

5 September 2024

Alfa Financial Software Holdings PLC

2024 Half Year Report

Strong sales momentum, uptick in full year 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 2024 ("the period").

Financial highlights:

- Trading in the period in line with expectations
- Record TCV of £193m up 40% (H1 2023: £138m) driven by growth in subscription revenue
- Next 12 months TCV up 20% to £72m (H1 2023: £60m) supporting strong H2 2024 growth
- Continuous innovation with £18.8m investment in product (H1 2023: £18.1m)
- Constant currency revenue in line with a strong H1 2023
- Operating profit margin 31% (H1 2023: 32%)
- Continued strong cash generation with 95% free cash flow conversion
- Robust balance sheet position with £22.0m of cash and no bank debt
- Special dividend of 4.2 pence per share (£12.4m) declared

Financial summary

Results

£m, unless otherwise stated	H1 2024 Unaudited	H1 2023 Unaudited	Movement %
Revenue	52.3	52.9	(1)%
Operating profit	16.2	16.9	(4)%
Profit before tax	16.1	16.6	(3)%
Earnings per share - basic (p)	4.05	4.52	(10)%
Earnings per share - diluted (p)	4.00	4.45	(10)%
Special dividend per share (p)	4.2	4.0	5%

£m	H1 2024 Unaudited	31 Dec 2023 Audited	Movement %
Cash	22.0	21.8	1%

Key measures ⁽¹⁾	H1 2024 Unaudited	H1 2023 Unaudited	Movement %
£m, unless otherwise stated			%
Revenue - constant currency	52.3	52.2	0%
Cash generated from operations	18.8	26.2	(28)%
Operating free cash flow conversion (%)	95%	140%	(45)%
Total Contract Value (TCV)	193	138	40%

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

Strategic highlights:

Accelerating transition to SaaS subscription model

- 18% growth in subscription revenues versus H1 2023
- 26% growth in subscription TCV versus H1 2023
- Subscription revenues have more than doubled since 2019, now accounting for 35% of total revenues (2019: 23%)

Strong sales and delivery momentum

- Two new customer wins in H1
- Strong late-stage pipeline, increased to 11 prospects (H1 2023: 9)
- 8 out of 11 customers in late-stage pipeline working under letters of engagement

- Accelerating recruitment to meet expected demand from the pipeline

Diversification of customer base over last five years

- Top five customers generated 34% of revenues (2019: 61%)
- 19 customers each contributing revenue over £1m in the six-month period (2019: 7)
- Largest customer accounted for 8% of revenues (2019: largest customer generated 20% of revenues)

Investment in product, people, planet

- Continuous innovation with £18.8m investment in product (H1 2023: £18.1m)
- Five out of six Alfa Systems 6 instalments released to date
- Average headcount of 474 up 5% versus H1 2023 with high staff retention (96%)
- Application approved to join United Nations Global Compact (UNGC) to progress our ESG strategy

Outlook

The asset and automotive finance markets continue to remain strong with demand for our software remaining robust. Alfa continues to remain well positioned with software projects advancing steadily, customer relationships deepening, new sales closing and promising new opportunities entering our pipeline.

As previously highlighted, FY 2023 revenue weighting had an unusual balance because we had a particularly strong H1. For 2024, we continue to anticipate a return to a more typical revenue pattern for the year, characterised by strong revenue growth in the second half, driven by continued strong growth in SaaS-based subscription revenue under-pinned by a record level of TCV. Revenue at the start of H2 is tracking ahead of previous expectations and the Board expects full year revenue to be £1m ahead of previous expectations.

Our encouraging new business pipeline, building confidence in the outlook and our clear strategy mean that Alfa is able to continue to invest in technology and people, whilst returning excess cash to shareholders through a progressive ordinary dividend along with special dividends.

Andrew Denton, Chief Executive Officer

"We are pleased with performance during the first half of 2024, with trading in line with expectations and good strategic progress delivered across the business. We continue to invest in Alfa Systems 6 to increase our functional and technical lead over the competition, whilst continuing to deliver reliably for customers and converting and enhancing our order book.

