



## 2017 Preliminary Results Announcement

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Alfa Financial Software Hldgs PLC  
08 March 2018

8 March 2018

**Alfa Financial Software Holdings PLC**  
**2017 Preliminary Results Announcement**  
**Strong momentum and execution in 2017**

Alfa Financial Software Holdings PLC ("Alfa" or the "Company"), a leading developer of mission critical software for the asset finance industry, today publishes its audited results for the year ended 31 December 2017.

**Business Highlights:**

- Five successful completed software implementations
- Strong pipeline and diversity of prospects gives confidence for 2018
- Increased headcount to 329 by end of year 2017 (2016: 269), providing increased fee earning capacity
- Digitalisation and functional evolution of Alfa continue to drive sales pipeline

**Financial Highlights:**

<b>Statutory Highlights</b>	<b>2017 £million unless otherwise stated</b>	<b>2016 £million unless otherwise stated</b>	<b>Growth %</b>
Revenue	87.8	73.3	20%
Operating profit	33.8	16.6	104%
Profit for the period	25.9	9.9	162%
Earnings per share - basic	9.1 pence	2.8 pence	225%

<b>Financial Highlights (1)</b>	<b>2017 £million unless otherwise stated</b>	<b>2016 £million unless otherwise stated</b>	<b>Growth %</b>
Revenue - constant currency	86.1	79.1	9%
Adjusted EBIT	41.2	32.8	26%
Adjusted EBIT - constant currency	39.6	33.8	17%
Adjusted earnings per share - diluted	11.0 pence	8.0 pence	38%

(1) See Definitions section for further information of the calculation of measures not specifically defined by IFRS

Andrew Denton, CEO of Alfa, commented:

"This has been a significant year for Alfa with the successful delivery of five software implementations and the continued expansion of our customer base. Despite the weakening dollar in the last quarter of the year, we have delivered revenue of £87.8 million, at the top end of our guidance of underlying high double-digit top line growth and a 2017 Adjusted EBIT margin of 47%, which we believe is testament to the quality of our product and delivery teams.

We continue to focus on delivering value to our shareholders through the successful execution of our growth strategy. We are committed to continuing to invest in and develop Alfa, expand our customer base and build the business for the future through broadening the geographic footprint and securing further market share. We have recently executed a global framework agreement with a customer in the equipment finance vertical, which will further our continued aim to diversify our portfolio and to be the leader across all asset finance market verticals and geographies.

Building on our recent customer wins, Alfa expects to continue to deliver on its highly differentiated strategy, serving an addressable market of over \$3 billion. Against a backdrop of a weakening dollar, the Board expects to report low double-digit top line growth on a budget rate, or mid double-digit growth on a constant currency basis. Alfa continues to see a strong and diverse pipeline of opportunities which underpin the Board's confidence through 2018, with revenue growth weighted to the second half of the year as the full benefit of recent wins is felt."

**Presentation**

Alfa management will be hosting an analyst presentation to discuss the FY17 results at the London Stock Exchange, 10 Paternoster Square, EC4M 7LS at 9.00am GMT on 8<sup>th</sup> March 2018.

Following the presentation on 8 March 2018, results information will be available on the Alfa investor site: [investors.alfasystems.com](http://investors.alfasystems.com).

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#### Notes to Editors

Alfa has been delivering systems and consultancy services to the global asset and automotive finance industry since 1990. Our best practice methodologies and specialised knowledge of asset finance mean that we deliver the largest software implementations and most complex business change projects. With an excellent delivery history over nearly three decades in the industry, Alfa's track record is unrivalled.

Alfa Systems, our class-leading technology platform, is at the heart of some of the world's largest asset finance companies. Key to the business case for each implementation is Alfa Systems' ability to replace multiple client systems on a single platform. Alfa Systems supports both retail and corporate business for automotive, equipment, wholesale and dealer finance on a multijurisdictional basis, including leases/loans, originations and servicing. An end-to-end solution with integrated workflow and automated processing using business rules, the opportunities that Alfa Systems presents to asset finance companies are clear and compelling.

With over 30 customers utilising Alfa in 26 countries, Alfa has offices in Europe, Asia-Pacific and North America. For more information, visit [www.alfasystems.com](http://www.alfasystems.com).

#### Forward looking statements

This report contains certain forward-looking statements with respect to the financial condition, results of operations, and businesses of Alfa. These statements and forecasts involve risk, uncertainty and assumptions because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements. These forward-looking statements are made only as at the date of this announcement. Nothing in this announcement should be construed as a profit forecast. Except as required by law, Alfa has no obligation to update the forward-looking statements or to correct any inaccuracies therein.

#### Definitions

**Adjusted Earnings** - Adjusted Earnings is defined as profit for the period from continuing operations attributable to equity holders of the Company, before IPO-related expenses and pre-IPO share based compensation, less the tax effect of these adjustments. Adjusted Earnings is used in measuring profitability because it represents a Group measure of performance which excludes the impact of certain non-cash charges and other charges not associated with the underlying operating performance of the business, while including the effect of items that management believes affect shareholder value and in-year return, such as income tax expense and net finance costs.

**Adjusted EBIT** - Adjusted EBIT is defined as profit from continuing operations before income taxes, finance income, IPO-related expenses and pre-IPO share based payments. Management utilises this measure to monitor performance as it illustrates the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations.

**Billings** - Billings are amounts invoiced in the year.

**Constant Currency** - Management provide percentage increases or decreases in revenue or Adjusted EBIT to eliminate the effect of changes in currency values as we believe it is helpful to the understanding of underlying trends in the business. When trend information is expressed herein "in constant currencies", the comparative results are derived by re-calculating non British pounds denominated revenue and/or expenses using the average monthly exchange rates of this year and applying it to the comparative periods results, excluding gains or losses on derivative financial instruments. The average rates are as follows:

Average exchange rates for the period	2017	2016
USD	1.2887	1.3554
EUR	1.1414	1.2163
SEK	11.0001	11.5210
NZD	1.8140	1.9497
AUD	1.6811	1.8252

**Diluted Adjusted Earnings per share** - Adjusted Earnings is used for the purposes of calculating Diluted Adjusted Earnings per share. Management uses diluted Adjusted Earnings per share to assess total Company performance on a consistent basis at a per share level.

**ODS** - Ongoing development and services, which is one of the Alfa revenue segments.

**Operating Free Cash Flow Conversion** - Operating Free Cash Flow Conversion is calculated as cash from operations less gains and losses on settlement of derivative instruments and margin calls and capital expenditures and adding back IPO-related expenses, as a percentage of Adjusted EBIT.

#### CHIEF EXECUTIVE'S REVIEW

2017 has delivered change on a number of fronts; servicing an ever changing market place, our listing in London, our continued expansion with two historic customer wins and our ever growing and diverse team at Alfa.

##### Delivering

We have really delivered for our customers in 2017 - never before did I think I would get two grateful calls over a single weekend from two different customers celebrating the fact that our Alfa teams delivered their implementations for them. By the point December closed, we had delivered five software implementations - each and every one of these is a huge achievement and the result of many cumulative months of work on both the Alfa and customer side.

Everyone in Alfa makes this possible - the sales team, the implementation and support teams, the product and technical centres and all of our internal teams around the world. I would like to thank every one of my colleagues for an excellent year of delivery for our customers as well as continuing to deliver on our strategy. We have grown the Alfa team around the world, increasing from 269 employees to 329 at 31 December 2017, an increase of 60 people which is our largest annual increase. We continue to celebrate the sheer breadth and diversity of nationalities, backgrounds and skills that we are lucky to have in our Alfa team.

##### Growing and winning

As we have grown, we have taken care to protect our culture, which is rooted in our founding 20 plus years ago, whilst also embracing change. We have increased our headcount to 329 and expect to grow by a further 15-20% over the next year. Our induction and training programme, which all new joiners attend, has been developed to provide our new members with the training, support and supervision required as they learn the Alfa way.

In 2017, we have also grown the Alfa family by entering into a global service agreement with a transnational professional services firm, with whom we are now co-bidding in a late stage pipeline opportunity. This is a very important step towards implementing side-by-side with partners and will provide the bandwidth for long term operational growth.

In June 2017, we announced two significant new customer wins and those implementations have kicked off in earnest, ramping up through the fourth quarter and delivering over £3.4 million in revenue in 2017. While those implementations will continue throughout 2018 and beyond, we have recently announced the win of a global equipment manufacturer. The implementation will focus on Europe in the first instance, but the global master framework agreement provides us with an opportunity to implement globally, assisting this organisation in reinventing the way they do business. This will contribute to revenue growth in the second half of 2018.

##### Addressing the changing market

From a macro-economic perspective, we believe the global asset finance market to be generally in good health. The US asset finance market is hitting its seventh consecutive year of growth and new business volumes in the key European markets reaching double-digit growth. Having said that, the automotive finance sector is being buffeted by a number of headwinds. These include declining new car sales and, as with other parts of the market, increased regulation. Therefore a key focus of the global asset finance players will be to keep pace with all market drivers. Ultimately, all these factors lead to increased systems investment but they may create uncertainty in some sectors in relation to timings of implementations.

We have seen a seismic shift in the asset finance landscape in recent years and indeed months. Today we are all thinking and talking about digital, artificial intelligence, internet of things and cyber security. The way we did things a couple of years ago will no longer be the way we do it in the future. Demographics and customer priorities are changing and we need to keep listening and changing with them.

While change may be a challenge to many, we view this as an opportunity and have stepped up to grab it with both hands. After listening to our customers, who have told us that digitalisation has been at the top of their agendas for the last few years, we launched Alfa<sup>^</sup>Digital to lead thinking and demonstrate our capabilities in this arena. This has successfully opened doors to potential new customers and also created new opportunities for existing customers. We can offer direct access to end consumers, connectivity within the IT landscape and also access to data which will ultimately increase consumer satisfaction and therefore loyalty. Already, at one of our customers we have been taking part in evolving conversations around the Internet of Things - connecting Alfa Systems to the physical asset - and how this will disrupt the lending landscape. There is still a lot of runway on this and I am excited to see where this goes in 2018.

Our Cloud First approach to the market, which is a robust and comprehensive commitment to Alfa Systems being hosted in the cloud, be it public or private, has given us a major competitive advantage. This has provided our customers with real optionality around their infrastructure and has also led to significant running cost efficiencies.

#### Developing Alfa Systems and our implementation processes

We have been asked a lot about version six of Alfa Systems. Java is still a modern language and the Alfa technical platform is still a sound base for development in relation to user experience, digitalisation, and further connectivity with other systems. 2018 will see us start the journey towards a more granular modularisation of Alfa Systems allowing for faster development, fewer dependencies, and positioning the software as a leader in the more open and cooperative deployments we expect to see in the future. Some of this development will appear in version six of the software.

We are also continuing to focus on the strategic projects which will move us towards the vision of delivering a fast, lower friction Alfa to any country, any vertical and to any size of company.

Our simplification focus will look at improving internal processes and optimising automation of migration and data testing. The collaborations we have with existing customers, as well as our own investment in simplification over 2017 will enable Alfa to win customers who had previously not been able to accept the traditional implementation processes.

#### Looking back

We have a lot to celebrate in 2017, which was a strong year financially. Revenue increased by 20% to £87.8 million (2016: £73.3 million) and Adjusted EBIT margin increased to 47%. Currency fluctuations post-Brexit have been sizeable, and excluding this impact, revenue increased 9% on a constant currency basis. Important to us is the fact that all of our completed implementation customers continued into our Ongoing Development and Services segment ("ODS") which demonstrates the strength of our customer relationships and the continued partnership we have with them.

