

1 September 2022

## Alfa Financial Software Holdings PLC

### 2022 Half Year Report

#### Growth in resilient market underpins expectations

Alfa Financial Software Holdings PLC ("Alfa" or the "Company"), a leading developer of software for the asset finance industry, today publishes its unaudited results for the six months ended 30 June 2022 ("the period").

#### Financial summary

Results £m, unless otherwise stated	H1 2022 Unaudited	H1 2021 Unaudited	Movement %
Revenue	43.9	41.1	7%
Operating profit	14.2	11.4	25%
Profit before tax	13.8	11.0	25%
Earnings per share – basic (pence)	3.92	2.98	32%
Earnings per share – diluted (pence)	3.85	2.93	31%
Special dividend declared per share (pence)	3.5	10.0	(65)%

£m, unless otherwise stated	H1 2022 Unaudited	31 Dec 2021 Audited	Movement %
Cash	20.8	23.1	(10)%

Key measures <sup>(1)</sup> £m, unless otherwise stated	H1 2022 Unaudited	H1 2021 Unaudited	Movement %
Revenue – constant currency	43.9	41.8	5%
Operating profit – constant currency	14.2	11.7	21%
Cash generated from operations	17.8	17.2	3%
Operating free cash flow conversion (%)	112%	138%	(26)%
Total Contract Value (TCV)	138.1	125.2	10%

(1) See definitions section for further information regarding calculation of measures not defined by IFRS.

#### Financial highlights

- Operating profit strongly up 25% on H1 2021
- Subscription revenues up 18% on H1 2021
- Continued strong cash generation
- Revenue up 7% versus H1 2021, 5% at constant currency

- Robust balance sheet position with £21m of cash and no bank debt
- Special dividend of 3.5 pence per share (£10.5m) declared taking total dividends over two years to 33.6 pence and £100m

### **Strategic highlights**

- Increasing diversification of our customer base; Top five customers make up 35% of revenues in H1 2022 (H1 2021: 43%, H1 2020: 55%)
- TCV up by 10% since H1 2021 to £138m driven by 16% growth in Subscription TCV
- Strong software delivery and Cloud Hosting performance
- Continued investment in people and product for future growth
- Record level of employee engagement, retention at 85%
- Investors in People Gold status achieved
- Alfa Systems version 5.7 release planned
- Partner usage up by 51% since H1 2021

### **Andrew Denton, Chief Executive Officer**

"I am very pleased with the way we have performed in the first half of 2022, and the fact that we continue to make strong progress across all aspects of the business. As well as our strong financial performance, we continue to hire and retain the best people and grow our partnership programme. Our Cloud Hosting business is growing quickly as we develop and implement the best software in our industry. Our strong sales pipeline provides a platform for continued growth. We have also continued our progress in building resilience into the business through further reducing customer concentration, growing subscription revenues, increasing geographic spread and diversifying target markets. This alongside the inherent robustness of the asset finance software market underpins our confidence in the outlook for the business, despite a tough economic environment, and allows us to announce another special dividend whilst maintaining a strong balance sheet."

## Enquiries

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## Investor and analyst webcast

The Company will host a conference call today at 09:30am. To obtain details for the conference call, please email [alfa@tulchangroup.com](mailto:alfa@tulchangroup.com). Please dial in at least 10 minutes prior to the start time.

An archived webcast of the call will be available on the Investors page of the Company's website, <https://investors.alfasystems.com/>.

## Notes to editors

Alfa has been delivering software systems and consultancy services to the global asset and automotive finance industry since 1990. Our best practice methodologies and specialised knowledge of asset finance facilitates delivery of large software implementations and highly complex business change projects. With an excellent delivery track record now into its fourth decade, Alfa's experience and performance is unrivalled in the industry.

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 customer systems with our single platform. Alfa Systems supports both retail and corporate business for auto, 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, Alfa Systems provides compelling solutions to asset finance companies.

Alfa Systems is currently live in 37 countries. Alfa has offices in Europe, Australasia and North America. For more information, visit [www.alfasystems.com](http://www.alfasystems.com).

### **Forward-looking statements**

This Half Year Report (HYR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The HYR should not be relied on by any other party or for any other purpose. This report contains certain forward-looking statements. All statements other than statements of historical fact are forward-looking statements. These include statements regarding Alfa's intentions, beliefs or current expectations, and those of our officers, directors and employees, concerning (without limitation), with respect to the financial condition, results of operations, liquidity, prospects, growth, strategies and businesses of Alfa. These statements and forecasts involve known and unknown risks, uncertainty and assumptions because they relate to events and depend upon circumstances that will or may occur in the future and should therefore be treated with caution. 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 applicable law, Alfa disclaims any obligation or undertaking to update the forward-looking statements or to correct any inaccuracies therein, or to keep current any other information contained in the HYR. Accordingly, reliance should not be placed on any forward-looking statements.

## **BUSINESS REVIEW**

### **Good first half performance**

The first half of 2022 has seen good progress across all areas of our business. We have continued to deliver successful implementations, supported by our scalable and reliable cloud-native hosting solution, at the same time as releasing significant enhancements to our software.

We have seen good growth in our contracted orders with Total Contract Value ("TCV") up 10% since 30 June 2021 and we have replenished and grown our pipeline which gives us good visibility for 2023.

Financial performance in the first half was strong, with revenue up 7% to £43.9m (2021 H1: £41.1m) and with good control of costs which remained unchanged. Revenue benefited from favourable currency movements but total chargeable days were impacted by increased holidays taken and sickness compared with the same period last year as the impacts from Covid-19 unwind. Operating profit performance was even stronger, up 25% to £14.2m (H1 2021: £11.4m). Cash conversion was robust at 112% and we finished the period with net cash of £20.8m (31 Dec 2021: £23.1m).

We have continued to reduce our dependency on key customers, with our top 5 customers representing 35% of our revenues in H1 2022, compared with 43% in H1 2021, 55% in H1 2020 and 64% in H1 2019. We had fifteen customers contributing revenues of more than £1m in the period, up from thirteen in H1 2021, ten in H1 2020 and seven in H1 2019.

Recruitment picked up towards the end of the period, after a slower than planned hiring start to the year in a tight labour market. At 30 June 2022 we had a headcount of 417 (H1 2021: 389). Average headcount in the period of 399 (2021 H1: 375) was a 6% increase on last year. Our strong pipeline has enabled us to remain fully utilised. Our team retention rate, which had reduced in the second half of 2021, started to improve again during the second quarter of this year and our employee engagement is now at 83%, a record level for the last five years.

### **Strategic progress**

Alfa is a leading asset finance software company with global scale. Our platform, Alfa Systems, is the world's leading asset finance software, and has been supporting some of the world's largest and most innovative companies for more than 30 years.

Our vision is to grow our company size naturally, but grow our impact rapidly – always retaining our underlying culture. Key to this is delivering more concurrent implementations of our

world-class Alfa Systems product more efficiently. We will have a big company impact, but a small company feel.

