributions by and distributions to members				
Repayment of capital	(50,091)	-	-	(50,091)
Drawings	-	(6,363,740)	(2,012,587)	(8,376,327)
Total contributions by and distributions to members	(50,091)	(6,363,740)	(2,012,587)	(8,426,418)
As at 31 March 2017	28,916,532	25,209,669	1,011,060	55,137,261

The notes on pages 32 to 43 form part of these financial statements.

Consolidated statement of cash flow

For the year ended 31 March 2018

	Note	2018 £	2017 £
Cash flows from operating activities			
Profit for the year before members' remuneration and profit shares		20,570,323	20,234,580
Adjustments for:			
Depreciation	10	61,534	63,877
Decrease/(increase) in debtors		3,895,331	(4,665,522)
Increase/(decrease) in creditors		(1,358,887)	674,726
Currency translation		(3,300)	20,782
Net interest receivable	6	(283,581)	(577,934)
Gain on disposal of investment	7	(46,694)	(137,503)
Taxation		(47,461)	6,437
Fair value movement of investments		(505,533)	(109,198)
Impairment of investments		-	11,960
Movements in Associate		(3,726,591)	(3,650,194)
Net cash inflow from operating activities		18,555,141	11,872,011
Returns on investments and servicing of finance			
Interest received	6	10,700	21,066
Interest received on loans and loan notes	6	272,881	824,482
		283,581	845,548
Taxation paid		12,204	(34,728)
Capital expenditure and financial investment			
Purchase of tangible fixed assets	10	(254,150)	(192,698)
Investments made	11	(15,781,714)	(21,304,134)
Loan made		-	(3,000,000)
Loan arrangement fee		-	30,000
Sale of investment property		-	812,364
Gain on disposal of investment		73,096	137,503
Repayment of loan		4,747,647	3,116,107
Sale of tangible fixed assets		-	893
Sale of investments	11	18,295,525	15,715,977
		7,080,404	(4,683,991)
Transactions with members			
Payments to members		(14,869,209)	(6,363,740)
Capital (repayments) / contributions		(1,000)	(50,091)
		(14,870,209)	(6,413,831)
Transactions with non-controlling interests			
Drawings of non-controlling interests		(2,143,375)	(2,012,587)
Increase/(decrease) in cash		8,917,746	(427,575)
Cash at start of year		7,536,629	7,964,204
Cash at end of year		16,454,375	7,536,629

The notes on pages 32 to 43 form part of these financial statements.

Partnership statement of financial position

At 31 March 2018

OC312705	Note	2018 £	2017 £
Fixed assets			
Tangible assets	10	127,547	140,374
Investments	11	16,535,054	16,279,266
		16,662,601	16,419,640
Current assets			
Debtors	13	3,782,425	13,603,515
Cash at bank and in hand		11,026,055	2,525,288
		14,808,480	16,128,803
Creditors: amounts falling due within one year			
Creditors	14	(10,305,862)	(8,225,312)
Net current assets		4,502,618	7,903,491
Net assets attributable to members		21,165,219	24,323,131
Represented by:			
Loans and other debts due to members within one year			
Amounts due to members		5,107,047	8,264,959
Members' other interests			
Members' capital classified as equity		28,916,532	28,916,532
Other reserves		(12,858,360)	(12,858,360)
Total members' interests		21,165,219	24,323,131
Total members' interest			
Amounts due to members		5,107,047	8,264,499
Members' capital		28,916,532	28,916,532
Members' other interests – other reserves		(12,858,360)	(12,858,360)
		21,165,219	24,323,131

The financial statements were approved by the members of the Limited Liability Partnership and authorised for issue on 3 July 2018. The Partnership has taken advantage of the exemption under section 408 of the 2006 Companies Act not to disclose the Partnership profit and loss account. Included in the consolidated profit and loss account is a profit of £ 11,711,298 (2017: £13,162,125) relating to the Partnership.

Phillip Rose

Designated member

The notes on pages 32 to 43 form part of these financial statements.