#### Looking forward

Our management objectives will focus on the following activities:

- We will continue to ensure flawless execution of our current software implementation projects and continue to deliver to our ODS customers.
- We are also focused on capitalising on the full pipeline we see at the end of December 2017, with a number of late stage opportunities progressing to the closing stages. We expect a similar quantum of new customers or existing customer upgrade projects to be announced in 2018, including our recent win at the beginning of March 2018.

Against a backdrop of a weakening dollar, the Board expects to report low double-digit top line growth on a budget rate, or mid double-digit on a constant currency basis, with new customer projects achieving run rate in the second half of the year.

#### FINANCIAL REVIEW

**2017 saw another year of strong growth, with revenue growth of 20% and an Adjusted EBIT margin of 47%. This was driven by increased software implementation revenue, primarily at the beginning of the year, supplemented by demand from our growing ODS customer base in the back end of the year.**

Group results	2017 £'000s	2016 £'000s	Movement %
Revenue	87,777	73,280	20%
Operating expenses - net	(53,948)	(56,691)	(5%)
Operating profit	33,829	16,589	104%
Finance income	33	587	(94%)
Taxation	(7,996)	(7,294)	10%
Profit for the period	25,866	9,882	162%

#### Revenue overview

Alfa revenue increased by £14.5 million or 20% to £87.8 million in the year (2016: 73.3 million). Growth was predominantly driven by completing implementations on larger more complex projects, with customers who then moved into ODS post implementation. We therefore saw ODS grow by £12.5 million in the year with the number of ODS customers contributing more than £0.3 million increasing to 14, from eight in the prior year.

We gained from the strong US dollar in the first half of the year and benefitted from £1.7 million gains on the revaluation of financial instruments (2016: £3.8 million loss).

Revenue segment	2017 £'000s	2016 £'000s	Movement %
Software implementation	44,764	47,881	(7%)
ODS	21,164	8,667	144%
Maintenance	21,849	16,732	31%
Total revenue	87,777	73,280	20%

**Software implementation** - Software implementation revenue decreased by £3.1 million, or by 7%, to £44.8 million for the year ended 31 December 2017 (2016: £47.9 million) reflecting the natural progression of customers, who had gone live primarily in the first half of the year, all continuing into ODS activities. Completed implementations contributed £16.2 million of revenue in 2017 (2016: £28.3 million).

New implementation customers contributed £3.6 million in aggregate in the second half of the year, which partially offset the decline in completed implementations. With an average number of implementation customers of six during 2017 (2016: 7), revenue per customer increased by 6% reflecting the increased efforts at the go-live point, offset by the naturally lower revenue levels from new customers as new projects commenced in the second half of the year. Average number of customers is calculated based on the number of months of implementation activities in each year.

In 2017, 60% of implementation revenue is denominated in US dollars (2016: 70%) and as such, were impacted by the strong USD in the first half of the year. We recorded £1.7 million of gains on fair value of derivative instruments entered into prior to the June 2016 Brexit vote. On a constant currency basis, the decline in implementation revenue was 18%, reflecting the significant portion of revenue derived from our US customer base.

**ODS** - ODS revenue increased by £12.5 million to £21.2 million during 2017 (2016: £8.7 million). The number of ODS customers contributing more than £0.3 million of revenue increased to 14 (2016: 8) due to completed implementation customers moving into ODS. These customers contributed £10.2 million of revenue in 2017, an increase of £7.1 million.

Another key driver of ODS growth was the continued strong demand from our existing customer base which contributed an increase of £4.6 million, including increased license fees of £1.3 million due to increased customer portfolio sizes.

Average customer revenue increased by 37%, reflective of the increasing size and complexity of these ODS customers and their operations. ODS projects undertaken in the year included ongoing changes to processes, additional bespoke development and migration of additional customer portfolios onto the Alfa platform as a result of regulatory or control requirements.

Due to the diversity of our ODS customer portfolio, the impacts of foreign currency were not as significant and, on a constant currency basis, ODS revenue growth was similar, at 140%.

**Maintenance** - Maintenance revenue increased by £5.1 million, or 31%, to £21.8 million (2016: £16.7 million), primarily due to increases in customer portfolio sizes which triggered increased license and maintenance payments and stepped increases after implementations have completed. Such payments accounted for £3.3 million, with the remainder coming from the underlying customer base or new customers. Annual rate rises on the underlying existing customer base were also offset by the weakening of the US dollar on US dollar denominated maintenance contracts in the second half of the year.

#### Operating profit

The Group's operating profit increased by £17.2 million, or 104%, to £33.8 million in the year ended 31 December 2017, from £16.6 million in 2016, predominantly reflecting revenue growth and decreased non-recurring pre-IPO share based payment expense of £11.8 million. Operating profit margin increased to 39% (2016: 23%), reflecting the decrease of share based payment expense.

Excluding exceptional items of pre-IPO share based payment expense of £4.4 million (2016: £16.2 million) and IPO-related expenses of £3.0 million, operating profit increased to £41.2 million from £32.8 million due to growth in revenue, offset by increased salary costs as we continued to expand the Alfa team.

**Implementation and Support ("I&S") expenses** increased by £4.3 million, or by 25%, to £21.0 million (2016: £16.7 million) which represents 24% of revenue generated. I&S expenses are predominantly personnel costs and therefore increase with headcount. In the year, average I&S headcount increased by 27 FTEs to 110 FTEs (2016: 83 FTEs). Additionally we have been impacted by increased costs to recruit, with recruitment fees increasing in line with the number of experienced hires in the period.

**Research and product development ("R&PD") expenses** remained relatively static with a marginal increase of £0.3 million to £14.0 million (2016: £13.6 million) which represents 16% of 2017 revenue. R&PD expenses are predominantly personnel costs in relation to personnel identified as developers. Personnel can be reassigned to other areas in response to changing project requirements. For instance, with more mature ongoing implementations, these typically see a peak of development effort at the mid-point of the implementation, with less in the latter stages. During 2017, our development efforts centred primarily on customer project development, with no amounts capitalised.

**Sales, general and administrative ("SG&A") expenses** decreased by £7.3 million, or by 28%, to £19.1 million (2016: £26.4 million) which reflected a decrease in share based payment expense of £11.8 million offset by increased professional fees of £3.0 million, relating to the IPO, and increases to salary costs.

Excluding the impact of pre-IPO share based payment expenses and IPO related expenses, SG&A expenses increased by £1.5 million, or by 15%, to £11.7 million (2016: £10.2 million). This increase reflects an increase in salary costs as FTEs increased to 49 (2016: 37) as we bolstered our back office capability and grew our sales and marketing team, offset by a decrease in foreign exchange losses to £1.1 million (2016: £1.3 million).

#### Profit after taxation

Profit after taxation increased by £16.0 million, or by 162%, to £25.9 million (2016: £9.9 million). The effective rate of taxation in 2017 decreased to 24%, (2016: 42%) due to non-deductible expenses such as share based payment expenses decreasing in 2017. Excluding exceptional items, the adjusted effective rate of taxation was 19% (2016: 22%) reflecting the decrease in the UK's statutory tax rate offset by profits in foreign subsidiaries.

#### Tax policy

The Group accounts for tax matters in accordance with the Group's code of conduct and ethical guidelines. It is the Group's obligation to pay the amount of tax legally due and to observe all relevant and applicable rules and regulations in the jurisdictions in which it operates. While meeting this obligation, the Group also has an obligation to its shareholders to plan, manage and control tax costs. The Group seeks to achieve this by conducting business affairs in the way that is efficient from a tax perspective, such as implementing a robust transfer pricing policy and claiming available tax credits and incentives. The Group is committed to building a constructive working relationship with the tax authorities of the countries in which it operates.

#### A Regional Snapshot

On a regional basis 48% of the Group's revenue is generated from US-based customers (2016: 50%), 35% from UK customers (2016: 35%), and 17% from the Rest of World (2016: 15%).

Revenue - by region	2017 £'000s	2016 £'000s	Movement %
UK	30,686	25,894	19%
US	42,167	36,493	16%
Rest of World	14,924	10,893	37%
Total revenue	87,777	73,280	20%

#### UK

UK revenue increased by £4.8 million, or by 19%, to £30.7 million for the year ended 31 December 2017 (2016: £25.9 million) primarily reflecting existing customer revenue growth, with new customers additionally contributing £0.9 million in the year. Demand from UK based customers increased specifically in relation to assistance with development and implementation services for their overseas portfolios. Additionally there was increased focus due to changing regulatory requirements, specifically GDPR and open banking legislation. This increased demand was partially offset by the natural decline in development work for completed implementation customers. Revenue from the UK's equipment lenders increased by £3.1 million or 17%, to contribute approximately 71% of segment revenue. This increase was driven by increased implementation revenue ahead of go-lives and revenue from additional licenses due to increased customer portfolio sizes.

#### US

US revenue increased by £5.7 million, or by 16%, to £42.2 million for the year ended 31 December 2017 (2016: £36.5 million) reflecting ongoing implementation activity, coupled with contribution from our recent customer win, offset by decreasing revenue from ongoing development and services. The number of US customers increased by one in the period, with new revenue contributing £2.4 million in the second half of the year. Excluding the impacts of unrealised gains or losses on derivatives, underlying US revenue remained relatively constant at £40.5 million (2016: £40.2 million).

US revenues are approximately 100% automotive customers (2016: 100%) with banking customers contributing 49% of segment revenue (2016: 38%) and OEMs contributing 37% (2016: 60%). We have increased the contribution from independent customers to 14% (2016: 2%) due to a significant new customer win in the used car sector.

#### Rest of World ("RoW")

RoW revenue is generated principally from Europe, Australia and New Zealand with RoW revenue increased by £4.0 million, or by 37%, to £14.9 million for the year ended 31 December 2017 (2016: £10.9 million) reflecting increased activity across both implementations and ODS. New customers contributed £2.0 million to growth, while existing customer revenue increased by a further £1.9 million as a result of ongoing implementations and migrating new portfolios onto existing Alfa platforms.

RoW revenue is derived almost wholly from the equipment vertical, contributing 89% in 2017 (2016: 91%).

#### Funding and liquidity

At 31 December 2017 the Group had cash reserves of £31.3 million. Cash balances were denominated predominantly in GBP and US dollars, being 62% and 32% of the total cash and cash equivalents balance respectively.

Additionally the Group had contractual obligations in the form of operating leases of £9.4 million, of which £1.3 million is payable within 12 months of the year end, £4.5 million in 1-5 years and £3.6 million after 5 years.

Net cash decreased to £31.3 million as at 31 December 2017, from £46.3 million at 31 December 2016. This decrease reflected a £60.7 million payment of pre-IPO dividends and £2.7 million paid in settlement of derivative instruments offset by the repayment of a loan from the ultimate parent of £27.0 million and operating cash generation of £28.9 million.

The Company has no borrowings (2016: nil).