Our strategic priorities are to:

- Strengthen – grow our differentiation of market leading People, Product & Delivery
- Sell – focus on cloud-hosted subscription sales
- Scale – increase our capacity for developing and delivering Alfa Systems
- Simplify – simplify our product and implementations
- Synergise – develop our partner ecosystem
- Start – improve our Alfa Start offering for smaller asset finance providers

We have continued to make good progress in all these areas in 2022, with the key areas highlighted below.

### **Strong growth in Subscription**

*Subscription revenues arise from recurring revenues from subscription licences, hosting and maintenance.*

Subscription revenues continued to grow strongly in the period, up 18% and now contributing 31% of our revenues.

We have a cloud first approach to sales as we see real benefits in both the speed of implementation for customers and the reliability of the service and built-in tools, including automated monitoring, patching and scheduling, that our hosting service provides. We anticipate that the majority of new customers will choose a hosted service and many will also bundle in licence along with maintenance. We have seven customers using Cloud Hosting services for their live production environments and have another seven customers taking hosting services during the design and implementation phase, most of which are expected to become live production customers.

Our hosted services are SOC2 audited to confirm compliance with controls around data security and availability. In the period we have been working towards SOC1 certification which verifies our internal controls around financial reporting. Given the mission critical nature of our systems to our customers, having third party verification of our compliance with these standards is a key selling point.

## **Developing our industry leading Software**

*Software revenues arise from the sale of perpetual licences and development work for new and existing customers.*

Our strategy is to continue to develop our software, to ensure that we meet and exceed customer and market needs as they evolve and as the regulatory and commercial environment continues to change. We believe we have the industry leading software and we continue to invest to maintain that lead.

Whilst we release an upgrade every 4 weeks, periodically we release a new version of Alfa Systems with step change functional and technical advancement. Later this year we will release version 5.7. This will include, amongst other things, an updated user interface with improvements to our already best in class user experience and enhanced credit decisioning capability. 5.7 also improves Alfa's ability to manage configuration for multiple jurisdictions and white-label relationships in a single instance, consolidating our leading position in multi-country, multi-channel implementations. In addition, this release will see added functionality for allocating revenues across individual assets, which is particularly important for equipment lessors, and also for billing arrangements unrelated to assets, which adds further flexibility for all finance types.

Overall software revenue was up 5% on last year. We are particularly happy when an existing Alfa customer upgrades to Alfa Systems v5. This normally involves a competitive tender and to win shows the strength of customer belief in Alfa. However, this causes a reduction in licence income compared with a brand new Alfa implementation. Overall development days, including those upgrading from Alfa Systems v4 to v5 were slightly up on last year.

## **High quality Services and growing partnerships**

*Services revenues arise from work on implementations and other services.*

Overall Services revenues were up 2% on the prior period. We have continued to deliver a very high level of service to our customers. We were pleased to see TCV increase by 10% over the past 12 months, and by 4% in the period, driven both by new customers and price increases. This growth more than mitigated the impact of one customer ending an implementation due to internal capacity constraints. The strength of our pipeline and our diversified customer base meant that this has not impacted our overall expectations for 2022 performance.

We had two customers successfully go live in the period, both of which were Minimum Viable Product go-lives leveraging Alfa Start as an accelerator. We also completed one of our major UK v5 upgrades and started work on a first implementation in Mexico for an existing customer.

We have grown our customer-serving resources. As we continue to execute our strategy and move towards a high level of operational gearing and efficiency in our business, a greater proportion of their time was spent on software development which shows in Software and so the Services days remained relatively constant. As expected, within Services there was a reduction in new implementation work, offset by the implementation of v4 to v5 upgrades.

Increasing our access to partners is a key element of our strategy for increasing the number of implementations we can deliver. In the period we have continued to make strong progress with a 51% increase in partner chargeable days over the same period last year. We are keen to add US staff augmentation partnering to our successful European scheme; we are supporting one of our European partners in setting up in the US and we have signed a partnering agreement with a new US partner.

### **Alfa iQ – building products**

We continue to work through a variety of use cases with new and existing clients where advanced machine learning techniques can provide value and positively impact our client's bottom line. With our first paying customers announced in Q1 this year, we have continued to build out the capability of our first two products – Scorecard as a Service and Workflow Analytics. We have built the foundation for hosting our credit scoring solutions in the cloud and are currently working to scale it across multiple clients in a secure and efficient fashion.

### **Strong engagement with our people**

We continue to focus on recruiting and retaining the best people in our industries, and so were delighted to be awarded Investors in People Gold status and achieve a record employee engagement score. Our team charters, developed collaboratively by individual teams, have been successfully implemented and new Smart Working patterns have been established. In London this has enabled us to consolidate from three floors into two, which will give us an annual cost saving of £1m.

In the post-Covid period, we have been able to hold a number of in-person internal conferences across the business and this has greatly helped to strengthen our people connections, particularly with those who have been recruited since the start of lockdown. We will continue to create opportunities for in-person connection.

We have made good progress with our smart hub in Portugal. Our first employee has started, with two more joining shortly and we anticipate adding another three before the end of the year. This repeatable model gives us access to another talent pool outside our principal engineering centre in London and will help limit the increasing cost of acquiring development skills.

## **Capital return - £100m of dividends**

We remain a strongly cash generative business and continue to generate more cash than we need for our growth plans. We employ three mechanisms for returning this excess cash to shareholders. Firstly, we have a regular dividend, which we intend to grow progressively as our profits grow, in line with our stated dividend policy. We paid the 2021 final dividend of 1.1p or £3.3m in the first half. Secondly, we have the share buyback programme that we launched in January 2022. We bought 1.3m shares at an aggregate cost of £2.2m in the period. Finally, we return any excess funds after funding the regular dividend and the share buyback through special dividends.

In the first half we paid a special dividend of 3p per share or £8.9m. Even after returning cash in the period of £12.2m, we finished the period with a strong balance sheet with net cash of £20.8m and expect this to grow. As a consequence, the Board has decided to declare a special dividend of 3.5 pence per share, with an ex-dividend date of 8 September 2022, a record date of 9 September 2022 and a payment date of 7 October 2022. The dividend would amount to a total payment of £10.5m, which in aggregate will take total dividends since November 2020 to £100m.

## **Steady market conditions**

The macro-economic outlook is clearly uncertain at the moment, with rising inflation and risks of recession. Alfa Systems is now operational in 37 countries; in automotive finance, equipment finance and wholesale finance; for OEMs, banks and independents and across all asset classes. The breadth and diversity of Alfa's business interests help to insulate us from economic uncertainty in individual geographies and sectors of our business.

Along with Alfa's diversity providing insulation against the current economic uncertainty, the market itself provides some protection. The asset finance market is a more secure form of lending and it has a history of gaining market share in uncertain times compared with non-asset backed lending markets although it will not be completely immune to these economic pressures. In addition, the need for software is not associated with new business alone, large players in our market will have significant extant portfolios to manage whether they are writing new business or not and these portfolios will be subject to the same drivers of technical change as growing businesses. Regulatory change, digitalisation and the growing need for flexibility continue to drive customers to review their systems, particularly those still running on legacy platforms, and they will continue to select flexible modern systems.