Partnership statement of movement in members' interest

For the year ended 31 March 2018

31 March 2018	Members' capital (classified as equity)	Other reserves	Amounts attributable to members	Total
	£	£	£	£
As at 1 April 2017	28,916,532	(12,858,360)	8,264,959	24,323,131
Profit for the year	-	-	11,711,298	11,711,298
Total members interests after profits for the year and comprehensive income	28,916,532	(12,858,360)	19,976,257	36,034,429
Contributions by and distributions to members				
Drawings	-	-	(14,869,210)	(14,869,210)
Total contributions by and distributions to members	-	-	(14,869,210)	(14,869,210)
As at 31 March 2018	28,916,532	(12,858,360)	5,107,047	21,165,219

31 March 2017	Members' capital (classified as equity)	Other reserves	Amounts attributable to members	Total
	£	£	£	£
As at 1 April 2016	28,966,623	(12,858,360)	1,466,575	17,574,838
Profit for the year	-	-	13,162,125	13,162,125
Total members interests after profits for the year and comprehensive income	28,966,623	(12,858,360)	14,628,700	30,736,963
Contributions by and distributions to members				
Repayment of capital	(50,091)	-	-	(50,091)
Drawings	-	-	(6,363,741)	(6,363,741)
Total contributions by and distributions to members	(50,091)	-	(6,363,741)	(6,413,832)
As at 31 March 2017	28,916,532	(12,858,360)	8,264,959	24,323,131

The notes on pages 32 to 43 form part of these financial statements.

Notes to the financial statements

For the year ended 31 March 2018

1. Accounting policies

Basis of preparation

The financial statements have been prepared in accordance with FRS 102 the Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland, including the Statement of Recommended Practice (SORP), 'Accounting by Limited Liability Partnerships', issued in January 2017.

The presentation currency is £ sterling.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires the LLP's members to exercise judgement in applying the Group's accounting policies (see note 2).

Alpha Real Capital LLP disclosure exemptions

In preparing the separate financial statements of the LLP, advantage has been taken of the following disclosure exemptions available in FRS 102:

- No cash flow statement has been presented for the LLP; and
- No disclosure has been given for the aggregate remuneration of the key management personnel of the LLP as their remuneration is included in the totals for the group as a whole.

The following principal accounting policies have been applied:

Basis of consolidation

The consolidated financial statements present the results of Alpha Real Capital LLP and its subsidiaries ("the Group") as if they formed a single entity. Inter group transactions and balances between Group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the balance sheet, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

Associates

An entity is treated as an associated undertaking where the Group exercises significant influence in that it has the power to participate in the operating and financial policy decisions.

In the consolidated accounts, interests in associated undertakings are accounted for under the equity method of accounting. Under this method, an equity investment is initially recognised at the transaction price (including transaction costs) and is subsequently adjusted to reflect the investor's share of the profit and loss, other comprehensive income and equity of the associate. The consolidated statement of comprehensive income includes the Group's share of the operating result, interest, pre-tax results and attributable taxation of such undertakings applying accounting policies consistent with the Group. In the consolidated balance sheet, the interests in associated undertakings are shown as the Group's share of the identifiable net assets.

Turnover

Turnover represents the invoiced value of services provided net of value added tax. Management and incentive fees are recognised as earned in accordance with the relevant investment management agreement.

Dividend income from investments is recognised when the shareholders' rights to receive payment is established.

Interest income is accrued on a time proportionate basis by reference to the principal outstanding and at the interest rate applicable, on an effective yield basis.

Gains or losses on sale of investments are recognised on disposal date.

Other income is accrued when prudent to do so.

Cost of sales

Cost of sales reflects costs attributable to adviser commission, bad debt provision and other fund related operating expenses.

Operating expenses

Operating expenses reflect costs attributable to adviser commission, bad debt provision and other fund related operating expenses.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

Where the Group has a legal obligation, a dilapidations provision is created on inception of a lease. These provisions are a best estimate of the cost required to return leased properties to their original condition upon termination of the lease. Where the obligation arises from 'wear and tear', the provision is accrued as the 'wear and tear' continues.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

Taxation

Taxation on a members' share of the LLP's profits is solely the personal liability of the individual members and consequently is not dealt with in these financial statements. The tax within these consolidated financial statements relate to the corporate subsidiaries of the Group.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the LLP's subsidiaries operate and generate taxable income.

Deferred tax balances are recognised in respect of all temporary timing differences that have originated but not reversed by the balance sheet date.