Cash flow	2017 £'000s	2016 £'000s
<b>Cash generated from operations</b>	<b>28,853</b>	<b>41,475</b>
Settlement of derivative financial instruments and margin calls	(2,683)	(4,036)
Income taxes paid	(6,888)	(5,771)
Net cash generated from operating activities	19,282	31,668
Net cash generated from/(used in) investing activities	26,413	(17,984)
Net cash used in financing activities	(60,743)	(4,270)
Effect of exchange rate changes	49	2,758
<b>Movement in year</b>	<b>(14,999)</b>	<b>12,172</b>
Cash and cash equivalents at beginning of the period	46,266	34,094
<b>Cash and cash equivalents at end of the period</b>	<b>31,267</b>	<b>46,266</b>

Net cash generated from operating activities decreased by £12.4 million to £19.3 million during year ended 31 December 2017 (2016: £31.7 million) which was primarily due to the decrease in cash generated from operations of £12.6 million. Cash generated from operations decreased to £28.9 million (2016: £41.5 million) partially due to £7.3 million utilisation of deferred revenue. This relates to implementation-related license revenue recognised as revenue in the year on a percentage of completion basis, which had been collected in prior periods. This license revenue was partially offset by annual maintenance amounts collected and deferred to 2018 and new customer license revenue. Trade and other payables decreased, reflecting a cash outflow of £1.1 million, linked to lower personnel related accruals and VAT payments outstanding at the year end. Operating profit, after non-cash items of share based payment expense, depreciation and unrealised gains and losses on derivative instruments, was relatively static in both periods at £37.0 million. Net cash generated from operating activities was further decreased by £2.7 million and £6.9 million payments related to the settlement of derivative financial instruments and taxes paid in 2017, respectively.

Net cash flows generated from investing activities of £26.4 million in year ended 31 December 2017 related to the receipt of a related party loan receivable from the ultimate parent company of £27.0 million, offset by £0.7 million of capital expenditure. In 2016, cash used in investing activities of £18.0 million was primarily in relation to a £17.7 million loan paid to the ultimate parent company.

Net cash flows used in financing activities of £60.7 million in year ended 31 December 2017 related to pre-IPO dividends paid to the ultimate parent company. A cash outflow of £3.3 million in 2016 was in relation to a settlement of preference shares held by a former founder and a dividend

of £1.0 million. No further dividends have been proposed.

#### Currency hedging

A portion of the Group's revenues is denominated in US dollars and while some of the Group's operating expenses are also US dollar denominated, there is still some exposure. The Group had entered into US dollar forwards which have been partially settled by 31 December 2017. In 2016, overall currency movements were such that the impact of these arrangements was a gain to revenue of £1.7 million whereas in 2016 it was a loss of £3.8 million. At 31 December 2017, \$9.0 million of US dollar forwards remain outstanding for settlement.

#### Capital expenditure

The Group's capital expenditure primarily comprises of property, plant and equipment in relation to property enhancements and computer hardware and was invested primarily in the UK.

#### Distributions to shareholders

In February and May 2017, dividends of £60.7 million were declared and paid to the ultimate parent company prior to the IPO. All dividends have been paid as at 31 December 2017 and no interim or final dividend has been declared.

#### Related party transactions

The ultimate parent undertaking is CHP Software and Consulting Limited (the "Parent"), which is the parent undertaking. There was no trading between the Group and the Parent. In the year ended 31 December 2017, the amounts owing from the Parent were settled in full, as disclosed in note 12 to the financial statements, and the balances outstanding from the Parent at 31 December 2017 and 31 December 2016 were nil and £27.0 million respectively.

#### Subsequent events

There have been no subsequent events since the balance sheet date.

#### Key financial metrics

The Group uses a number of key financial metrics which are not specifically defined by IFRS but which management use as key measures to assess financial performance. Adjusted EBIT and Adjusted Earnings are utilised by management to monitor performance as it illustrates the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations of the business. Adjusted Earnings also includes income tax and interest received, which affect shareholder value and in-year return.

The most directly comparable measure of Adjusted EBIT and Adjusted Earnings is our profit from continuing operations. Billings and Operating Cash Flow Conversion are monitored by management as liquidity measures. The most directly comparable measure of Operating Cash Flow Conversion is cash generated from operations as a percentage of operating profit.

These measures are not directly comparable to similarly referenced measures used by other companies and as a result, investors should not consider these performance measures in isolation from, or as a substitute analysis for, our results of operations as determined in accordance with IFRS.

#### Adjusted EBIT

Adjusted EBIT, defined as operating profit excluding pre-IPO share based payments and IPO-related costs, increased by £8.4 million, or 26%, to £41.2 million in 2017 (2016: £32.8 million).

Adjusted EBIT margin in 2017 increased to 47% (2016: 45%), reflecting margin enhancing revenue from increased maintenance or licenses, including a release of £2.0 million deferred ODS revenue in the first half of the year, offset by increased personnel costs as the Alfa team grew both at the graduate level but also at the junior management level.

Excluding the impacts of currency, Adjusted EBIT on a constant currency basis increased by 17%.

	2017 £'000s	2016 £'000s
<b>Adjusted EBIT</b>		
Profit for the period	25,866	9,882
Adjusted for:		
Taxation	7,996	7,294
Finance income	(33)	(587)
Share based compensation (i)	4,400	16,200
IPO-related expenses (ii)	3,000	-
<b>Adjusted EBIT</b>	<b>41,229</b>	<b>32,789</b>

(i) Relates to pre-IPO share schemes.

(ii) Relates to non-recurring expenses in relation to the listing of shares in June 2017.

#### Adjusted Earnings and Adjusted Earnings per share

On an adjusted basis, Adjusted Earnings attributable to equity holders was £33.0 million, representing an increase of £8.9 million or 37% on the prior period. Adjusted earnings per share, diluted, increased to 11.0 pence (2016: 8.0 pence).

	2017 £'000s	2016 £'000s
<b>Adjusted Earnings</b>		
Profit for the period attributable to shareholders	25,866	7,869
Adjusted for:		
Share based compensation (i)	4,400	16,200
IPO-related expenses (ii)	3,000	-
Tax effect of adjustments (iii)	(290)	-
<b>Adjusted Earnings</b>	<b>32,976</b>	<b>24,069</b>

(i) Relates to pre-IPO share schemes.

(ii) Relates to non-recurring expenses in relation to the listing of shares in June 2017.

(iii) Professional fees tax effected based on the applicable rate in the UK in the period in which incurred. Share based compensation is not deductible for tax purposes and therefore not tax effected.

#### Billings

These are amounts invoiced in year. This differs from revenue as defined by IFRS due to the release of deferred income in relation to license payments and maintenance agreements and accrued income in relation to work in progress. Billings increased by £2.8 million to £76.8 million, which was £11.0 million less than revenue recognised.

#### Operating Free Cash Flow Conversion

Operating Free Cash Flow conversion decreased to 69% (2016: 113 %) due to recognition of £7.3 million of deferred revenue license amounts and an increase in trade receivables.

	2017 £'000s	2016 £'000s
<b>Operating Free Cash Flow</b>		
Cash generated from operations	28,853	41,475
Adjusted for:		
Settlement of derivative financial instruments and margin calls	(2,683)	(4,036)
Capital expenditure	(663)	(390)
IPO-related expenses excluded from Adjusted EBIT	3,000	-
<b>Operating Free Cash Flow</b>	<b>28,507</b>	<b>37,049</b>
Adjusted EBIT, including pre-IPO expenses	41,229	32,789
<b>Operating Free Cash Flow Conversion</b>	<b>69%</b>	<b>113%</b>

#### Condensed consolidated statement of profit or loss and comprehensive income for the years ended 31 December

£'000s	Note	2017	2016
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**Continuing operations**

Revenue	4	87,777	73,280
Implementation and support expenses	5	(20,971)	(16,714)
Research and product development expenses	5	(13,963)	(13,643)
Sales, general and administrative expenses	5/ 20	(19,076)	(26,370)
Other operating income		62	36
<b>Operating profit</b>		33,829	16,589
Finance income	7	33	587
<b>Profit before taxation</b>		33,862	17,176
Taxation	8	(7,996)	(7,294)
<b>Profit and total comprehensive income for the financial year</b>		25,866	9,882
<b>Attributable to:</b>			
Equity holders of the Company		25,866	7,869
Non-controlling interest		-	2,013
		25,866	9,882
<b>Earnings per share (in pence)</b>			
Basic	9	9.1	2.8
Diluted	9	8.6	2.6
Weighted average no. of shares - basic	9	283,134,180	283,145,649
Weighted average no. of shares - diluted	9	300,000,000	300,000,000
<b>Adjusted Earnings per share (in pence)</b>			
Diluted	9	11.0	8.0

## Condensed consolidated statement of financial position as at 31 December

<b>£'000s</b>	<b>Note</b>	<b>2017</b>	<b>2016</b>
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	1,463	1,305
Goodwill	11	24,737	24,737
Amounts owed by parent company	12	-	27,043
<b>Total non-current assets</b>		26,200	53,085
<b>Current assets</b>			
Trade and other receivables	13	6,887	9,606
Accrued income	13	5,505	3,623
Prepayments	13	1,731	953
Other receivables	13	602	943
Derivative financial assets	17	108	-
Cash and cash equivalents	14	31,267	46,266
<b>Total current assets</b>		46,100	61,391
<b>Total assets</b>		72,300	114,476
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	15	7,417	8,686
Corporation tax	15	3,956	3,088
Deferred revenue	15	6,719	14,019
Derivative financial liabilities	17	-	3,536
<b>Total current liabilities</b>		18,092	29,329
<b>Non-current liabilities</b>			
Provisions for other liabilities	16	87	58
Derivative financial liabilities	17	-	491
<b>Total non-current liabilities</b>		87	549
<b>Total liabilities</b>		18,179	29,878
<b>Capital and reserves</b>			
Ordinary shares	19	300	27
Share premium		-	11,123
Retained earnings		53,821	73,448
<b>Total equity</b>		54,121	84,598
<b>Total liabilities and equity</b>		72,300	114,476

The consolidated financial statements were approved by the Board of Directors and authorised for issue on 8 March 2018.