We believe that the asset finance software market will remain robust. With our functional, flexible, modern, cloud-native system, we continue to be well positioned to capitalise on that end market.

## **Strong pipeline**

With the market pushing customers to review their systems, we remain confident in our ability to demonstrate the strength and flexibility of our own software and the quality of our people. We have a strong late stage pipeline and we remain confident in our ability to convert most of these into wins. We also continue to see activity coming into the early stage pipeline which gives us the confidence that our markets remain relatively robust at this time which will support our revenues in 2023 and 2024.

## **Outlook**

We remain conscious of the difficult economic outlook although we believe that the markets for our software and services will remain relatively resilient. We also take comfort from our reduced customer concentration, the diversity of markets by both geography and asset class and our growing subscription revenue base. As a consequence, we remain confident of achieving full year expectations and assuming no significant change in conditions, have the opportunity to exceed them through our second half performance.

## FINANCIAL REVIEW

### Financial results

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>	<b>Movement %</b>
Revenue	43.9	41.1	7%
Operating expenses – net	(29.7)	(29.7)	-%
Operating profit	14.2	11.4	25%
Share of results of associates and joint ventures	-	-	n/a
Finance expense	(0.4)	(0.4)	-%
Profit before tax	13.8	11.0	25%
Taxation	(2.2)	(2.2)	-%
<b>Profit for the period</b>	<b>11.6</b>	<b>8.8</b>	<b>32%</b>

Revenues increased by 7% or £2.8m to £43.9m in the six months ended 30 June 2022 (H1 2021: £41.1m). Growth at constant currency was 5%.

Operating profit increased by £2.8m to £14.2m (H1 2021: £11.4m), due to the £2.8m increase in revenues, with expenses unchanged.

Net finance costs, which relate to lease expenses were £0.4m (H1 2021: £0.4m) and resulted in profit before tax of £13.8m (H1 2021: £11.0m). The Effective Tax Rate (“ETR”) for the 2022 half year is 15.9% (H1 2021: 19.9%). For the full year 2022 we expect the ETR to be around 17.5% (2021: 19.3%). Profit for the period was £11.6m (H1 2021: £8.8m).

## Revenue

Revenue – by type £m	H1 2022 Unaudited	H1 2021 Unaudited	Movement %
Subscription	13.5	11.4	18%
Software	6.7	6.4	5%
Services	23.7	23.3	2%
Total revenue	43.9	41.1	7%

### Subscription revenues

Overall subscription revenues increased strongly by 18% to £13.5m (2021 H1: £11.4m). The increase was driven by a 15% increase in maintenance revenues up from £8.0m to £9.2m, along with a 27% increase in hosting and bundled subscription revenues over the same period last year, boosted by one large customer going live in the second half of 2021. We anticipate that the majority of new customers will take a hosted service and all of the current v4 to v5 upgrades are moving into a hosted v5 environment.

### Software revenues

Software revenues of £6.7m were up £0.3m or 5% on last year (H1 2021: £6.4m). As previously discussed we continue to implement v4 to v5 upgrades and this along with a shift towards subscription licences with larger customised implementations coming to an end, means that the software licence revenues remain at a relatively low level. In addition in H1 we had one-off licence revenues of £0.2m which was down £0.6m versus the first half last year (H1 2021: £0.8m).

### Services revenues

Total Services revenues increased by 2% to £23.7m (H1 2021: £23.3m) at actual exchange rates. Pre-implementation revenues were down on last year with two customers being billed for pre-implementation work compared with five last year. Of the five customers in pre-implementation work last year all went forward with implementations, although one for reasons mentioned earlier has stopped its implementation and will stay on their existing systems landscape. Ongoing services work, including v4 to v5 upgrades, were up 22% on last year, offsetting an 11% reduction in implementation work. Overall days were impacted by an increase in vacation, absence and sickness returning to more normal levels post-Covid lockdown.

## Total Contract Value (TCV)

TCV – by type (unaudited) £m	2022 H1	2021 FY	2021 HY
Subscription	89.2	85.8	77.2
Software	18.1	14.9	18.8
Services	30.8	32.4	29.2
Total TCV	138.1	133.1	125.2

Definition of TCV is included in the definitions section of this Half Year Report

Total contract value (TCV) increased over the first six months of the year by 4% to £138.1m as at 30 June 2022 (31 December 2021: £133.1m, 30 June 2021: £125.2m). Subscription TCV has increased 4%, and there was also an increase in Software, from secured development work and licences from the contracts that were won in the period.

Of the TCV at 30 June 2022, £59.9m (H1 2021: £55.7m) is currently anticipated to convert into revenue within the next 12 months, assuming contracts continue as expected and are not cancelled or delayed. This includes £8.3m (H1 2021: £10.2m) of Software revenues, £28.6m (H1 2021: £24.0m) of Subscription revenues and £23.0m (H2 2021: £21.5m) of Services revenues.

## Operating profit

The Group's operating profit increased by £2.8m, or 25%, to £14.2m in H1 2022 (H1 2021: £11.4m) primarily reflecting the £2.8m increase in revenues, Group's overall cost base remaining unchanged. The Group's operating profit on a constant currency basis increased by 21%.

Headcount numbers were up 7% at 30 June 2022 at 417 (H1 2021: 389), with average headcount increased to 399 up 6% (H1 2021: 375). Staff retention rate dipped a little in the second half of 2021 and finished the year at 87% down from 94% at 30 June 2021 for the previous 12 month period. Retention has been better than expected in H1 2022, and better than H2 2021 and is now at 85% for the 12 months to that date.

Expenses – net £m	H1 2022 Unaudited	H1 2021 Unaudited	Movement %
Cost of sales	15.6	15.0	4%
Sales, general and administrative expenses	14.6	14.9	(2)%
Other income	(0.5)	(0.2)	150%
Total expenses – net	29.7	29.7	-%

**Cost of sales** increased by £0.6m to £15.6m (2021: £15.0m) due to higher salary costs from the increase in customer facing headcount along with increased hosting costs from the increasing scale of that business.

**Sales, general and administrative (SG&A)** expenses reduced slightly to £14.6m in the six month period to 30 June 2022 (H1 2021: £14.9m). This included increased salary costs through higher headcount, offset by reduced cost of holiday pay accrual as more vacation was taken in the period. Profit Share Pay, including employers costs, in the period was £1.6m (2021 H1: £1.3m) on the back of the higher profits. Share-based payment charges have increased over last year at £0.8m (H1 2021: £0.6m). There has also been an increase in foreign currency differences of £0.9m, which moved to a gain of £0.6m in H1 2022 from a loss of £0.3m in H1 2021. Travel costs increased in the period but did not increase quite as quickly as anticipated. Whilst there was some bounce back in conference and marketing costs in H1, we expect these to further increase in the second half.

### Finance costs

Net finance costs which relate to leases of £0.4m (H1 2021: £0.4m) remained relatively unchanged. Income on cash balances remained low given the current low interest rate environment.