Deferred tax is determined on the basis of tax effect accounting, using the liability method, and is applied to all temporary differences at the reporting date between the carrying amounts of assets and liabilities and the amounts used for tax purposes except when the deferred tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised, where material, for all taxable temporary differences except those mentioned above. Deferred tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

The carrying amount of a deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of the deferred tax asset to be utilised.

Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in 'sterling', which is the LLP's functional and the Group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transaction took place. All assets and liabilities of overseas operations are translated at the rate ruling at the operating date. Exchange differences arising on translating opening net assets at opening rate and the results of the overseas operations at actual rate are taken to reserves and are recognised in other comprehensive income.

(b) Transactions and balances

Foreign currency transactions are translated into the Group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses are presented in profit and loss within 'other operating income or expense'.

Tangible fixed assets

Tangible fixed assets, other than investment properties, are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation

Depreciation is provided on all tangible fixed assets to write off the cost or valuation, less estimated residual values, evenly over their estimated useful lives using the straight-line method. The estimated useful lives range as follows

Leasehold improvements	- 16.66%
Computer equipment	- 33.33%
Fixtures and fittings	- 20.00% to 33.33%
Software development	- 20.00%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within 'other operating income or losses' in the statement of comprehensive income.

Disposals are recognised on unconditional exchange.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted company shares which have been classified as fixed asset investments as the Group intends to hold them on a continuing basis, are re-measured to market value at each balance sheet date. Gains and losses on re-measurement are recognised in profit or loss for the period.

Debtors

Debtors are measured at the transaction price, less any impairment.

Cash

Cash at bank and in hand consist of cash and cash balances held with banks.

Creditors

Creditors are measured at the transaction price.

Financial assets

(a) Classification

The Group classifies its financial assets as fixed asset investments and current asset investments. The classification depends on the purpose of which the assets were acquired. The management determines the classification of the financial assets at initial recognition and re-evaluates this designation at the end of financial year.

- (i) Fixed asset investments – Convertible Unsecured Loan Stock (CULS) and Loan notes

The CULS and loan notes are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classed as 'Fixed asset investments' on the statement of financial position.

- (ii) Derivatives at fair value through profit or loss

This category comprises only "in the money" financial derivatives.

(b) Recognition and de-recognition

Financial assets are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Regular way of purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the assets.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

On disposal of a financial asset, the difference between the carrying amount and the net sale proceeds is recognised in profit or loss. Any amount in the fair value reserve relating to the asset is reclassified from other comprehensive income to profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(c) Initial and subsequent measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately as expenses.

After initial recognition, loans and receivables are carried at amortised cost, where applicable, using the effective interest rate method, less impairment loss, if any. Current asset investments are subsequently carried at fair value.

The effective interest method is a method that calculates the amortised cost of a financial instrument and allocates the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period.

Derivatives at fair value through profit or loss are carried in the statement of financial position at fair value, with changes in fair value recognised in the statement of profit or loss and other comprehensive income.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less any impairment losses.

Interest and dividend income from current asset investments are recognised separately in profit or loss.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

(d) Impairment

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

(i) Loans and receivables

The Group considers evidence of impairment for loans and receivables at a specific asset level. All individually significant loans and receivables are assessed for specific impairment.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised.

When the asset becomes uncollectible, it is written off against the allowance account. When a subsequent event (e.g. repayment by a debtor) causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

(ii) Investments

Significant or prolonged declines in the fair value of the security below its cost and the disappearance of an active trading market for the security are objective evidence that the security is impaired.

If any evidence of impairment exists, the cumulative loss that was recognised in the fair value reserve is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense.

Financial liabilities

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at cost which represents the fair value of the consideration to be paid in the future, less transaction cost, for goods received or services rendered, whether or not billed to the Company, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Other financial liabilities comprise loans and borrowings and trade and other payables.

Gains or losses are recognised in profit and loss when the liabilities are derecognised as well as through the amortisation process.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

(a) Recognition and de-recognition

Financial liabilities are recognised on the statement of financial position when, and only when, the Company becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are derecognised when the contractual obligation has been discharged or cancelled or expired.

On de-recognition of a financial liability, the difference between the carrying amount and consideration paid is recognised in the statement of profit or loss and other comprehensive income.

Members' capital

Initial capital contributions ('principal capital') of each of the members are amounts as set out in the LLP agreement. Further members shall contribute upon admission to the LLP such capital as determined by the Board.