## Condensed consolidated statement of changes in equity for the years ended 31 December

£'000s	Note	Share capital	Share premium	Retained earnings	Equity attributable to owners of the parent	Non-controlling interest	Total equity
<b>Balance as at 1 January 2016</b>		6,021	11,123	33,262	50,406	12,381	62,787
Profit for the financial year		-	-	7,869	7,869	2,013	9,882
<b>Total comprehensive income for the year</b>		-	-	7,869	7,869	2,013	9,882
Dividend	21	-	-	(1,000)	(1,000)	-	(1,000)
Settlement of C preference shares		(6,000)	-	2,729	(3,271)	-	(3,271)
Shares issued in consideration for non-controlling interests		6	-	-	6	(6)	-
Acquisition of non-controlling interest		-	-	14,388	14,388	(14,388)	-
Share based payment	20	-	-	16,200	16,200	-	16,200
<b>Balance as at 31 December 2016</b>		<b>27</b>	<b>11,123</b>	<b>73,448</b>	<b>84,598</b>	-	<b>84,598</b>
Profit for the financial year		-	-	25,866	25,866	-	25,866
<b>Total comprehensive income for the year</b>		-	-	25,866	25,866	-	25,866
Capital reduction	2.5	(27)	(11,123)	11,150	-	-	-
Reorganisation of share capital	2.5	300	-	(300)	-	-	-
Dividends paid to parent	21	-	-	(60,743)	(60,743)	-	(60,743)
Share based payment	20	-	-	4,400	4,400	-	4,400
<b>Balance as at 31 December 2017</b>		<b>300</b>	-	<b>53,821</b>	<b>54,121</b>	-	<b>54,121</b>

## Condensed consolidated statement of cash flows for the years ended 31 December

£'000s	Note	2017	2016
<b>Cash flow from operations</b>			
Operating profit		33,829	16,589
Adjustments:			
Depreciation	10	495	437
Share based payment expense	20	4,400	16,200
Unrealised (profit)/loss on derivative financial instruments	17	(1,675)	3,796
Movement in working capital:			
Movement in trade and other receivables		252	850
Movement in trade and other payables (excluding derivative financial instruments and deferred revenue)		(1,148)	4,902
Movement in deferred revenue		(7,300)	(1,299)
<b>Cash generated from operations</b>		<b>28,853</b>	<b>41,475</b>
Settlement of derivative financial instruments and margin calls		(2,683)	(4,036)
Income taxes paid		(6,888)	(5,771)
<b>Net cash generated from operating activities</b>		<b>19,282</b>	<b>31,668</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment		(663)	(390)
Loans repaid from (advanced to) related parties	12	27,043	(17,699)

Interest received	33	105
<b>Net cash generated by/(used in) investing activities</b>	<b>26,413</b>	<b>(17,984)</b>
<b>Cash flows from financing activities</b>		
Redemption of C preference shares	-	(3,270)
Dividends paid	21	(60,743)
<b>Cash used in financing activities</b>	<b>(60,743)</b>	<b>(4,270)</b>
<b>Effect of exchange rate changes</b>	<b>49</b>	<b>2,758</b>
<b>Net (decrease)/increase in cash</b>	<b>(14,999)</b>	<b>12,172</b>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>46,266</b>	<b>34,094</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>14</b>	<b>31,267</b>

## Notes to the condensed consolidated financial statements for the year ended 31 December 2017

### 1. General information

Alfa Financial Software Holdings PLC ("Alfa" or the "Company") and its subsidiaries (together the "Group") is a public company limited by shares and is incorporated and domiciled in England. The registered office is Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom. The registered no. of the company is 10713517.

The principal activity of the Group is to provide software solutions and consultancy services to the asset finance industry in the United Kingdom, United States of America, Europe and Asia Pacific.

Prior to the admission of Alfa's shares on the main market of the London Stock Exchange on 1 June 2017 (the "Admission"), the Company obtained control of the entire share capital of Alfa Financial Software Group Limited ("AFSGL") via a share-for-share exchange. In substance, these consolidated financial statements reflect the continuation of the pre-existing Group previously headed by AFSGL, and the consolidated financial statements have been prepared applying the principles of predecessor accounting as this was a common control transaction and therefore outside the scope of IFRS 3 "Business Combinations".

### 2. Accounting policies

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those used to prepare the AFSGL Group's consolidated financial information for the years ended 31 December 2014, 2015 and 2016 as published in the prospectus for the admission of Alfa's shares (the "Annual Historical Financial Information"). These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these consolidated financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were materially the same as those applied to the consolidated Annual Historical Financial Information, other than share based payment expense which is not included in the current year as it is related to an estimate made in relation to valuations in prior periods.

#### 2.1 Basis of preparation

The consolidated financial statements have been prepared under the historical cost convention, other than the revaluation of available-for-sale financial assets and financial assets and financial liabilities (including derivative instruments) recorded at fair value through profit or loss.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

The disclosed figures are not statutory accounts in terms of section 434 of the Companies Act 2006. The statutory accounts give full disclosure of the Group accounting policies and are scheduled to be posted to shareholders on 20 March 2018 and will be filed with the Registrar of Companies in due course. On the statutory accounts for the year ended 31 December 2017, the auditor gave an unqualified opinion that did not contain an emphasis of matter and did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

#### 2.2 Standards, amendments and interpretations relevant to the Group's operation that are not yet effective and have not been early adopted by the Group.

##### a) New standards, amendments and interpretations

No new standards, amendments or interpretations, effective for the first time for the financial year beginning on or after 1 January 2017 have had a material impact on the Group or parent company.

##### b) New standards, amendments and interpretations not yet adopted

The following standards and amendments have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2018 or later periods, but the Group has not early adopted them. Unless otherwise indicated, these publications are not expected to have a significant impact on the Group's consolidated financial statements:

- IFRS 15 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018. This new standard establishes a comprehensive framework for determining core principles for revenue recognition and disclosures. The guidance permits two methods for adoption, either applying: retrospectively to each prior period or retrospectively with the cumulative effect of initially applying the standard recognised to the date of initial application.

The Group will apply this new standard for the financial reporting period commencing on 1 January 2018 and will apply the modified retrospective method of adoption of this standard. The Group has performed a detailed analysis of the impact of IFRS 15 by reviewing individually material contracts in relation to both implementation and ODS customers. The Group does not expect there to be a material impact on the consolidated financial statements under the final issued version of the standard and the latest authoritative guidance.

- IFRS 9 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018. This new standard replaces existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and introduces revised guidance on the classification, recognition, derecognition and measurement of financial assets and financial liabilities as well as a new expected credit losses model for calculating impairment on financial assets. It also includes new general hedge accounting requirements. Although the Group is still assessing the potential effect of this new standard, it is not expected to have a significant impact on the Group's consolidated financial statements. The Group will apply this new standard for the financial reporting period commencing on 1 January 2018.
- IFRS 16 'Leases', effective for annual periods beginning on or after 1 January 2019. This new standard supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. It sets out a comprehensive new set of rules for recognition and measurement of arrangements containing a lease. Although the Group continues to evaluate the impact of this new standard, it is expected that it will result in the recognition of some of its operating lease commitments as a 'right to use' asset and a corresponding liability. The Group will apply this new standard for the financial reporting period commencing on 1 January 2019.

#### 2.3 Going concern

The Group meets its day-to-day working capital requirements through its cash reserves. The Group's forecasts and projections take into account reasonably possible changes in trading performance due to the impact of operational, legal, macro-economic risks or reputational risks. Having assessed the principal risks, and other matters discussed in the viability statement, the Directors have a reasonable expectation that Alfa has adequate resources to continue in operational existence for the foreseeable future, being a period of not less than 12 months from the date of this report, and therefore they continue to adopt the going concern basis of accounting in preparing these consolidated financial statements.

#### 2.4 Basis of consolidation

The Group's consolidated financial statements include the financial information of Alfa and its subsidiary undertakings.

Subsidiaries - Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.



Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

	Registered address and country of incorporation	Principal activity	Ownership at 31 December	
			2017	2016
Alfa Financial Software Group Limited	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Holding company	100%	n/a
Alfa Financial Software Limited	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Software and services	100%	100%
Alfa Financial Software Inc	350N Old Woodward Avenue, Birmingham, MI 48009, USA	Software and services	100%	100%
Alfa Financial Software Australia Pty Limited	Level 57 MLC Centre, 19-29 Martin Place, Sydney, NSW 2000, Australia	Software and services	100%	100%
Alfa Financial Software NZ Limited	Level 1 Building B, 600 Great South Road, Greenlane, Auckland 1051, NZ	Software and services	100%	100%

## 2.5 2017 Group reorganisation

On 1 June 2017, Alfa's shares were admitted for trading on the main market of the London Stock Exchange (the "Admission"). Prior to the Admission, the Group was reorganised to insert Alfa, the new holding company of the Group, by way of a share-for-share exchange with AFSGL, the previous parent company of the Group. The restructuring has been accounted for as a common control transaction, applying the principle of predecessor accounting ownership. This policy reflects the economic substance of the transaction and these consolidated financial statements are presented as if Alfa had been the parent company of the Group since the beginning of the earliest period presented.

The Group reorganisation also effected the conversion of the A and A1 shares held by an employee trust. The table below summarises the movements in share capital from incorporation to 1 June 2017, being the date of the reorganisation completing:

	Shares - Ordinary	Shares - A	Shares - A1	£'000s
At date of incorporation of Alfa Financial Software Holdings PLC <sup>i</sup>	1	-	-	-
Share-for-share exchange <sup>ii</sup>	2,663,689	91,020	75,689	424,560
Capital reduction <sup>iii</sup>	263,705,310	9,010,980	7,493,211	(424,277)
Reorganisation of share capital - bonus issue <sup>iv</sup>	16,238,969	409,254	311,877	17
Reorganisation of share capital - re-designation of A and A1 shares <sup>iv</sup>	17,392,031	(9,511,254)	(7,880,777)	-
	<b>300,000,000</b>	-	-	<b>300</b>

(i) On 6 April 2017, Alfa Financial Software Holdings PLC was incorporated with one £0.01 ordinary share issued.

(ii) On 28 April 2017, Alfa was inserted into the Group above AFSGL as the new holding company by way of the share-for-share exchange agreement. The exchange was a 1:1 exchange and the nominal value of shares issued was £150.

(iii) On 3 May 2017, Alfa undertook a capital reduction and ultimately the nominal value of each share was reduced to 0.1 pence.

(iv) On 1 June 2017, Alfa undertook a bonus issue and share reorganisation to re-designate existing A and A1 shares into ordinary shares.

## 2.6 Foreign currency

- (i) Functional currency - Items included in the consolidated financial statements of each of the Group's subsidiaries are measured using the currency deemed to be their functional currency. Previously all subsidiaries were deemed to have a functional currency of pounds sterling as these entities were considered to be operating as an extension of the UK trading subsidiary. During the year, the functional currency for one of our subsidiaries changed to the local currency due to a change in the underlying contracting method with customers.
- (ii) Presentation currency - The consolidated financial statements are presented in pounds sterling. Alfa's functional and presentation currency is the pounds sterling, which is the Group's presentation currency and the currency in which the majority of the Group's transactions are denominated.
- (iii) Foreign currency transactions - Transactions in foreign currencies are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. The average annual rate for the US dollar used was 1.2887 in 2017 (2016: 1.3554). The closing rate for the US dollar used was 1.3493 in 2017 (2016: 1.2341).

## 3. Critical accounting judgements and estimation uncertainty

The preparation of historical financial information requires the Directors to make estimates and assumptions that affect the amounts reported for assets and liabilities as at the reporting date and the amounts reported for revenue and expenses during the period. The nature of estimation means that the actual outcomes could differ from those estimates.

In the process of applying the accounting policies, the Directors have made the following judgements that may have a significant effect on the amounts recognised in the historical financial information. The key assumptions concerning the future, and the other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

### Critical judgements in applying the Group's accounting policies

3.1 Revenue recognition - As detailed in note 4.2, the Group is required to make an assessment as to whether the implementation process, which includes license, implementation and development revenue streams, forms one performance obligation when assessing how to recognise the software license component. In doing so the Group assesses each software license contract as to whether the underlying software requires significant modification or customisation by the Group in order to meet the customer's requirements and before Alfa Systems can be utilised by the customer. Where significant modification or customisation is required, the license fee is recognised over the life of the software implementation based on a percentage-of-completion method. Therefore there is judgement required in determining what efforts relate to the implementation process and what efforts could be determined to be additional development and services which are separate from the implementation effort. In making this judgement, the Group assesses the contractual terms and the original project plan for the implementation but also uses historical evidence of what is core implementation work.