### Profit for the period

Profit after taxation increased by £2.8m, or 32%, to £11.6m in H1 2022 (H1 2021: £8.8m). The Effective Tax Rate (“ETR”) for the 2022 half year is 15.9% (H1 2021: 19.9%). For the full year 2022 we expect the ETR to be around 17.5% (2021: 19.3%), taking into account the continuing benefit from R&D tax credits.

## **Earnings per share**

Basic earnings per share increased by 32% to 3.92 pence in H1 2022 (H1 2021: 2.98 pence). Diluted earnings per share increased by 31% to 3.85 pence (H1 2021: 2.93 pence).

## **Cash flow**

Cash generated from operations was £17.8m in the period (H1 2021: £17.2m) up £0.6m on last year. Net cash generated from operating activities was £13.4m (H1 2021: £17.1m) down on the same period last year mainly due to tax payments of £4.0m (H1 2021: £0.3m received), an increase of £4.3m due to higher level of profits and the two years' worth of R&D tax credits received in the first half last year.

Net cash (including the effect of exchange rate changes) decreased by £2.3m to £20.8m at 30 June 2022, from £23.1m at 31 December 2021. £13.4m of Net cash generated from operations (H1 2021: £17.1m), was offset by increased dividend payments of £12.2m (H1 2021: nil) covering both the 2021 final dividend and the special dividend declared in April 2022, net purchase of own shares of £2.0m (H1 2021: £2.6m), net capital expenditure of £1.0m (H1 2021: £0.5m) and other cashflows of £0.9m (H1 2021: £0.9m).

The Group's Operating Free Cash Flow Conversion (FCF) of 112% (H1 2021: 138%) benefited from maintenance payment receipts in the first half. As noted before, over time the ongoing trend for 12 month cash conversion will be around 100% as we move to a subscription license model.

The Board have declared a 3.5 pence per share special dividend, amounting to £10.5m, payable on 7 October 2022 with a record date of 9 September 2022 and an ex-dividend date of 8 September 2022.

## **Balance sheet**

The significant movements in the Group's balance sheet, aside from the cash balance which is described above, from 31 December 2021 to 30 June 2022 are detailed below.

The trade and other receivables balance increased by £4.3m to £20.8m at 30 June 2022 (31 December 2021: £16.5m) as a result of higher billings due to the overall increased revenue during H1 2022 including the impact of the annual maintenance billing in May. Accrued income has also increased due to increased revenues, and also the change in timing of an annual maintenance payment.

The trade and other payables balance stayed relatively level, decreasing by £0.1m to £9.2m at 30 June 2022 (31 December 2021: £9.3m). Corporation tax liability has reduced by £1.8m due to payment timing.

Contract liabilities increased by £5.9m to £16.9m at 30 June 2022 (31 December 2021: £11.0m) reflecting the fact that the majority of annual maintenance contracts run on a 1 May – 30 April period and as such a larger proportion of the annual amount is deferred at 30 June compared with 31 December.

### **Subsequent events and related parties**

In the period since 30 June 2022, the only material subsequent event was Alfa reaching agreement for the assignment of the 9<sup>th</sup> floor of Moor Place, 1 Fore Street Avenue, London to CHP Software and Consulting Limited. This was announced on 1 August 2022.

Details about related party transactions are disclosed in note 17.

## PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties which could have a material impact on the long-term performance of Alfa Financial Software Holdings PLC and its subsidiaries were set out in the Alfa Financial Software Holdings PLC Annual Report for the year ended 31 December 2021, dated 8 March 2022, and remain valid at the date of this report.

Those risks and uncertainties at the date of this report where the impact continues to be assessed as “Major” and where the probability of the event is assessed as at least “Possible” were:

- Socio-economic and geo-political risk – the potential impacts from Covid-19, coupled with the impacts of the Ukraine war and the impacts of Brexit on the UK economy, on the macro-economic environment leading to global and local recessions. There is also increased risk as a result of rising inflation. Since the Annual Report, the probability assessment of this risk occurring has been increased and reassessed from “Possible” to “Likely”.
- IT security and cyber risks - a targeted attack could adversely affect our customers’ or potential customers’ perception of Alfa Systems and could impact our ability to operate our business.

In addition, since the Annual Report, the following risk has been reassessed to have a reduced impact, moving from “Major” to “Moderate”, still with a probability of “Possible”:

- High customer concentration – we have significant customer concentration risk due to the size and duration of our software implementation projects. This risk has moved to moderate risk due to the reduced customer concentration.

Also, since the Annual Report, the following risks have been reassessed to have an increased probability, moving from “Possible” to “Likely”, still with an impact of “Moderate”:

- Increased cost base due to salary market pressures or relocation costs leading to inability to achieve target margins.
- Foreign exchange risk – there may be significant movements in foreign currency rates.

Additionally, and in light of the Covid-19 pandemic, the following risk is highlighted. This was included in the 2021 Annual Report with the impact being assessed as “Moderate” and where the probability of the event as being assessed as “Possible”.

- Pandemic outbreak in Alfa and/or customer geographies – may impact the health of our people, may continue to cause economic disruption, and hinder the movement of our people to our offices or those of the customer.

**UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022**

<b>£m</b>	<b>Note</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
<b>Continuing Operations</b>			
Revenue	3	43.9	41.1
Cost of sales		(15.6)	(15.0)
<b>Gross profit</b>		<b>28.3</b>	<b>26.1</b>
Sales, general and administrative expenses		(14.6)	(14.9)
Other operating income		0.5	0.2
<b>Operating profit</b>	4	<b>14.2</b>	<b>11.4</b>
Share of results of associates and joint ventures		-	-
<b>Profit before net finance costs and tax</b>		<b>14.2</b>	<b>11.4</b>
Finance income		-	-
Finance costs		(0.4)	(0.4)
<b>Profit before tax</b>		<b>13.8</b>	<b>11.0</b>
Tax expense	6	(2.2)	(2.2)
<b>Profit for the period attributable to owners of the parent</b>		<b>11.6</b>	<b>8.8</b>
<b>Other comprehensive income</b>			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation of foreign operations		0.4	(0.1)
Total comprehensive income, net of tax		0.4	(0.1)
<b>Total comprehensive income for the period attributable to owners of the parent</b>		<b>12.0</b>	<b>8.7</b>
<b>Earnings per share (in pence)</b>			
Basic		3.92	2.98
Diluted		3.85	2.93

*The consolidated statement of profit or loss and comprehensive income should be read in conjunction with the accompanying notes.*