No member can withdraw or receive back any part of their principal capital contribution account except for in specific circumstances as detailed in the LLP deed and approved by the Board. Members' principal capital is therefore classified as equity.

Profit allocations

Profit allocations are recognised in the year in which they are declared and become a present obligation of the LLP.

Holiday pay accrual

A liability is recognised to the extent of any unused holiday pay entitlement which has accrued at the balance sheet date and carried forward to future periods. This is measured at the undiscounted salary cost of the future holiday entitlement so accrued at the balance sheet date.

Notes to the financial statements (continued)

For the year ended 31 March 2018

1. Accounting policies (continued)

Pension costs

Contributions to the Group's defined contribution pension scheme are charged to profit or loss in the year to which they become payable.

Some of the subsidiaries of the Group operate defined benefit pension plans. However, as the LLP is not itself party to the scheme and none of its employees are members of that scheme, no proportion of the scheme is recognised in its individual LLP financial statements.

Onerous leases

Where the unavoidable costs of a lease exceed the economic benefit expected to be received from it, a provision is made for the present value of the obligations under the lease.

Professional indemnity insurance

Insurance premiums are expensed to the profit and loss account over the period of the insurance cover. Provisions are made for any uninsured excess that is likely to be payable in respect of claims made. These are based on best estimate of the expected cash outflows, discounted to present value where appropriate.

2. Judgements in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements requires the use of certain accounting judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources. The estimates and associated assumptions were based on historical experience and other factors that were considered to be reasonable under the circumstances. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgment in applying the Group's accounting policies

The areas where judgements are most significant to the financial statements are disclosed below:

- Determine whether there are indicators of impairment of the Group's assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset.
- To establish a provision for receivables which are estimated not to be recoverable. When assessing recoverability, factors such as the age of the receivables, past experience of recoverability, and the credit profile of customers are considered.

(b) Other key sources of estimation uncertainty

The areas where estimates are most significant to the financial statements are disclosed below:

Tangible fixed assets

Tangible fixed assets, other than investment properties, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors such as how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices.

Unquoted investments

Unquoted investments are valued using the methods most appropriate to the type of investment.

Recoverability of receivables

The Group establishes a provision for receivables that are estimated not to be recoverable. When assessing recoverability the Group considers factors such as the age of the receivables, past experience of recoverability, and the credit profile of customers.

3. Turnover

	2018	2017
	£	£
Group turnover consists of:		
Fee income	28,180,697	26,422,307

Fee income is wholly attributable to the principal activity of the Group, and arises within the United Kingdom, the Isle of Man and the Channel Islands.

Notes to the financial statements (continued)

For the year ended 31 March 2018

4. Operating profit

	2018	2017
	£	£
Group operating profit has been arrived at after charging:		
Depreciation	61,534	63,877
Auditor's remuneration – audit services	63,089	67,700
Taxation service fees	52,474	30,773
Operating lease payments	368,267	362,920

Included within auditor's remuneration for audit services above is £37,305 (2017: £44,085) payable to the auditors of the subsidiary entities.

5. Employees

	2018	2017
	£	£
Staff costs consist of:		
Wages and salaries	6,883,222	4,793,022
Social security costs	687,004	591,738
Pension	128,002	111,048
	7,698,228	5,495,808

The average number of employees during the year was 97 (2017: 73).

6. Interest receivable

	2018	2017
	£	£
Bank interest receivable	10,700	21,066
Interest receivable on Loan Notes	143,095	298,148
Interest receivable on loan to a related party	129,786	258,720
	283,581	577,934

7. Income from current asset investments

	2018	2017
	£	£
Gain on disposal of investments	46,694	137,503

Notes to the financial statements (continued)

For the year ended 31 March 2018

8. Taxation on profit on ordinary activities

	2018	2017
	£	£
Group foreign tax	721	6,437
Share of associate tax	12,318	8,168
Other taxes	(47,940)	-
Total current tax (credit)/charge	(34,901)	14,599

The Group tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

	2018	2017
	£	£
Profit on ordinary activities before taxation	20,535,422	20,249,178
Corporation tax in the UK of 19% (2017: 20%)	3,901,730	4,049,836
Effect of:		
Income taxed as members' personal tax	(3,936,631)	(4,035,237)
	(34,901)	14,599

9. Members' share of profits

Profits and losses are shared by the members at the end of the year in accordance with agreed profit and loss sharing arrangements governed by the Partnership Agreement. Members are required to make their own provision for pensions and other benefits from their profit shares.