3.2 Internally generated software development - As detailed in note 5.1, the Group is required to make an assessment of each ongoing project in order to determine at what stage a project meets the criteria outlined in the Group's accounting policies. Such assessment may, in certain circumstances, require significant judgement. In making this judgement, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, the likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to measure reliably the expenditure attributable to the project. Research and product development expenditure incurred on minor or major upgrades, or other changes in software functionality, does not satisfy the criteria where it is considered that the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense.

The total research and product development expenses for the period was £14.0 million (2016: £13.6 million) and there was nil capitalised development costs in the year (2016: nil).

### Key sources of estimation uncertainty

3.3 Revenue recognition - The Group estimates the percentage of completion, specifically with regards to the total project days remaining to complete the relevant software implementation. Estimates of total project days required for a relevant implementation are based on historical evidence of past implementations, knowledge of the customer's systems being replaced and scope of customisation. The Group applies the percentage-of-completion method when calculating implementation revenue and updates estimates at each quarter end accordingly.

At 31 December 2017 the Group has £4.7 million of deferred license revenue and, if the Group's estimates of project days to complete increased by 10%, this would result in deferred license revenue increasing by £1.0 million, with the increase recognised as a reduction to revenue in the current period, although this would be partially offset by an increase in accrued professional fees.

## 4. Segment information

**4.1 Segments.** Operating segment and reporting segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the Group's Chief Executive Officer ("CEO"). The CODM regularly reviews the Group's operating results in order to assess performance and to allocate resources. The CODM considers the business from a product perspective and, therefore, recognises one operating and reporting segment, being the sale of software and related services. The Group is choosing to present revenue segmentation by type of project and a consolidated adjusted Earnings Before Interest and Taxation ("Adjusted EBIT") measure, as presented to the CODM, as additional information in this note, along with the required entity wide disclosure.

The Group discloses revenue split by type of project; being Software implementation, Ongoing development and services and Maintenance.

There is judgement in relation to which revenue is derived from implementations which include initial implementations and upgrades in comparison to ongoing development and services.

**4.2 Revenue.** The Group derives revenue from the following sources: (1) software implementation revenue which includes software licenses, software development and other software implementation services; (2) software maintenance (help desk and other support services); and (3) ongoing development and support services.

The Group recognises revenue in accordance with IAS 18: 'Revenue'. This requires the exercise of judgement and the use of estimates in connection with the determination of the amount of revenue to be recognised in each accounting period. In exercising such judgement, the Group draws upon guidance from specific software industry revenue recognition practices which comply with IAS 18: 'Revenue'.

Revenue, which excludes value added tax and trade discounts, represents the value of goods and services supplied.

- (i) Software implementation services - represents income from perpetual licenses, the cost of software implementation and client specific development efforts, all of which are delivered under a master services agreement. Long-term software implementation arrangements are accounted for on a percentage-of-completion basis, whereby revenue recognised during the period represents the man days effort incurred up to the end of the reporting period as a percentage of the total estimated man days to complete the implementation. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue due to changes in estimates are accounted for in the period in which the change in estimates occurs. Such revenue is recognised when man-day efforts are provided and collection is deemed probable. Provisions are made for estimated losses on contracts where applicable and such provision would comprise the valuation of the estimated loss until the completion of the work.
- (ii) Maintenance - revenue from annual maintenance contracts is recognised on a straight-line basis over the course of the contract, which is generally 12 months. Revenue is recognised when collection is reasonably assured.

(iii) Ongoing development and services - such services are recognised as revenue as services are delivered.

**4.3 Unrealised gains or losses on derivative financial instruments.** The Group has made an accounting policy election to recognise unrealised gains or losses on derivative financial instruments within revenue, therefore such gains or losses are shown net of revenue where instruments have been entered into match the US dollar denominated projected cash flows. £1.7 million of unrealised gains on derivative financial instruments were recognised in the year ended 31 December 2017 (2016: £3.8 million of unrealised losses).

**4.4 Adjusted EBIT and Adjusted Earnings** The CODM analyses the financial performance of the business on two adjusted profit measures, being adjusted earnings before interest and tax ("Adjusted EBIT") and adjusted earnings ("Adjusted Earnings"). Adjusted EBIT and Adjusted Earnings are not measures defined by IFRS. The most directly comparable IFRS measure to both Adjusted EBIT and Adjusted Earnings is net income for the relevant period.

**Adjusted EBIT** - Adjusted EBIT is defined as profit from continuing operations before income taxes, finance income, pre-IPO share based compensation and IPO-related expenses. Management utilises this measure to monitor performance as it illustrates the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations, as applicable.

**Adjusted Earnings** - Adjusted Earnings is defined as profit for the period from continuing operations attributable to equity holders of the Company, before IPO-related expenses and share based compensation, less the tax effect of these adjustments. Adjusted Earnings is used by the CODM in measuring profitability because it represents a Group measure of performance which excludes the impact of certain non-cash charges and other charges not associated with the underlying operating performance of the business, while including the effect of items that management believe affect shareholder value and in-year return, such as income tax expense and net finance costs.

Management use Adjusted EBIT and Adjusted Earnings to (i) provide senior management with a monthly report of operating results that is prepared on an adjusted earnings basis and (ii) prepare strategic plans and annual budgets on an adjusted earnings basis. Senior management's annual compensation may also be reviewed, in part, using adjusted performance measures.

In addition, Adjusted Earnings is used for the purposes of calculating diluted Adjusted Earnings per share. Management uses diluted Adjusted Earnings per share to assess performance on a consistent basis at a per share level. See note 9.

#### Revenue by type

The Group assesses revenue by type of project, being Software implementations, Ongoing development and services ("ODS") and Maintenance, as summarised below:

£'000s	2017	2016
Software implementation	44,764	47,881
ODS	21,164	8,667
Maintenance	21,849	16,732
Total revenue	87,777	73,280

Customers with revenue accounting for more than 10% of total revenue are as follows:

£'000s	2017	2016
Customer A	23%	20%
Customer B	10%	18%
Customer C	10%	n/a
Customer D	n/a	14%

#### Geographical information

Revenue attributable to each geographical market based on where the license is sold or the service is provided:

£'000s	2017	2016
UK	30,686	25,894
US	42,167	36,493
Rest of world	14,924	10,893
Total revenue	87,777	73,280

Non-current assets (other than financial instruments and deferred tax assets) attributable to each geographical market:

£'000s	2017	2016
UK	25,855	52,928
US	310	108
Rest of world	35	49
Total non-current assets (other than financial instruments and deferred tax assets)	26,200	53,085

#### Adjusted EBIT and Adjusted Earnings

The following tables reconcile profit for the period to Adjusted EBIT and profit for the period attributable to equity holders of the Company to Adjusted Earnings for the periods presented:

£'000s	2017	2016
Profit for the year	25,866	9,882
Adjusted for:		
Taxation	7,996	7,294
Finance income	(33)	(587)
Share based compensation <sup>(1)</sup>	4,400	16,200
IPO-related expenses <sup>(2)</sup>	3,000	-
Adjusted EBIT	41,229	32,789

£'000s	2017	2016
Profit for the period attributable to equity holders of the Company	25,866	7,869
Adjusted for:		
Share based compensation <sup>(1)</sup>	4,400	16,200
IPO-related expenses <sup>(2)</sup>	3,000	-
Tax effect adjustments <sup>(3)</sup>	(290)	-
Adjusted Earnings	32,976	24,069

<sup>1)</sup> Relates to pre-IPO share based payment expense as detailed in note 20.

<sup>2)</sup> Relates to costs related to the IPO.

<sup>3)</sup> Professional fees tax effected based on the applicable rate in the UK in the period in which incurred. Share based compensation is not deductible for tax purposes and therefore not tax effected.

## 5. Operating profit

**5.1 Operating profit** is calculated after items such as personnel costs (including training and recruitment), cost of hardware not capitalised, research and development costs and other infrastructure expenses.

**Implementation and Services expenses** - Such expenses relate to the remuneration of personnel assigned to software implementation services, in addition to project related travel and accommodation expenses and an appropriate portion of relevant overheads.

**Research and product development expenses** - The Group invests a substantial part of its time in research and product development work in relation to the enhancement of its product platform and capabilities. Research and product development work is charged to the client where it is linked to specific client projects such as initial software implementations. The Group's research and product development costs include remuneration costs and an appropriate portion of relevant overheads.

Internally generated research and product development costs only qualify for capitalisation if the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset; how the intangible asset will generate probable future economic benefits;
- The existence of a market or, if it is to be used internally, the usefulness of the intangible asset;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- Its ability to measure reliably the expenditure attributable to the intangible asset during development.

Generally, commercial viability of new products, modules or capabilities is not proven until all high risk development issues have been resolved through testing in the marketplace. Development expenditure incurred on minor or major upgrades, or other changes in software functionality, does not satisfy the criteria, where it is considered that the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense. See note 3.2 for further discussion.

The Group continues to assess the eligibility of development costs for capitalisation on a project by project basis.

All other operating costs are recorded through "Sales, general and administrative expenses."

**5.2 Leases**, where a significant portion of the risks and rewards of ownership are retained by the lessor, are classified as operating leases. Various buildings, machinery and equipment from third parties are leased under

operating lease agreements. Under such operating lease agreements, the total lease payments are recognised as rent expense on a straight-line basis over the term of the lease agreement, and are included in "Sales, general and administrative expenses," reflecting the nature of the leased assets. Lease incentives received to enter into an operating lease are credited to the consolidated income statement, to reduce the lease expense, on a straight-line basis, over the period of the lease. The Group's property lease in respect of its London headquarters has a lease term of ten years, with a five year extension.

The following items have been included in arriving at operating profit:

£'000s	2017	2016
Personnel, external consultants, training and recruitment expenses	32,641	29,490
Other personnel related expenses	1,912	1,314
Advertising, sponsorship and marketing expenses	855	793
Depreciation (note 10)	495	437
Property expenses	1,857	1,929
Travel expenses	4,057	2,589
IT expenses	1,241	721
Professional advisor expenses	4,772	1,797
Foreign currency differences	1,100	1,251
Share based payment expense (note 20)	4,400	16,200
Other	680	206

The Group also incurred £14.0 million (2016: £13.6 million) in research and product development expenditure of which £12.1 million (2016: £11.9 million) is included in personnel costs, external consultants, training and recruitment expenses.

#### Operating leases

Operating lease payments in the year amounted to £1.3 million (2016: £1.2 million). Future operating lease payments, in respect of non-cancellable leases, are set out below at the applicable dates:

£'000s	Within 12 months	1-5 years	Over 5 years
As at 31 December 2016	1,493	4,549	4,664
As at 31 December 2017	1,302	4,535	3,566

Operating lease commitments relate to property and motor vehicle leases.

#### Services provided by the Group's auditor and network firms

The Group obtained the following services from the Group's auditor as detailed below:

£'000s	2017	2016
Audit of the consolidated financial statements	100	38
Audit of the Group's subsidiaries	63	22
Total audit fees	163	60
Audit related assurance fees	61	-
Total assurance fees	224	60
Non-audit services	779	260
Total audit and non-audit related services	1,003	320

The 2016 and 2017 non-audit services relate to the reporting accountant fees required for the Admission, and in 2017 audit related assurance fees relate to fees payable in relation to interim reviews. There were no non-audit related services provided after Admission on 1 June 2017.

## 6. Employees and Directors

**Employee benefits** - The Group provides a range of benefits to employees, including paid holiday arrangements and defined contribution pension plans.

**Short term benefits** - Short-term benefits, including health cover and other similar non-monetary benefits, are recognised as an expense in the period in which the service is received.