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

		30 June 2022	31 Dec 2021
£m	Note	Unaudited	Audited
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	7	24.7	24.7
Other intangible assets	8	2.7	2.4
Property, plant and equipment	9	0.8	0.8
Right-of-use assets	10	13.5	14.4
Deferred tax assets		1.8	1.8
Interests in joint ventures		0.3	0.3
<b>Total non-current assets</b>		<b>43.8</b>	<b>44.4</b>
<b>Current assets</b>			
Trade receivables	11	8.0	6.0
Accrued income	12	8.5	6.3
Prepayments	12	3.3	3.2
Other receivables	12	1.0	1.0
Cash and cash equivalents		20.8	23.1
<b>Total current assets</b>		<b>41.6</b>	<b>39.6</b>
<b>Total assets</b>		<b>85.4</b>	<b>84.0</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	13	9.2	9.3
Corporation tax	13	-	1.8
Lease liabilities	14	1.9	1.9
Contract liabilities	13	16.9	11.0
<b>Total current liabilities</b>		<b>28.0</b>	<b>24.0</b>
<b>Non-current liabilities</b>			
Lease liabilities	14	14.3	15.2
Provisions for other liabilities	13	1.2	1.4
<b>Total non-current liabilities</b>		<b>15.5</b>	<b>16.6</b>
<b>Total liabilities</b>		<b>43.5</b>	<b>40.6</b>
<b>Capital and reserves</b>			
Share capital		0.3	0.3
Translation reserve		0.4	-
Own shares	15	(5.4)	(3.4)
Retained earnings		46.6	46.5
<b>Total equity</b>		<b>41.9</b>	<b>43.4</b>
<b>Total liabilities and equity</b>		<b>85.4</b>	<b>84.0</b>

*The consolidated statement of financial position should be read in conjunction with the accompanying notes.*

**UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SIX MONTHS ENDED 30 JUNE 2022**

<b>£m</b>	<b>Note</b>	<b>Share capital</b>	<b>Own shares</b>	<b>Translation reserve</b>	<b>Retained earnings</b>	<b>Equity attributable to owners of the parent</b>
<b>Balance as at 1 January 2021</b>		<b>0.3</b>	<b>-</b>	<b>0.1</b>	<b>59.8</b>	<b>60.2</b>
Profit for the financial period		-	-	-	8.8	8.8
Other comprehensive income		-	-	(0.1)	-	(0.1)
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>8.8</b>	<b>8.7</b>
Equity settled share-based payment schemes		-	-	-	0.7	0.7
Equity-settled share-based payment schemes - deferred tax impact		-	-	-	(0.4)	(0.4)
Dividends		-	-	-	(3.0)	(3.0)
Own shares distributed		-	1.2	-	(1.2)	-
Own shares acquired		-	(2.6)	-	-	(2.6)
<b>Balance as at 30 June 2021</b>		<b>0.3</b>	<b>(1.4)</b>	<b>-</b>	<b>64.7</b>	<b>63.6</b>
<b>Balance as at 1 January 2022</b>		<b>0.3</b>	<b>(3.4)</b>	<b>-</b>	<b>46.5</b>	<b>43.4</b>
Profit for the financial period		-	-	-	11.6	11.6
Other comprehensive income		-	-	0.4	-	0.4
<b>Total comprehensive income for the period</b>		<b>-</b>	<b>-</b>	<b>0.4</b>	<b>11.6</b>	<b>12.0</b>
Equity settled share-based payment schemes		-	-	-	0.7	0.7
Dividends		-	-	-	(12.2)	(12.2)
Own shares distributed	15	-	0.2	-	-	0.2
Own shares acquired	15	-	(2.2)	-	-	(2.2)
<b>Balance as at 30 June 2022</b>		<b>0.3</b>	<b>(5.4)</b>	<b>0.4</b>	<b>46.6</b>	<b>41.9</b>

*The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.*

**UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS  
ENDED 30 JUNE 2022**

<b>£m</b>	<b>Note</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
<b>Cash flows from operations</b>			
Profit before tax		13.8	11.0
Net finance costs		0.4	0.4
<b>Operating profit</b>		<b>14.2</b>	<b>11.4</b>
Adjustments:			
Depreciation	9/10	1.2	1.1
Amortisation	8	0.4	0.4
Share-based payment charge		0.7	0.6
Movement in provisions		(0.2)	(0.2)
Movement in working capital:			
Movement in contract liabilities		5.9	7.9
Movement in trade and other receivables		(4.3)	(5.3)
Movement in trade and other payables (excluding contract liabilities)		(0.1)	1.3
<b>Cash generated from operations</b>		<b>17.8</b>	<b>17.2</b>
Interest element on lease payments		(0.4)	(0.4)
Income taxes (paid)/received		(4.0)	0.3
<b>Net cash generated from operating activities</b>		<b>13.4</b>	<b>17.1</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	9	(0.3)	(0.1)
Payments for internally developed software	8	(0.7)	(0.4)
<b>Net cash used in investing activities</b>		<b>(1.0)</b>	<b>(0.5)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to Company shareholders	18	(12.2)	-
Principal element of lease payments	14	(0.9)	(0.9)
Purchase of own shares	15	(2.0)	(2.6)
<b>Net cash used in financing activities</b>		<b>(15.1)</b>	<b>(3.5)</b>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(2.7)</b>	<b>13.1</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>23.1</b>	<b>37.0</b>
<b>Effect of foreign exchange rate changes on cash and cash equivalents</b>		<b>0.4</b>	<b>(0.1)</b>
<b>Cash and cash equivalents at the end of the period</b>		<b>20.8</b>	<b>50.0</b>

*The consolidated cash flow statement should be read in conjunction with the accompanying notes.*

## NOTES TO THE CONDENSED CONSOLIDATED HALF YEAR FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

### *1. General information*

Alfa Financial Software Holdings PLC (“Alfa” or the “Company”) is a public company limited by shares and is incorporated and domiciled in England. Its registered office is at Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom. Alfa’s registration number is 10713517.

The principal activity of the Company and its subsidiaries (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.

These unaudited Half Year Financial Statements have been approved for issue by the Board of Directors on 31 August 2022. These Half Year Financial Statements have been reviewed but not audited.

### *2. Accounting policies*

#### *2(a) Basis of preparation*

The Half Year Financial Statements have been prepared in accordance with IAS 34 “Half Year Financial Reporting” as contained in UK-adopted International Accounting Standards and the Disclosure and Transparency Rules of the Financial Conduct Authority.

These Half Year Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. Accordingly this report should be read in conjunction with the annual report for the year ended 31 December 2021 (the “Annual Financial Statements”) which was prepared in accordance with UK-adopted International Accounting Standards and any public announcements made by Alfa during the Half Year reporting period. The Annual Financial Statements constitute statutory accounts as defined in section 434 of the Companies Act 2006 and a copy these statutory accounts has been delivered to the Registrar of Companies. The auditor’s report on the Annual Financial Statements was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The accounting policies adopted in the preparation of the Half Year Financial Statements are consistent with those used to prepare Alfa’s consolidated financial statements for the year ended 31 December 2021 and the corresponding Half Year reporting period.

The preparation of the Half Year 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 Half Year Financial Statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated Annual Financial Statements described above. The Half Year Financial Statements have been prepared on a going concern basis, under the historical cost convention.

## *2(b) Going concern*

The half-yearly financial statements are prepared on the going concern basis. The Group continues to be cash-generative and the Directors believe that the Group has a resilient business model. The Group meets its day-to-day working capital requirements through its cash reserves generated from operating activities. The Group's forecasts and projections, taking account of planned dividend payments and reasonably possible changes in trading performance, show that the Group has sufficient cash reserves to operate for a period of not less than 12 months.