	Number
Average number of members	13
	£
Average profit per member	1,582,333
Entitlement of partner with largest profit share	5,369,531

Notes to the financial statements (continued)

For the year ended 31 March 2018

10. Tangible assets

Group	Leasehold improvements	Fixtures and fittings	Computer software	Computer equipment	Total
	£	£	£	£	£
Cost					
At 1 April 2017	222,177	90,481	174,194	166,215	653,067
Additions	-	25,577	199,616	28,957	254,150
Disposals	-	-	-	-	-
Foreign exchange translation	13,784	(28,992)	-	2,552	(12,656)
At 31 March 2018	235,961	87,066	373,810	197,724	894,561
Depreciation					
At 1 April 2017	100,266	78,287	-	137,130	315,683
Depreciation provided	33,828	6,692	-	21,014	61,534
Disposals	-	-	-	-	-
Foreign exchange translation	11,907	(25,995)	-	2,037	(12,051)
At 31 March 2018	146,001	58,984	-	160,181	365,166
Net book value					
At 31 March 2018	89,960	28,082	373,810	37,543	529,395
At 31 March 2017	121,911	12,194	174,194	29,085	337,384

Partnership	Leasehold improvements	Fixtures and fittings	Computer equipment	Total
	£	£	£	£
Cost				
At 1 April 2017	217,575	21,932	61,415	300,922
Additions	-	24,553	8,972	33,525
Disposals	-	-	-	-
At 31 March 2018	217,575	46,485	70,387	334,447
Depreciation				
At 1 April 2017	97,915	14,276	48,357	160,548
Depreciation provided	31,082	5,078	10,192	46,352
Disposals	-	-	-	-
At 31 March 2018	128,997	19,354	58,549	206,900
Net book value				
At 31 March 2018	88,578	27,131	11,838	127,547
At 31 March 2017	119,660	7,656	13,058	140,374

Notes to the financial statements (continued)

For the year ended 31 March 2018

11. Investments

Group	Convertible Unsecured Loan Stock (CULS) and Loan Notes	Associates	Investments	Total
	£	£	£	£
Cost and net book value				
At 1 April 2017	1,747,647	35,839,057	5,908,554	43,495,258
Loan notes purchased / (redeemed)	(1,747,647)	-	-	(1,747,647)
Investment made	-	-	15,781,714	15,781,714
Investment disposals	-	-	(18,295,525)	(18,295,502)
Gains/(losses) on changes in fair value of investments	-	-	479,408	479,408
Share of associate's profit for the year	-	4,267,791	-	4,267,791
Share of associate's currency translation differences	-	(720,533)	-	(720,533)
Share of associate's dividends paid	-	(495,580)	-	(495,580)
Share of associate's buy backs	-	(342,040)	-	(342,040)
Other fair value adjustment of associate	-	446,858	-	446,858
At 31 March 2018	-	38,995,553	3,874,151	42,869,704
Analysed as:				
Non-current	-	38,995,553	3,874,151	42,869,704
	-	38,995,553	3,874,151	42,869,704

Partnership	Subsidiaries	Investments	Total
	£	£	£
Cost and net book value			
At 1 April 2017	16,279,266	-	16,279,266
Investment made	160,000	122,938	282,938
Investment disposal	-	(27,150)	(27,150)
At 31 March 2018	16,439,266	95,788	16,535,054
Analysed as:			
Non-current	16,439,266	95,788	16,535,054
	16,439,266	95,788	16,535,054

Notes to the financial statements (continued)