**Pensions** - The Group operates various defined contribution plans for its employees. A defined contribution plan is a pension plan where the Company pays fixed contributions into a separate independent entity. The Group has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to the employee's service in the current and prior periods.

**Share based payment expense** - Share based payment expense is recognised in line with the accounting policy in note 20.

Average monthly number of people employed (including Directors)	2017	2016
UK	218	179
US	67	54
RoW	16	13
Total average monthly number of people employed	301	246

Average monthly number of people employed (including Directors)	2017	2016
Software implementation	110	83
Research and product development	142	126
Sales, general and administrative	49	37
Total average monthly number of people employed	301	246

Personnel costs £'000s	2017	2016
Wages, salaries and short-term benefits	24,524	22,889
Social security	5,050	3,195
Post-employment benefits	1,624	1,535
Share based payment expense	4,400	16,200
Total personnel costs	35,598	43,819

Aggregate Director compensation £'000s	2017	2016
Aggregate emoluments	1,132	725

Post-employment benefits	15	-
<b>Total aggregate director compensation</b>	<b>1,147</b>	<b>725</b>

For further details on Directors' remuneration, see the Report on Directors' Remuneration in the Governance section of the Annual Report. Key management includes Directors and members of the Executive Committee.

#### Key management compensation (including Directors)

£'000s	2017	2016
Wages, salaries and short-term benefits	2,236	1,764
Social security	286	207
Post-employment benefits	31	18
Share based payments	1,201	4,421
<b>Total key management compensation</b>	<b>3,754</b>	<b>6,410</b>

#### 7. Finance income

Finance income is recognised on related party loans using the effective interest method.

£'000s	2017	2016
Finance income		
• Interest income on cash or short-term bank deposits	33	89
• Interest income on related party loans	-	498
<b>Total finance income</b>	<b>33</b>	<b>587</b>

#### 8. Income tax expense

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

- i) Current tax - The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.
- ii) Deferred tax - Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

Analysis of charge in the year	2017	2016
£'000s		
Current tax		
Current tax on profit for the year	7,326	6,318
Adjustment in respect of prior years	(63)	228
Foreign tax on profit of subsidiaries for the current year	728	656
<b>Current tax</b>	<b>7,991</b>	<b>7,202</b>
Deferred tax		
Origination and reversal of temporary differences	5	(10)
Adjustment in respect of prior years	-	102
<b>Deferred tax</b>	<b>5</b>	<b>92</b>
<b>Total tax charge in the year</b>	<b>7,996</b>	<b>7,294</b>

The effective tax rate for the year is higher (2016: higher) than the standard rate of corporation tax in the UK for the year ended 31 December 2017 of 19.25% (2016: 20%). The differences are explained below:

Analysis of charge in the year	2017	2016
£'000s		
Profit on ordinary activities before taxation	33,862	17,176
Profit on ordinary activities at the standard rate of corporation	6,518	3,435
Tax effects of:		
Effect of different tax rates of subsidiaries operating in other jurisdictions	353	419
Expenses not deductible for tax purposes	383	150
Income not taxable for tax purposes	(26)	(188)
Share based payment	847	3,240
Adjustment in respect of prior years	(63)	330
Group relief	(16)	(92)
Impact of tax rate change	-	-
<b>Total tax charge for the year</b>	<b>7,996</b>	<b>7,294</b>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2016 on 6 September 2016. These include reductions to the main rate of corporation tax to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these consolidated financial statements.

#### 9. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Alfa by the

weighted average number of ordinary shares outstanding during the year.

**Diluted earnings per share**, for the periods presented, the ordinary shares which are held in an employee trust on behalf of employees are treated as having a potentially dilutive effect as these shares have service conditions attaching to them. Should the service conditions not be met, the shares will be forfeited. The shares have no right to voting or to dividends while held in trust.

**Diluted Adjusted Earnings per share** is defined as Adjusted Earnings, as reconciled in note 4, divided by the weighted average number of shares issued and outstanding, diluted.

As a result of the Group reorganisation as detailed in note 2.5, the basic and diluted earnings per share metrics, actual and adjusted, are calculated with reference to the share structure of the new parent company, as if it has been the parent for all periods presented.

	2017	2016
Profit attributable to equity holders of Alfa (£'000s)	25,866	7,869
Weighted average number of shares outstanding during the year	283,134,180	283,145,649
Basic earnings per share (pence per share)	9.1	2.8
Weighted average number of shares outstanding including potentially dilutive shares	300,000,000	300,000,000
Diluted earnings per share (pence per share)	8.6	2.6

	2017	2016
Adjusted Earnings attributable to equity holders of the Company (£'000s) (note 4)	32,976	24,069
Weighted average number of shares outstanding including potentially dilutive shares	300,000,000	300,000,000
Diluted adjusted earnings per share (pence per share)	11.0	8.0

## 10. Property, plant and equipment

**10.1 Property, plant and equipment** is stated at historical cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the item. Depreciation on assets is calculated using the straight-line method to allocate their cost over their estimated useful lives, as follows:

Furniture and fittings	3 - 10 years
IT equipment	3-5 years
Motor vehicles	10 years, or over life of the lease

The assets' residual values and useful lives are reviewed and adjusted if necessary at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Repairs and maintenance are charged to the income statement as incurred. Any gains or losses on disposals are recognised within 'Sales, general and administrative expenses' in the income statement unless otherwise specified.

**10.2 Impairment of finite lived non-financial assets** are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

£'000s	Fixtures and fittings	IT equipment	Motor vehicles	Total
<b>Cost</b>				
At 1 January 2016	1,160	2,845	40	4,045
Additions	85	317	-	402
Disposals	-	-	-	-
At 31 December 2016	1,245	3,162	40	4,447
<b>Depreciation</b>				
At 1 January 2016	406	2,284	15	2,705
Charge for the year	127	302	8	437
Disposals	-	-	-	-
At 31 December 2016	533	2,586	23	3,142
<b>Net book value</b>				
At 31 December 2016	712	576	17	1,305
<b>Cost</b>				
At 1 January 2017	1,245	3,162	40	4,447
Additions	43	610	-	653
Disposals	(247)	(1,261)	-	(1,508)
At 31 December 2017	1,041	2,511	40	3,592
<b>Depreciation</b>				
At 1 January 2017	533	2,586	23	3,142
Charge for the year	103	384	8	495
Disposals	(247)	(1,261)	-	(1,508)
At 31 December 2017	389	1,709	31	2,129
<b>Net book value</b>				
At 31 December 2017	652	802	9	1,463

## 11. Goodwill

**Goodwill** arose on the acquisition of subsidiaries by AFSGL in 2012 as part of a group reorganisation and represents the excess of the consideration transferred and the amount of any non-controlling interest in the investment over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed.

Goodwill is tested annually for impairment. The carrying amount is allocated to the cash-generating unit ("CGU") that is expected to benefit from investment and which represents the lowest level at which the goodwill is monitored for internal management purposes. The carrying value of the CGU is then compared to the higher of its fair value less costs of disposal and its value in use. Any impairment attributed to the goodwill is recognised immediately as an expense and is not subsequently reversed.

£'000s	2017	2016
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**Cost**

At 1 January	24,737	24,737
At 31 December	24,737	24,737

Impairment of goodwill -The Group tests annually whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy stated above. The Group has one CGU, being the Group, as its geographical operations do not have separate or distinct cash inflows. The recoverable amount of goodwill has been determined based on value-in-use calculations using cash flow projections based on financial budgets for a five year period using a discount rate of 10%. Cash flows beyond these periods have been extrapolated using a steady 2% average growth rate in both the US and Europe. This growth rate does not exceed the long-term average growth rate for the markets in which the Group operates.

Budgeted cash flow projections are based on the expectation of signing new customers in the Group's sales pipeline as well as ongoing projects or ODS projects with existing customers. Budgeted gross margin is based on historical evidence and the expectations of market development and efficiency leverage. Management believes that any reasonable change in any of the key assumptions on which the recoverable amount is based would not cause the reported carrying amount to exceed the recoverable amount of the CGU. The discount rate represents the Group's weighted average cost of capital adjusted for tax effect to determine the pre-tax rate as required by IFRS.

Management believes that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount to exceed the recoverable amount.

At 31 December 2017 and 2016 the carrying amount of the goodwill was £24.7 million.

**12. Amounts owed by related parties**

Amounts owed by the Parent, as defined in note 24, were settled during the year ended 31 December 2017 (2016: £27.0 million).

**13. Trade and other receivables**

**Trade receivables** are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment charge is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment loss is recognised in the income statement within 'Sales, general and administrative expenses' and subsequent recoveries are credited in the same account previously used to recognise the impairment charge.

As the total carrying amount of the current portion of the trade and other receivables is due within the next 12 months after the reporting date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals the contractual amount or the fair value initially recognised.

**Accrued income** represents fees earned but not yet invoiced at the reporting date.

**Amounts owed by related parties** are unsecured, bearing interest at 2% above base rate and repayable on maturity, being 17-20 years.

£'000s	2017	2016
Trade receivables	6,887	9,606
Provision for impairment	-	-
Trade receivables - net	6,887	9,606
Accrued income	5,505	3,623
Prepayments	1,731	953
Other receivables	602	943
Derivative financial instruments	108	-
Amounts owed by related parties	-	27,043
Total trade receivables, accrued income and other receivables	14,833	42,168

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The credit qualities of these receivables are periodically assessed by reference to external credit ratings (if available) or to historical information about their default rates. The Group does not hold any collateral as security.

Ageing of net trade receivables £'000s	2017	2016
Less than 30 days	5,596	7,922
Past due 31-90 days	1,291	1,684
Past due 91+ days	-	-
Trade receivables - net	6,887	9,606

The Group believes that the unimpaired amounts that are past due are fully recoverable as there are no indicators of future delinquency or potential litigation.

Currency of trade receivables £'000s	2017	2016
GBP	2,833	3,120
USD	3,109	5,291
SEK	433	910
Other	512	285
Trade receivables - net	6,887	9,606

**14. Cash and cash equivalents**

**Cash and cash equivalents** include cash at bank and in hand as well as short-term deposits with original maturities of three months or less.

£'000s	2017	2016
Cash at bank and in hand	30,283	45,921
Short-term deposits	984	345
Cash and cash equivalents	31,267	46,266

Short term deposits relate to deposit accounts held in relation to financial instruments.

Currency of cash and cash equivalents £'000s	2017	2016
GBP	19,341	39,668
USD	9,955	2,724
SEK	334	2,289
AUD	472	541
Other	1,165	1,044
Cash and cash equivalents	31,267	46,266

### 15. Trade and other payables - current liabilities

**Trade payables** are obligations to pay for goods or services which have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest rate method.

**Deferred revenue** includes license or annual maintenance amounts invoiced in advance and subsequently recognised as revenue in line with the percentage of completion of the software implementation process.

**Amounts owed to related parties** are unsecured, non-interest bearing and repayable on demand.

**Trade and other payables** are initially recorded at fair value and subsequently measured at amortised cost. As the total carrying amount is due within the next 12 months from the balance sheet date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals the contractual amount or the fair value initially recognised.