The going concern assessment performed also includes downside stress testing in line with FRC guidance which demonstrates that even in the most extreme downside conditions considered reasonably possible, given the existing level of cash held, the Group would continue to be able to meet its obligations as they fall due, without the need for substantive mitigating actions and taking account of planned dividend payments.

On this basis, whilst it is acknowledged that there is continued uncertainty over future economic conditions, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the half-yearly financial statements.

## *2(c) Changes in accounting policies*

The Group has not adopted any new accounting standards in the period. Other changes to accounting standards in the period had no material impact.

## *2(d) Seasonality*

The Group is not normally significantly influenced by seasonality or cyclical fluctuation because the Group's revenues are relatively consistent throughout the year. The Group's revenue is influenced by the number and maturity of software implementations during the period. Separately, the Group's cash flows are subject to seasonal fluctuations because (i) the Group invoices a large proportion of its customers for maintenance annually in advance in the first six months of each year, resulting in a higher inflow of cash receipts in the first half of the Group's financial year in respect of maintenance revenues and (ii) cash flows are impacted by the invoicing on certain projects of up-front customer licence fees at the commencement of an implementation.

## *2(e) Foreign currency*

The following exchange rates were used in the financial statements:

	USD	Euro	AUD	NZD
Average rate 6 months to:				
30 June 2022	1.29	1.19	1.81	1.96
30 June 2021	1.39	1.15	1.80	1.94
Closing rate:				
30 June 2022	1.21	1.16	1.76	1.95
31 Dec 2021	1.35	1.19	1.86	1.98

### *3. Segment information and revenue from contracts with customers*

#### *3(a) Revenue by stream*

The Group assesses revenue by type of activity, being Subscription, Software and Services, as summarised below:

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
Subscription	13.5	11.4
Software	6.7	6.4
Services	23.7	23.3
<b>Total revenue</b>	<b>43.9</b>	<b>41.1</b>

#### *3(b) Revenue by geography*

Revenue attributable to each geographical market based on where the customer mainly utilises its instance of Alfa, or where the service is rendered, is as follows:

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
UK	14.2	14.9
US	16.1	15.0
Rest of EMEA (excl UK)	9.6	9.0
Rest of the World	4.0	2.2
<b>Total revenue</b>	<b>43.9</b>	<b>41.1</b>

#### *3(c) Revenue by currency*

Revenue by contractual currency is as follows:

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
GBP	16.7	18.7
USD	16.5	15.4
EUR	6.7	4.8
Other	4.0	2.2
<b>Total revenue</b>	<b>43.9</b>	<b>41.1</b>

#### *3(d) Liabilities from contracts with customers*

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
Contract liabilities – deferred licence	5.8	5.5
Contract liabilities – deferred maintenance	11.1	9.3
<b>Total contract liabilities</b>	<b>16.9</b>	<b>14.8</b>

### 3(e) Timing of revenue

Timing of revenue – the Group derives revenue from the transfer of goods and services as follows over time and at a point in time in the following revenue segments:

H1 2022 - £m	Subscription	Software	Services	Total revenue
At a point in time – time and materials	-	2.3	15.9	18.2
At a point in time – fixed price	-	0.2	0.4	0.6
Over time – time and materials	-	3.9	7.4	11.3
Over time – fixed price	13.5	0.3	-	13.8
<b>Total revenue</b>	<b>13.5</b>	<b>6.7</b>	<b>23.7</b>	<b>43.9</b>

H1 2021 - £m	Subscription	Software	Services	Total revenue
At a point in time – time and materials	-	3.3	12.5	15.8
At a point in time – fixed price	-	0.8	-	0.8
Over time – time and materials	-	1.5	9.8	11.3
Over time – fixed price*	11.4	0.8	1.0	13.2
<b>Total revenue</b>	<b>11.4</b>	<b>6.4</b>	<b>23.3</b>	<b>41.1</b>

*\*This has been adjusted to be consistent with the disclosure treatment adopted in the 2021 audited Annual Report and Accounts to reflect a fair base for comparability. These changes have had no impact on the total revenue or the profit before tax that were disclosed in the period ended 30 June 2021.*

### 4. Operating profit

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

£m	H1 2022 Unaudited	H1 2021 Unaudited
Research and development costs	1.1	0.7
Depreciation of property, plant and equipment	0.3	0.2
Depreciation of right-of-use lease assets	0.9	0.9
Amortisation of intangible assets	0.4	0.4
Share-based payments	0.8	0.6

## 5. Employee costs

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
Wages and salaries	16.3	16.5
Social security contributions (on wages and salaries)	2.2	2.3
Pension costs	1.2	1.0
Profit share pay*	1.6	1.3
Share-based payments**	0.8	0.6
<b>Total employment costs</b>	<b>22.1</b>	<b>21.7</b>

\* Profit share pay refers to a pool of money (that equates to approximately 10% of the Group's pre-tax profits) which is shared amongst the employees, excluding Directors and some other senior managers, as a percentage of basic salary. The amount disclosed includes the related social security contributions.

\*\* This includes the related social security contributions.

<b>Average monthly number of people employed (including Directors)</b>	<b>H1 2022 Unaudited</b>	<b>H1 2021 Unaudited</b>
UK	301	277
US	70	71
Rest of the World	28	27
<b>Total average monthly number of people employed</b>	<b>399</b>	<b>375</b>

At 30 June 2022 the Group had 417 employees (30 June 2021: 389).

## 6. Income tax expense

Income tax expense is calculated on management's best estimate of the full financial year expected rate, which is then adjusted for discrete items occurring in the reporting period.

The income tax expense for the six-month period ended 30 June 2022 was £2.2m (H1 2021: £2.2m). The Effective Tax Rate ("ETR") for the 2022 half year is 15.9% (H1 2021: 19.9%).

The decrease in the ETR is due mainly to the impact of prior year items - a credit of £(0.1)m at H1 2022 versus a charge of £0.3m at H1 2021.

For the full year 2022 we expect the ETR to be around 17.5% (2021: 19.3%).

## 7. Goodwill

	H1 2022 Unaudited	H1 2021 Unaudited
<b>Cost</b>		
At 1 January	24.7	24.7
<b>At 30 June</b>	<b>24.7</b>	<b>24.7</b>

Goodwill arose on the acquisition of subsidiaries 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 the liabilities and contingent liabilities assumed.

We have assessed whether there are any indicators of possible impairment of goodwill. Considering in particular the fact that we have experienced strong trading performance during the six month period along with the carrying value of the assets for the Company remaining significantly below the market capitalisation of the Company, we found no indicators of possible impairment of goodwill. As a consequence no formal goodwill impairment test has been carried out.