The transition to a SaaS subscription business is well underway and is leading to strong growth in high quality subscription revenues, resulting in increased revenue visibility and customer stickiness. Alfa is the go-to market leader in North American automotive finance software. We also have our first customer for the Total Originations product line which significantly expands the size of our addressable market. This demonstrates our ability to go deep into specific markets, gaining momentum as we win class leading customers. Consistent growth and delivery over the last five years shows that we have the right strategy and we are confident in the outlook for the business."

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Investor and analyst webcast

The Company will host a conference call today at 09:45am. To obtain details for the conference call, please email alfa@teneo.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://www.alfasystems.com/en-eu/investors>

Notes to editors

Alfa has been delivering leading-edge technology to the global asset finance and leasing industry since 1990. Our specialised expertise enables us to deliver the most challenging systems transformation projects successfully.

Alfa Systems, our class-leading SaaS platform, is at the heart of the world's largest and most progressive asset finance operations. Supporting all types of automotive, equipment and wholesale finance, Alfa Systems is proven at volume and across borders, and trusted by leading brands to manage complex portfolios, drive efficiency and sustainability, and enhance the customer experience.

With full functionality for originations, servicing and collections, Alfa Systems is live in 37 countries, representing an integrated point solution, a rapid off-the-shelf implementation, or an end-to-end platform for the complex global enterprise. Alfa Systems 6, a breakthrough iteration of our software platform, launched in 2024.

Alfa maintains exceptional customer satisfaction through an impeccable track record, with our experience and performance unrivalled in the industry. Our customers stick with us for the long term, because we deliver value that lasts for decades.

Alfa has offices in Europe, Australasia and the Americas. For more information, visit us at alfasystems.com or on LinkedIn.

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

Strong strategic progress

In the first half of 2024 we have made significant strategic progress. We have increased our functional lead over the competition with five of the six instalments of Alfa Systems 6 now released. We have seen continued strong growth in subscription revenues, as we continue our transition to a SaaS business.

In H1 we converted two late-stage pipeline customers into wins and the depth of the pipeline means that these were quickly replaced in the late-stage pipeline. This demand has led us to increase our recruitment targets in both EMEA and the US.

We have started H2 by converting a very large US Auto prospect. This is a landmark win for Alfa because of the size and brand recognition of this manufacturer and because we will be implementing our new Total Originations product line as part of the project. We have also added another US Auto prospect into the late-stage pipeline.

Our delivery excellence has continued with thirteen delivery events in the first half of the year.

Strong growth in subscription revenues

Financial performance in the first half was as expected, with revenue flat on a constant currency basis relative to a strong H1 2023 or down 1% at actual exchange rates to £52.3m (H1 2023: £52.9m). Subscription revenues continued to grow strongly up 18%. Services revenue was down 1% on H1 2023, which was impacted by the number of projects passing their go-live milestone events. As expected software revenue in H1 2024 was down 33% on H1 2023 as we invested in Alfa Systems 6 versus a very strong chargeable period for last year.

Operating profit was £16.2m (H1 2023: £16.9m) as a result of the small reduction in reported revenue. Cash conversion in the period was 95% (H1 2023: 140%), as expected and previously flagged, and was due to the unwinding of the impact of an unusually high level of receipts just before Dec 2023 year end. As previously highlighted, cash conversion will trend over time to 100%. We finished the period with net cash of £22.0m (31 Dec 2023: £21.8m).

Pipeline conversions driving very strong TCV growth

We saw a significant growth in our TCV in Q1 with the conversion of two large prospects and maintained this level of TCV through Q2 with Total Contract Value ("TCV") growing 40% to £193m (H1 2023: £138m) from 30 June 2023. This increase in TCV has been underpinned by a 26% growth in our subscription revenues TCV showing how the transition to a subscription model is underpinning future revenues.