Accounts payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

£'000s	2017	2016
Trade payables	7,417	8,686
Corporation tax	3,956	3,088
Deferred revenue	6,719	14,019
Provisions for other liabilities	87	58
Total trade and other payables	18,179	25,851
Less non-current portion	(87)	(58)
Total current trade and other payables	18,092	25,793

### 16. Provisions

**Provisions** are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. When the effect of the time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

A provision for onerous leases is recognised when the expected benefits to be derived from a lease are lower than the unavoidable costs of meeting the obligations under the contract. The onerous lease provision comprises future rent and rate expenses in relation to a vacated property. Provisions are not recognised for future operating losses.

£'000s	Onerous lease provision	Dilapidation provision	Total
<b>At 31 December 2015</b>	303	140	443
Provided in the period	-	29	29
Utilised in the period	(303)	(111)	(414)
<b>At 31 December 2016</b>	-	58	58
Provided in the period	-	29	29
<b>At 31 December 2017</b>	-	87	87

The onerous lease provision is in relation to a vacated property where the lease was terminated and the property vacated during 2015. The final lease payment was made in September 2016, at which point the provision was utilised in full.

Dilapidation provisions are made for expected future expenditure of the Alfa headquarters at Moor Place in London in accordance with lease obligations and are based on the Group's best estimate of the likely committed cash outflow. These costs are expected to be incurred at the end of the lease.

### 17. Financial assets and liabilities (including financial instruments)

**17.1 Financial assets and liabilities** are recognised in the statement of financial position when the Group becomes party to the contractual provision of the instrument.

**17.2 Financial assets** are classified as either financial assets at fair value through profit or loss, loans and receivables or as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

All financial assets are initially recognised at fair value plus, in the case of financial assets not subsequently reported at fair value through profit or loss, transactions costs that are attributable to the acquisition of the financial asset.

Subsequent measurement - Financial assets at fair value through profit or loss (FVTPL).

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- A derivative not designated and effective as a hedging instrument.

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within 'Revenue.' FVTPL financial assets are classified as current assets.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents (notes 13 and 14).

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, except for the current portion where the recognition of interest



would be immaterial. The effective interest income is recognised in profit or loss within 'Finance income.'

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash flows (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 asset or financial liability, or, where appropriate, a shorter period.

Impairment of financial assets - Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset has been impacted. The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets carried at amortised costs with the exception of trade receivables, where the carrying amount may be reduced through the use of an allowance account (note 13).

**17.3 Financial liabilities** are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised costs, net of directly attributable costs.

Subsequent measurement - Financial liabilities at fair value through profit or loss (FVTPL) - Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- A derivative not designated and effective as a hedging instrument.

Financial liabilities measured at amortised costs - Financial liabilities measured at amortised costs are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. The resulting discounted interest charge is recognised in profit or loss within 'Finance costs'.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

**17.4 Derivative financial instruments** are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value at each reporting date. The method of recognising the gains and losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item. The Group designates derivatives as held for trading. While providing effective economic hedges under the Group's risk management policies, certain derivatives are not designated as hedging instruments according to IAS 39 'Financial Instruments: Recognition and Measurement'.

They are classified as held for trading and the changes in the fair value are immediately recognised within 'Revenue'. Related cash-flows are reported as cash flows from investing activities. Derivatives not designated for hedge accounting are classified as a current asset or liability.

**Fair value measurement** - The Group measures certain financial instruments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to or by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Group's consolidated financial statements are categorised within the fair value hierarchy, as follows:

- Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: Inputs for the asset or liability that are not based on observable market data.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period when the event or change in circumstances occurred.

#### Fair values of financial instruments

For the following financial assets and liabilities: trade and other payables excluding tax and social security, trade and other receivables excluding prepayments and accrued income, short-term bank deposits, cash at bank and in hand and other financial liabilities, the carrying value amount approximates the fair value of the instrument.

The Group has £0.1 million of foreign currency financial instruments assets outstanding at 31 December 2017 (2016: £4.0 million liability). The Group uses Level 2 inputs for determining and disclosing the fair value of financial instruments. See note 22.2 for settlement profiles of such instruments.

#### 18. Deferred income tax

The provision for deferred tax consists of the following deferred tax (assets)/liabilities relating to accelerated capital allowances and short-term timing differences in relation to unpaid pensions accruals and share based payments.

£'000s	2017	2016
Deferred tax assets due within 12 months	21	20
Deferred tax liabilities due within 12 months	(38)	(42)
Total provision	(17)	(22)

There are no balances due after 12 months.

£'000s	2017	2016
Balance as at 1 January	(22)	70
Adjustments in respect of prior period	-	(102)
Deferred income taxes recognised in the income statement	5	10

Balance as at 31 December	(17)	(22)
Consisting of		
Depreciation in excess of capital allowances	38	42
Other timing differences	(21)	(20)

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as the Group is able to control the timing of these temporary differences and it is probable that they will not reverse in the foreseeable future. Unremitted earnings totalled £4.0 million at 31 December 2017 (2016: £3.2 million).

#### 19. Called up share capital

**Ordinary shares** are classified as equity. There are no restrictions on the distribution of capital and the repayment of capital.

	2017		2016	
	Shares	£'000s	Shares	£'000s
Ordinary shares - 0.1 pence (2016: 1pence)	300,000,000	300	2,663,690	27
A shares - 0.1 pence	-	-	91,020	-
A1 shares - 0.1 pence	-	-	75,689	-
Balance as at 31 December		300		27

See note 2.5 for further information on the 2017 Group Reorganisation and movements in the period. No additional shares have been issued or cancelled after 1 June 2017.

#### 20. Share based compensation

**Share based payment arrangements** where the Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions. The grant date fair value of awards granted to any Director or employee is recognised as an associated expense, with a corresponding increase in equity, over the period that any Director or employee becomes unconditionally entitled to the awards. The fair value of the awards granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions upon which the awards were granted.

The Group granted 91,020 Ordinary A shares and 75,689 Ordinary A1 shares to employees in 2014 and 2015, which were subsequently fair valued when a listing event became probable in the fourth quarter of 2016. The share based compensation charge in relation to these grants has been recognised in full as at the date of admission and the charge in the year ended 31 December 2017 was £4.4 million.

#### 21. Dividends

**Dividends** are recognised through equity when approved by Alfa's shareholders or on payment, whichever is earlier.

In February and May 2017, dividends of £31.5 million and £29.2 million were declared and paid to the ultimate parent company (2016: £1.0 million). All dividends have been paid as at 31 December 2017 and no final dividend has been declared.

#### 22. Financial risk management

##### 22.1 Financial risk factors

The Group is exposed to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses financial instruments to hedge certain risk exposures. Risk management is carried out by the finance function under policies approved by the Chief Financial Officer ("CFO"). The finance function identifies, evaluates and mitigates financial risks when deemed necessary.

##### Market risk

###### (i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currencies, primarily with respect to those described below. Revenue is predominantly denominated in pounds sterling and US dollar. Operating costs are influenced by the currencies of the countries where the Group's subsidiaries are based and the pounds sterling and the US dollar are the currencies most significantly influencing operating costs.

Foreign exchange risk arises from:

- Forecasted revenue and costs denominated in a currency other than the entity's functional currency; and
- Monetary assets and liabilities denominated in a currency other than the entity's functional currency.

The policy of the Group is to hedge committed and highly probable forecasted foreign currency operational transactions. The Group uses foreign exchange forwards for this purpose. At any point in time, the Group's policy is to mitigate the next 12 months of future cash flows in foreign currency. The Group uses forward contracts as hedging instruments.

The notional principal amounts of the outstanding commercial foreign exchange contracts at 31 December 2017 and 2016 were as follows:

	2017	2017	2016	2016
	\$'000s	£'000s	\$'000s	£'000s
Forward exchange contracts - notional				
USD	9,000	6,726	41,000	29,014

Hedge accounting is not applied and therefore the mark-to-market impact is recorded net of revenue as disclosed in note 4.3. For the year ended 31 December 2017, the impact of these derivatives was an unrealised gain of £1.7 million (2016: loss of £3.8 million) as the US dollar depreciated against pounds sterling in 2017 compared to 31 December 2016. The offsetting loss related to the forecasted revenue is not visible due to the sales not yet being recorded in the books of the Group as a significant amount of US dollar denominated revenue is in relation to license and maintenance which are recognised ratably in the income statement.

As the US dollar appreciates against pounds sterling, the derivative contracts entered into with financial institutions have a negative mark-to-market. The Group's financial derivative counterparties require margin call should its mark-to-market exceed a pre-agreed contractual limit. In order to protect from the potential margin calls for significant market movements, the Group holds a liquidity buffer in cash and monitors margin requirements on a daily basis for adverse movements in the US dollar versus pounds sterling.

At 31 December 2017 and 2016, the margin requirement related to foreign exchange hedges was nil and £0.5 million respectively.

A 10% movement in the USD GBP exchange rate in the year ended 31 December 2017 would impact revenue and operating profit (excluding share based payments) by 5% and 9% respectively.

##### Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is exposed to credit risk with financial institutions and other parties as a result of cash at bank, cash deposits, mark-to-market on derivative transactions and customer trade receivables arising from the Group's operating activities. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Group does not generally hold any collateral as security.

###### (i) Credit risk related to transactions with financial institutions

Credit risk with financial institutions is managed by the Group's finance function in accordance with a Board approved policy. Management is not aware of any significant risks associated with financial institutions as a result of cash and cash equivalents deposits (including short-term investments) and financial derivative transactions.

All financial counterparties where assets held are over £250,000 are AA rated or above (as per ratings from Moody's Investor Services).

(ii) Credit risks related to customer trade receivables  
Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, change of strategy and default or delinquency in payments are considered indicators that the trade receivable could be impaired. Given the complexity, the size and the length of certain software implementation of service-related projects, a delay in the settlement of an open trade receivable does not constitute objective evidence that the trade receivable is impaired.

The Group has a relatively diverse customer base geographically and by industry. The responsibility for customer credit risk management rests with management of the Group. Payment terms are set in accordance with practices in the different geographies and end-markets served, typically being 30 days from the date of the invoice. Trade receivables are actively monitored and managed. Collection risk is mitigated through the use of upfront payments of licenses and maintenance. Historically, there has been a very low level of customer default as a result of long history of dealing with the Group's customer base and an active credit monitoring function. Where applicable, credit limits may be established based on internal or external rating criteria, which take into account such factors as the financial condition of the customers, their credit history and the risk associated with their industry segment.

See note 13 - Trade and other receivables for the ageing of trade receivables.

## 22.2 Capital risk management and liquidity

The Group's principal objective when managing capital is to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the Group consists of cash and cash equivalents (note 14) and equity attributable to equity holders of the parent.

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due.

The Group manages its exposure to liquidity risk through short and long-term forecasts and by seeking to align the maturity profiles of its financial assets with its financial liabilities. The Group's policy is to maintain an adequate level of liquidity to meet its liabilities expected to be settled in the short or near term, under both normal and stressed conditions.

The following table details the remaining contractual maturity of the Group's derivative and non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

31 December 2017					
£'000s	Less than 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	More than 5 years
Trade and other payables	7,417	-	-	-	-
Provisions	-	-	-	-	87
31 December 2016					
£'000s	Less than 6 months	Between 6-12 months	Between 1-2 years	Between 2-5 years	More than 5 years
Trade and other payables	8,141	545	-	-	-
Provisions	-	-	-	-	58
Financial instruments	13,835	8,453	6,726	-	-

## 22.3 Fair value measurement

Forward foreign exchange contracts are the only financial assets held at fair value through the profit and loss. These have been valued using Level 2 of the fair value hierarchy and there have been no transfers between levels during the periods presented.