## 8. Other intangible assets

£m	Computer software	Internally generated software	Total
<b>Cost</b>			
At 1 January 2021	1.5	2.2	3.7
Additions	-	0.4	0.4
At 30 June 2021	1.5	2.6	4.1
<b>Depreciation</b>			
At 1 January 2021	0.8	0.7	1.5
Charge for the period	0.1	0.3	0.4
At 30 June 2021	0.9	1.0	1.9
<b>Net book value</b>			
<b>At 30 June 2021</b>	<b>0.6</b>	<b>1.6</b>	<b>2.2</b>
<b>Cost</b>			
At 1 January 2022	1.6	3.1	4.7
Additions	-	0.7	0.7
At 30 June 2022	1.6	3.8	5.4
<b>Depreciation</b>			
At 1 January 2022	0.9	1.4	2.3
Charge for the period	-	0.4	0.4
At 30 June 2022	0.9	1.8	2.7
<b>Net book value</b>			
<b>At 30 June 2022</b>	<b>0.7</b>	<b>2.0</b>	<b>2.7</b>

## Significant movement in other intangible assets

During 2022, Alfa developed new internally generated software at a cost of £0.7m (2021: £0.4m). This software will be amortised over three to five years.

The total research and product development expense for the period was £1.1m (2021: £0.7m) (see Note 4).

## 9. Property, plant and equipment

£m	Fixtures and fittings	IT equipment	Total
<b>Cost</b>			
At 1 January 2021	1.2	3.3	4.5
Additions	-	0.1	0.1
Foreign exchange	-	(0.1)	(0.1)
At 30 June 2021	1.2	3.3	4.5
<b>Depreciation</b>			
At 1 January 2021	0.7	2.9	3.6
Charge for the period	0.1	0.1	0.2
Foreign exchange	-	(0.1)	(0.1)
At 30 June 2021	0.8	2.9	3.7
<b>Net book value</b>			
<b>At 30 June 2021</b>	<b>0.4</b>	<b>0.4</b>	<b>0.8</b>
<b>Cost</b>			
At 1 January 2022	1.2	3.5	4.7
Additions	0.1	0.2	0.3
Disposals	(0.1)	-	(0.1)
At 30 June 2022	1.2	3.7	4.9
<b>Depreciation</b>			
At 1 January 2022	0.8	3.1	3.9
Charge for the period	0.1	0.2	0.3
Eliminated on disposal	(0.1)	-	(0.1)
At 30 June 2022	0.8	3.3	4.1
<b>Net book value</b>			
<b>At 30 June 2022</b>	<b>0.4</b>	<b>0.4</b>	<b>0.8</b>

## 10. Right-of-use lease assets

£m	Motor vehicles	Property	Total
<b>Cost</b>			
At 1 January 2021	0.2	17.9	18.1
Additions	0.1	0.1	0.2
At 30 June 2021	0.3	18.0	18.3
<b>Depreciation</b>			
At 1 January 2021	0.1	3.2	3.3
Charge for the period	0.1	0.8	0.9
At 30 June 2021	0.2	4.0	4.2
<b>Net book value</b>			
<b>At 30 June 2021</b>	<b>0.1</b>	<b>14.0</b>	<b>14.1</b>
<b>Cost</b>			
At 1 January 2022	0.4	19.2	19.6
Additions	-	-	-
At 30 June 2022	0.4	19.2	19.6
<b>Depreciation</b>			
At 1 January 2022	0.2	5.0	5.2
Charge for the period	0.1	0.8	0.9
At 30 June 2022	0.3	5.8	6.1
<b>Net book value</b>			
<b>At 30 June 2022</b>	<b>0.1</b>	<b>13.4</b>	<b>13.5</b>

## 11 Trade and other receivables

The Group holds the following trade and other receivables:

£m	H1 2022 Unaudited	FY 2021 Audited
Trade receivables	8.0	6.0
Provision for impairment	-	-
<b>Total trade receivables - net</b>	<b>8.0</b>	<b>6.0</b>

### 11 (a) Trade receivables ageing

	H1 2022	FY 2021
Ageing of net trade receivables £m	Unaudited	Audited
Within agreed terms	5.8	4.1
Past due 1-30 days	2.0	1.2
Past due 31-90 days	0.2	0.6
Past due 91+ days	-	0.1
<b>Trade receivables - net</b>	<b>8.0</b>	<b>6.0</b>

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.

### 12 Other receivables

£m	H1 2022	FY 2021
	Unaudited	Audited
Accrued income	8.5	6.3
Prepayments	3.3	3.2
Other receivables	1.0	1.0
<b>Total other receivables</b>	<b>12.8</b>	<b>10.5</b>

Accrued income represents fees earned, but not invoiced, at the reporting date, which have no right of offset with contract liabilities – deferred licence amounts. Accrued income increased by £2.2m since last year-end driven by increased revenues and invoice timing.

Prepayments include £1.2m of deferred costs in relation to costs to fulfil contracts.

### 13 Current liabilities

£m	H1 2022	FY 2021
	Unaudited	Audited
Trade payables	0.7	0.8
Other payables	8.5	8.5
Corporation tax	-	1.8
Contract liabilities – software implementation	5.8	5.3
Contract liabilities – deferred maintenance	11.1	5.7
Lease liabilities	16.2	17.1
Provisions for other liabilities	1.2	1.4
<b>Total trade and other payables</b>	<b>43.5</b>	<b>40.6</b>
Less: non-current portion	(15.5)	(16.6)
<b>Total current liabilities</b>	<b>28.0</b>	<b>24.0</b>

## 14 Lease liabilities

The following table sets out the reconciliation of the lease liabilities from the 1 January 2021 to the amount disclosed at 30 June 2022:

<b>£m</b>	<b>Total</b>
Lease liabilities recognised at 1 January 2021	17.5
Additions	1.5
Interest charge	0.8
Payments made on lease liabilities	(2.7)
<b>At 31 December 2021</b>	<b>17.1</b>
Additions	-
Disposals	-
Interest charge	0.4
Payments made on lease liabilities	(1.3)
<b>At 30 June 2022</b>	<b>16.2</b>

Additions to lease liabilities include extensions to existing lease agreements.

Below is the summary of timing of the lease payments:

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>FY 2021 Audited</b>
Non-current liability	14.3	15.2
Current liability	1.9	1.9
	<b>16.2</b>	<b>17.1</b>

Below is the maturity analysis of the lease liabilities:

<b>Maturity analysis:</b>	<b>H1 2022 Unaudited</b>	<b>FY 2021 Audited</b>
No later than 1 year	2.7	2.7
Between one year and 5 years	10.0	10.1
Later than 5 years	6.2	7.5
Total future lease payments	18.9	20.3
Total future interest payments	(2.7)	(3.2)
	<b>16.2</b>	<b>17.1</b>

The group's net debt is made up of cash and cash equivalents and lease liabilities. The movement during the period in lease liabilities is set out above. Movements in cash and cash equivalents are set out in the Cash flow statement. These are the only changes in liabilities arising from financing activities in the period.