For the year ended 31 March 2018

11. Investments (continued)

	Country of incorporation	Percentage owned and voting rights	Principal activity
Subsidiary undertakings:			
Alpha Real Property Investment Advisers LLP	England and Wales	98.70%	Property fund management
Antler Property Investments UK LLP	England and Wales	92.00%	Property management services
Alpha Global Property Securities Fund PTE Limited	Singapore	100.00%	Investment company
Alpha Real Capital France SARL	France	100.00%	Property management services
Alpha Real Capital Germany GmbH	Germany	100.00%	Property management services
Alpha Real Capital India Pvt Ltd	India	100.00%	Property management services
Performance Real Estate LLP	England and Wales	100.00%	Property management services
Glenglass Renewables Limited	England and Wales	100.00%	Renewable energy
Alpha Real Technology LLP	England and Wales	100.00%	Data centre consultancy
Palm Capital Partners LLP	England and Wales	100.00%	Capital markets advisory services
Skygreen Renewables Limited	England and Wales	100.00%	Renewable energy
Alternative Real Capital LLP **	England and Wales	100.00%	Fund management services
Alpha Property Lending LLP **	England and Wales	100.00%	Asset backed lending
ART PRS Birmingham GP Ltd (formally ARC GP No1 Limited)	England and Wales	100.00%	General partner to ART Investments LP
ARC SP LLP (formally MAC Partners LLP)**	England and Wales	100.00%	Asset management
OWN PRS LLP **	England and Wales	100.00%	PRS asset management
ART PRS Leeds GP Ltd (formally ARC GP No2 Limited)	England and Wales	100.00%	General partner to ART Investments 2 LP
Fitzrovia Finance Limited (formally Future Lending Limited)	England and Wales	100.00%	P2P lending platform
Alpha Real Capital Services Ltd	England and Wales	100.00%	Management Services
ARC SP Holdings Limited **	England and Wales	100.00%	Management Services
ARC SP No.1 Limited **	England and Wales	100.00%	Management Services
Associate undertakings:			
Alpha Real Trust Limited	Guernsey	32.92%	Property investment company

** Dormant as at 31 March 2018.

12. Share of Associate's profit before tax

	2018 £	2017 £
Share of operating profit	2,894,249	2,537,143
Share of joint venture profit	45,818	36,445
Interest receivable	1,569,408	2,157,906
Interest payable	(229,366)	(531,938)
	4,280,109	4,199,556
Taxation	(12,318)	(8,162)
	4,267,791	4,191,394

Notes to the financial statements (continued)

For the year ended 31 March 2018

13. Debtors

	2018 Group £	2018 Partnership £	2017 Group £	2017 Partnership £
Trade debtors	2,927,901	2,636,336	4,357,210	4,000,843
Other debtors	579,685	55,233	3,180,846	21,293
VAT recoverable	68,748	-	21,731	-
Prepayments and accrued income	545,298	460,487	3,597,856	3,382,033
Amount due from group undertakings	-	630,369	-	6,199,347
	4,121,632	3,782,425	11,157,643	13,603,516

All amounts shown under debtors fall due for payment within one year.

14. Creditors: amounts falling due within one year

	2018 Group £	2018 Partnership £	2017 Group £	2017 Partnership £
Trade creditors	514,813	245,551	771,363	576,882
Other tax and social security	1,171,689	881,851	1,408,489	555,902
Other creditors	938,797	454,362	1,335,535	605,645
Accruals and deferred income	3,363,073	999,583	3,874,265	1,193,097
Amount due to group undertakings	-	7,724,515	-	5,293,786
	5,988,372	10,305,862	7,389,652	8,225,312

15. Commitments under operating leases

The Group had total lease commitments under non-cancellable operating leases as set out below:

	2018 £	2017 £
Within one year	505,430	504,568
In one to five years	862,532	1,340,780
	1,367,962	1,845,348

All operating leases are in respect of rent of land and buildings.

16. Ultimate controlling parties

At 31 March 2018, the ultimate controlling parties were the designated members.

Notes to the financial statements (continued)

For the year ended 31 March 2018

17. Related party transactions

The Partnership recognises members, subsidiary partnerships with non-controlling interests and associate companies as related parties and the transactions with these parties are detailed below. Transactions with wholly owned subsidiary companies, which are related parties, are eliminated on consolidation and not disclosed in this note.

Transactions with associate company

Alpha Real Capital LLP ("ARC") provided property and investment management services of £1,656,770 (2017: £1,936,465) to Alpha Real Trust Limited ("ART"), an associate company, and at the 31 March 2018 the balance of fees owed to the Partnership was £818,880 (2017: £577,741). During the year, the Partnership earned performance fees from ART of £310,146 (2017: £2,758,818).