## 23. Contingencies and commitments

The Group has no capital commitments, no contingent liabilities and no contingent assets. See note 5 for details of the Group's total commitments under non-cancellable operating leases.

## 24. Related party transactions

Details of key management remuneration is set out in note 6. Details of interests in subsidiaries are set out in note 2.4.

The ultimate parent undertaking is CHP Software and Consulting Limited (the "Parent"), which is the parent undertaking of the smallest and largest group in relation to these consolidated financial statements. There was no trading between the Group and the Parent.

In the year ended 31 December 2017, the amounts owing from the Parent were settled in full, as disclosed in note 12, and the balances outstanding from the Parent at 31 December 2017 and 31 December 2016 were nil and £27.0 million respectively.

During the period, the Group made arms-length transactions with Classic Technology Limited, a company in which the founder holds an interest. These transactions amounted to £0.04 million (2016: £0.04 million) in relation to fees paid for rental of property. There were no outstanding receivables balances at the end of the reporting period.

## 25. Subsequent events

There have been no subsequent events.

## INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF ALFA FINANCIAL SOFTWARE HOLDINGS PLC ON THE PRELIMINARY ANNOUNCEMENT OF ALFA FINANCIAL SOFTWARE HOLDINGS PLC

As the independent auditor of Alfa Financial Software Holdings PLC we are required by UK Listing Rule LR 9.7A.1(2)R to agree to the publication of Alfa Financial Software Holdings PLC's preliminary announcement statement of annual results for the period ended 31 December 2017.

The preliminary statement of annual results for the period ended 31 December 2017 includes disclosures required by the Listing Rules and any additional content such as highlights, the Chief Executive's review, financial review, narrative disclosures, management commentary and press release. We are not required to agree to the publication of presentations to analysts, trading statements or interim management statements.

The directors of Alfa Financial Software Holdings PLC are responsible for the preparation, presentation and publication of the preliminary statement of annual results in accordance with the UK Listing Rules.

We are responsible for agreeing to the publication of the preliminary statement of annual results, having regard to the Financial Reporting Council's Bulletin "The Auditor's Association with Preliminary Announcements made in accordance with UK Listing Rules".

## Status of our audit of the financial statements

Our audit of the annual financial statements of Alfa Financial Software Holdings PLC is complete and we signed our auditor's report on 8 March 2017. Our auditor's report is not modified and contains no emphasis of matter paragraph.

Our audit report on the full financial statements sets out the following key audit matters which had the greatest effect on our overall audit strategy; the allocation of resources in our audit; and directing the efforts of the engagement team, together with how our audit responded to those key audit matters and the key observations arising from our work:

## REVENUE RECOGNITION

Total group revenue recognised for the year ended 31 December 2017 was £87.8 million (2016: £73.3 million) and related to revenue from i) Software implementation services, ii) Maintenance and iii) Ongoing development and services.

This key audit matter relates to the risk that revenue is recognised inappropriately when there are:

- adjustments to revenue that are non-routine or fall outside of the usual business transactions that may impact the timing and extent of accrued and/or deferred income amounts; and
- complex and/or bespoke contracts with customers that may result in significant judgements over the identification of distinct performance obligations and the related accounting treatment.

Given the level of judgement involved in identification of distinct performance obligations, we identified this as a potential fraud risk area.

Further details are included in the critical accounting estimates and judgements note 3.1 to the financial statements and note 3.1 to this preliminary announcement.

#### How the scope of our audit responded to the key audit matter

In response to this key audit matter, we performed the following procedures:

- We evaluated the design and implementation of key controls over the revenue cycle.
- We evaluated the evidence supporting the recognition of non-routine accrued income items.
- We engaged in discussions with the Company's project managers to evaluate completeness of commercial arrangements considered in the analysis of accounting treatment and to determine whether conditions exist which result in bespoke contractual arrangements outside the usual terms.
- We assessed management's evaluation of accounting judgements for a sample of new contracts focussing on the identification of distinct performance obligations and the treatment of bespoke terms and conditions.
- We reviewed minutes of the meetings of the committee which assesses the commercial viability of contracts entered to confirm whether the accounting treatment is consistent with the commercial substance of the agreements.
- We tested the key inputs and mathematical accuracy of the percentage of completion calculations.

#### Key observations

From the procedures performed, we did not identify any material misstatement of revenue and are satisfied with the appropriateness of the related disclosures.

#### Capitalisation of development costs

The group expends a substantial amount of time in research and product development work in relation to the enhancement of its product. In accordance with IAS 38: *Intangible assets* internally generated research and development costs can only qualify for capitalisation if the group can demonstrate all of the recognition criteria are met. The group considers the eligibility of development costs for capitalisation on a project by project basis.

There is a judgement over the point at which work moves from the research phase to the development phase and over whether development spend is creating an asset which is substantially new in functionality or design. Therefore, there is a risk that development costs are not capitalised for spend that creates an enduring enhancement to the software capabilities available for sale to other customers.

Further details are included in the critical accounting estimates and judgements note 3.2 to the financial statements and note 3.2 to this preliminary announcement.

#### How the scope of our audit responded to the key audit matter

- We evaluated the design and implementation of the key controls surrounding the recording and monitoring of development spend.
- We tested a sample of the research and development costs incurred to assess whether the related projects are creating an asset which is substantially new in functionality and/or design. To do this we evaluated the projects against the definition of an intangible asset and the recognition criteria in IAS 38.
- We challenged management's technical assessment of the judgements involved against the accounting standards and their rationale for the treatment of development costs incurred on key projects.
- We made enquiries of the development team leader and Chief Information Officer as to the activities of the development teams, including key projects undertaken during the year to evaluate the completeness of management's assessment.

#### Key observations

We did not identify any material misstatement of development costs capitalised as a result of the procedures performed.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we did not provide a separate opinion on these matters.

#### Procedures performed to agree to the preliminary announcement of annual results

In order to agree to the publication of the preliminary announcement of annual results of Alfa Financial Software Holdings PLC we carried out the following procedures:

- checked that the figures in the preliminary announcement covering the full year have been accurately extracted from the audited or draft financial statements and reflect the presentation to be adopted in the audited financial statements;
- considered whether the information (including the management commentary) is consistent with other expected contents of the annual report;
- considered whether the financial information in the preliminary announcement is misstated;
- considered whether the preliminary announcement includes a statement by directors as required by section 435 of CA 2006 and whether the preliminary announcement includes the minimum information required by UKLA Listing Rule 9.7A.1;
- where the preliminary announcement includes alternative performance measures ("APMs"), considered whether appropriate prominence is given to statutory financial information and whether:
  - the use, relevance and reliability of APMs has been explained;
  - the APMs used have been clearly defined, and have been given meaningful labels reflecting their content and basis of calculation;
  - the APMs have been reconciled to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period; and
  - comparatives have been included, and where the basis of calculation has changed over time this is explained.
- read the management commentary, any other narrative disclosures and any final interim period figures and considered whether they are fair, balanced and understandable.

#### Use of our report

Our liability for this report, and for our full audit report on the financial statements is to the company's members as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company'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 company and the company's members as a body, for our audit work, for our audit report or this report, or for the opinions we have formed.

Richard Howe FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, UK  
8 March 2018

#### PRINCIPAL RISKS AND UNCERTAINTIES

The principal risks and uncertainties which could have a material impact on the long-term performance of Alfa Financial Software Holdings PLC and its subsidiaries are set below (in no specific order). More detail can be found in the 2017 Annual Report to be made available on our website in March 2018.

Principal risk and uncertainty	How it impacts us
Talent recruitment and retention	<p>Our business is very much dependent on our people as they are integral to the development and delivery of Alfa Systems. We operate in an industry where there is intense competition for engineers and consultants, both at the graduate level as well as highly experienced individuals.</p> <p>Failure to attract, train and retain high quality individuals in our key operating regions may impact our ability to deliver implementations, maintain product quality and leading edge functionality, manage customer relations and deliver on our strategic plan.</p>
Project delivery and support	<p>Our business is dependent on continued delivery success - our customers depend on Alfa Systems to be the heart and lungs of their business and therefore failure to deliver timely and effective implementations and maintain sufficient levels of post-implementation support could harm our reputation and cause loss of</p>

	customers.
Product management	<p>As Alfa Systems is central to how an asset finance company operates, it is imperative that it continues to evolve to meet our customer, and prospective customers, ever changing needs. Such changes could come from increased regulation, adopting a new or more modern operating model or a desire for increased efficiency.</p> <p>Failure to manage our product road map in light of customer demand could result in an inappropriate investment focus which does not meet our customers' business needs.</p> <p>This in turn could increase the risk that customers could look for alternative solutions, resulting in the loss of new or existing revenue streams, and could stall long-term growth prospects.</p>
Economic, political and social environment	<p>Alfa derives all of its revenue from providers of finance in the asset finance sector. The finance industry is sensitive to changes in economic conditions and unforeseen external events, such as political instability, inflation and other unforeseen events which may put pressure on profitability of the players in this market.</p> <p>This in turn may decrease the amount they have to spend on improving their internal systems and processes or may extend the decision making when contemplating a new asset finance system.</p> <p>If the pace of change decreases and Alfa fails to attract new customers or retain existing ODS work, this may have an adverse impact on revenue and profitability in the short to medium term.</p>
IT security and cyber risk	<p>In recent times, IT security risk and cyber risk has increased and we are cognisant that no system, network or product is immune to the risk that outside elements may target Alfa with attacks, specifically designed to disrupt our business or harm our reputation.</p> <p>Although we do not store our customers' data, a targeted attack on Alfa could adversely affect our customers or future customers' perception of Alfa Systems. In addition, a security breach could impact our ability to operate our business, including our ability to continue to provide support to our customers.</p>
Business interruption or continuity	<p>We are at risk of disruption to our day-to-day operations if there is a disaster incident which causes our internal IT systems to fail or we do not have access to our office space.</p> <p>A failure to be able to use key IT systems or access our infrastructure could lead to a failure to deliver maintenance services to our customers and therefore have a negative reputational impact.</p>

Following the recent decision by the UK population to exit, in due course, from the European Union ("Brexit"), the Directors have considered whether or not this will manifest itself as an additional risk to the Group. While it is difficult to predict the impact of an exit, there could be an impact on the way Alfa does business. Therefore, while this does not constitute a principal risk to the business over and above the risks mentioned above, the Directors will continue to monitor and assess it.

#### DIRECTORS' RESPONSIBILITIES STATEMENT

The responsibility statement below has been prepared in connection with the annual report and financial statements for the year ended 31 December 2017. Certain parts thereof are not included within this preliminary announcement.

The Directors confirm that to the best of their knowledge:

- the consolidated financial statements, from which the condensed financial information within this preliminary announcement have been extracted, are prepared in accordance with International Financial Reporting Standards and give a true and fair view of the asset, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report, from which the CEO review and Financial Review within this preliminary announcement have been extracted, includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors of Alfa Financial Software Holdings PLC and their respective responsibilities are listed in the 2017 Annual Report. This responsibility statement was approved by the Board of Directors and is signed on behalf of the Board by:

Andrew Denton  
Chief Executive Officer  
8 March 2018

Vivienne Maclachlan  
Chief Financial Officer  
8 March 2018

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The company news service from the London Stock Exchange

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