## *15 Own shares*

<b>£m</b>	<b>H1 2022 Unaudited</b>	<b>FY 2021 Audited</b>
Own shares at 1 January	3.4	-
Own shares distributed	(0.2)	(1.2)
Own shares acquired	2.2	4.6
<b>At 30 June</b>	<b>5.4</b>	<b>3.4</b>

The own shares reserve represents the cost of shares in Alfa Financial Software Holdings PLC that have been:

- Purchased in the market and held by the Group's employee benefit trust to satisfy options under the Group's share options plans. The number of shares held at H1 2022 were 2,445,817 (FY 2021: 2,590,260); and
- Purchased in the market and held by the Group as a result of the share buyback programme that was launched on 18 January 2022. The number of shares held at H1 2022 were 1,277,897 (FY 2021: nil).

Own shares distributed relate to shares issued to employees for bonus awards deferred in shares.

## *16 Financial and liquidity risk management*

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Half Year Financial Statements do not include all financial risk management information and disclosures required in the Annual Financial Statements; they should be read in conjunction with the Annual Financial Statements. The responsibility for risk management has remained with the Board and there has been no changes to risk management policies since year-end.

## *17 Controlling party and related party transactions*

The immediate and ultimate parent undertaking is CHP Software and Consulting Limited, which is the parent undertaking of the smallest and largest group in relation to these Half Year consolidated financial statements. The ultimate controlling party is Andrew Page. There were no transactions with the Parent other than the rental of office space and dividends described below.

On 9 February 2022, the company entered into a short-term rental agreement with CHP Software and Consulting Limited for rental of the 9th Floor of Moor Place. The resulting rental income for H1 2022 was £443,186 (H1 2021: £nil) (see note 19).

In H1 2022 the company also received rental income of £3,718 (H1 2021: £17,305) relating to its prior arrangement with CHP Software and Consulting Limited for the rental of a meeting room on the 9th Floor of Moor Place.

Dividends to the amount of £8,103,472 were paid to the Parent in H1 2022. The comparative amount for H1 2021 is £nil.

At 30 June 2022 there was £nil balances outstanding from, or to, the parent (30 June 2021: £nil).

### *18 Dividends*

The Board declared a 3.0 pence per share special dividend, amounting to £8.9m, payable on 16 June 2022 with a record date of 6 May 2022. An ordinary dividend of 1.1 pence per share for the year ended 31 December 2021 equating to £3.3m was paid on 24 June 2022.

The Board declared on 31 August 2022 a special dividend of 3.5 pence per share, with an ex-dividend date of 8 September 2022, a record date of 9 September 2022 and a payment date of 7 October 2022. The dividend in total would amount to a total payment of £10.5m.

### *19 Subsequent events*

Alfa expects continued substantial growth in headcount in all of its locations, but having looked at its new hybrid working arrangements has concluded that it no longer requires the 9th floor of Moor Place, 1 Fore Street Avenue, London.

It was announced on 1 August 2022 that Alfa has reached agreement for the assignment of its lease to the 9th floor of Moor Place, 1 Fore Street Avenue, London to CHP Software and Consulting Limited. There is no consideration for the transaction, with CHP taking on all the rights and liabilities for the 9th floor from Alfa. The assignment of the lease will result in the de-recognition of the right to use asset and lease liability, which will crystallise a one-off gain of £0.5m which will be recognised in H2 2022.

## STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors confirm that these condensed consolidated Half Year financial statements (the 'Half Year Financial Statements') have been prepared in accordance with International Accounting Standard 34, 'Half Year Financial Reporting', as contained in UK-adopted international accounting standards and that the Half Year management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- an indication of important events that have occurred during the first six months and their impact on the condensed Half Year Financial Statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- material related-party transactions in the first six months and any material changes in the related-party transactions described in the last annual report.

The current directors are listed below all of whom were directors during the whole of the period:

Andrew Page  
Andrew Denton  
Duncan Magrath  
Matthew White  
Steve Breach  
Adrian Chamberlain  
Charlotte de Metz  
Chris Sullivan

By order of the Board

Duncan Magrath  
Chief Financial Officer  
31 August 2022

## **INDEPENDENT REVIEW REPORT TO ALFA FINANCIAL SOFTWARE HOLDINGS PLC**

### **Conclusion**

We have been engaged by Alfa Financial Software Holdings PLC ('the Company') to review the condensed set of financial statements of the Company and its subsidiaries (the 'Group') in the half-yearly financial report for the six months ended 30 June 2022 which comprises the consolidated statement of profit or loss and comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes 1 to 19. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent material misstatements of fact or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2022 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards, and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### **Basis for Conclusion**

We conducted our review in accordance with International Standard on Review Engagements (UK) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" ('ISRE (UK) 2410') issued for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

As disclosed in note 2, the annual financial statements of the Group are prepared in accordance with UK-adopted International Accounting Standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards.

## **Conclusions Relating to Going Concern**

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with ISRE (UK) 2410, however future events or conditions may cause the Group and the Company to cease to continue as a going concern.

## **Responsibilities of Directors**

The half-yearly financial report, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with International Accounting Standard 34, "Interim Financial Reporting" as contained in UK-adopted International Accounting Standards and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

## **Auditor's Responsibilities for the Review of the Financial Information**

In reviewing the half-yearly financial report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

## **Use of our report**

This report is made solely to the Company in accordance with International Standard on Review Engagements (UK) 2410 "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the Company those matters we are required to state to them in an independent review 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, for our review work, for this report, or for the conclusions we have formed.

RSM UK Audit LLP

Chartered Accountants

25 Farringdon Street

London

EC4A 4AB

31 August 2022

## DEFINITIONS

### Constant currency

When the Company believes it would be helpful for understanding trends in its business, the Company provides percentage increases or decreases in its revenues or operating profit to eliminate the effect of changes in currency values. When trend information is expressed herein "in constant currencies", the comparative results are derived by re-calculating comparative non-GBP denominated revenues and/or expenses using the average exchange rates of the comparable months in the current reporting period.

### Operating free cash flow (FCF) conversion

Operating FCF conversion is calculated as cash from operations, less capital expenditures and the principal element of lease payments, as a percentage of operating profit. Operating FCF is calculated as follows:

	H1 2022	H1 2021
Unaudited	£m	£m
Cash generated from operations	17.8	17.2
Capital expenditure	(1.0)	(0.5)
Principal element of lease payments	(0.9)	(0.9)
Operating FCF generated	15.9	15.8
Operating FCF Conversion	112%	138%

### Total contract value (TCV)

Total contract value ("TCV") - TCV is calculated by analysing future contracted revenue based on the following components:

(i) an assumption of three years of **Subscription** payments (including maintenance, Cloud Hosting and subscription licence) assuming these services continued as planned (actual contract length varies by customer);

(ii) the estimated remaining time to complete **Services** and **Software** deliverables within contracted software implementations, and recognise deferred licence amounts (which may not all be under a signed statement of work).

(iii) Pre-implementation and ongoing **Services** and **Software** work which is contracted under a statement of work. As TCV is a reflection of future revenues, forward looking exchange rates are used for the conversion into GBP. The exchange rates used for the TCV calculation are as follows:

Exchange rates used for TCV	H1 2022	H2 2021	H1 2021
USD	1.30	1.38	1.39
Euro	1.16	1.17	1.16