Alpha Real Property Investment Advisers LLP ("ARPIA"), a subsidiary of ARC, incurred £301,089 (2017: £155,682) in respect of management fee rebates with ART. As at 31 March 2018 ARPIA had a creditor position of £87,631 (2017: £39,471).

Transactions with related parties

During the year, Arrco Limited, a partner of Alpha Real Capital LLP, settled the loan from Alpha Global Property Securities Fund PTE of £3,000,000.

Antler Property Investments UK LLP ("Antler") provided property and asset management services of £1,100,450 (2017: £318,107) to a UK property portfolio owned by the Rockmount Capital group which is owned by a discretionary trust that is also related to a member of ARC. Additionally, Rockmount Capital group companies have recharged administrative costs of £17,160 (2017: £16,891) to Antler. As at 31 March 2018, an amount of £nil was due from the Rockmount Capital group (2017: £170,140).

Members and information

Members

P Rose *
 B J Bauman *
 Arrco Limited *
 IPGL Fund Services Limited
 K Devon-Lowe
 M Rattigan
 Rockmount Ventures Limited
 N Friedlos
 B Frith
 N Ashfield
 H James
 P Grant
 S Gardner
 T Pissarro

* Designated members

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 Barclays PLC
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Alpha Real Trust Limited

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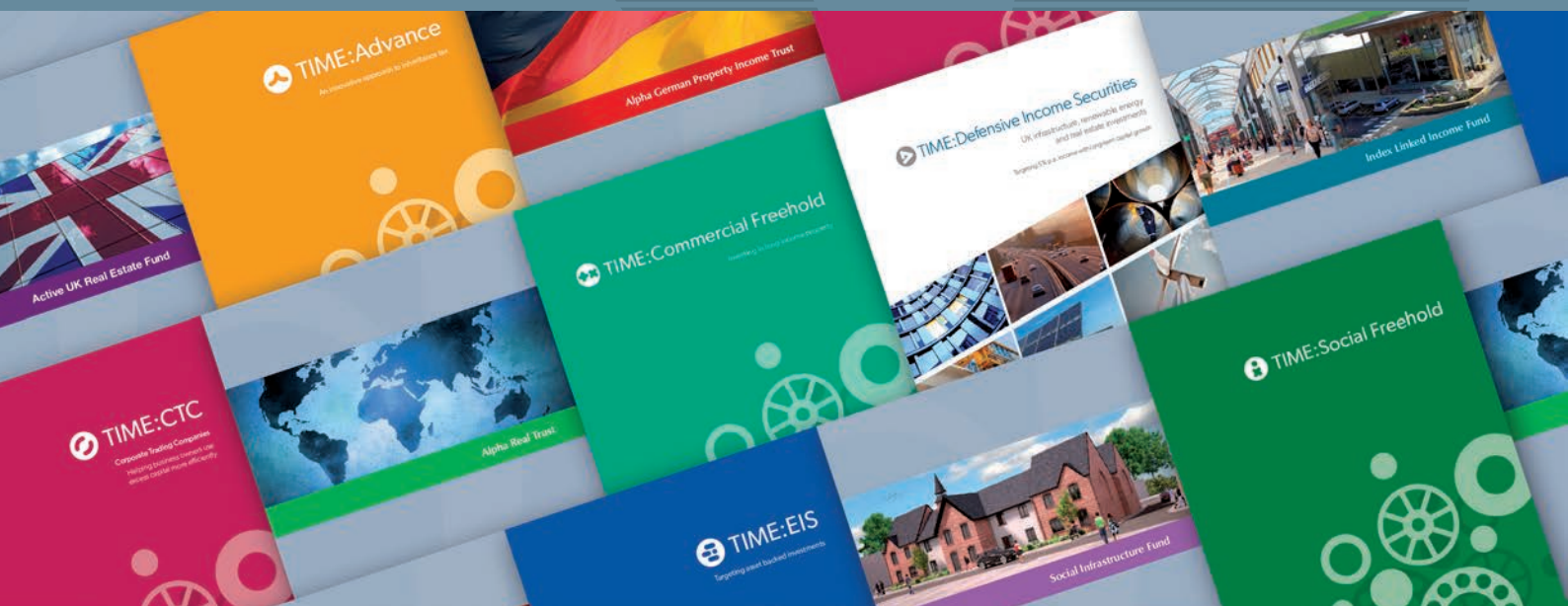
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