We had 19 customers each contributing revenues of more than £1m in the period (£2m on an annualised basis), up from just seven in 2019. We have significantly reduced our customer concentration, with our top five customers representing 34% of our revenues in H1 2024, compared with 61% in 2019. Our largest customer represented just 8% of our revenues in the first half.

Headcount growth, supported by strong retention

Following very strong recruitment in 2021 and 2022, and as a result of our very high retention rate of 96% in 2023, we

Following very strong recruitment in 2021 and 2022, and as a result of our very high retention rate of 96% in 2023, we deliberately slowed recruitment in 2023 and into the first half of 2024. This was to ensure the quality of the experience for new joiners as we consolidated experience levels within the team as a whole. We are now able to increase recruitment and given the strength of the late-stage pipeline we are now accelerating recruitment plans to meet the expected demand for our implementation teams.

In H1 2024 the retention rate was maintained at the very high level of 96%. Headcount as at 30 June 2024 was up 5% at 484 (H1 2023: 462) with average headcount in the period of 474 (H1 2023: 453) also up 5% on last year.

Capital return

We remain a strongly cash-generative business, with cash conversion of 95% in H1 2024. We expect cash conversion to trend towards 100% over time. We are committed to investing in our product and people to ensure that we continue to offer market leading solutions and excellent delivery and service to our customers. We continue to generate more cash than we need for our growth plans and will continue to return excess cash to shareholders.

Our main mechanism for returning capital is the payment of a regular, ordinary dividend and we have a policy to grow this progressively. To ensure that we retain the flexibility to invest in the business as required, our ordinary dividends are set at a sustainable level and we have historically made one-off returns of additional excess capital through the payment of special dividends.

Notwithstanding the return of £9.7m excess cash to shareholders during the first half, in respect of the payment of FY 2023 dividends announced at the time of the FY 2023 results, we ended the period with net cash of £22.0m. As such, the Board has today declared a special dividend of 4.2 pence per share with an ex-dividend date of 26 September 2024, a record date of 27 September 2024 and a payment date of 8 November 2024. The special dividend would amount to a total payment of c.£12.4m.

Steady market conditions

Whilst over the last few years the macro environment has been uncertain, the asset finance market and demand for software within it has remained robust. 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. Alfa Systems is operational in 37 countries; in automotive finance, equipment finance and wholesale and loan finance; for OEMs, banks and independents and across all asset classes. The breadth and diversity of Alfa's business interests has helped insulate us from any underlying economic uncertainty in individual markets.

Strong pipeline

We are delighted to have converted two further prospects in the late-stage pipeline in Q1 giving a significant boost to TCV. These two wins were replaced by additional new prospects entering the late-stage pipeline and at 30 June 2024 we had a total of 11 prospects in the late stage, with eight where we are already performing paid work under letters of engagements on implementations as we finalise commercial contracts. In H2 we have converted one very large US Auto customer with an initial TCV value of £19m and we expect to shortly convert another key prospect.

We continue to see new prospects coming into the early-stage pipeline, showing that the buying dynamics of the market remain unchanged.

We remain confident in both the demand for our best in class software and our ability to win work in the market.

Net-zero commitment and UNGC

The majority of our emissions come from our supply chain so engaging with suppliers and working with them to reduce these emissions is fundamental to the overall success of us achieving our SBTi targets. During H1 2024 we started this engagement process with our key suppliers.

We have also joined the UN Global Compact (UNGC) which will help us drive forwards our corporate sustainability agenda.

Outlook

The asset and automotive finance markets continue to remain strong with demand for our software remaining robust. Alfa continues to remain well positioned with software projects advancing steadily, customer relationships deepening, new sales closing and promising new opportunities entering our pipeline.

As previously highlighted, FY 2023 revenue weighting had an unusual balance because we had a particularly strong H1. For 2024, we continue to anticipate a return to a more typical revenue pattern for the year, characterised by strong revenue growth in the second half, driven by continued strong growth in SaaS-based subscription revenue under-pinned by a record level of TCV. Revenue at the start of H2 is tracking ahead of previous expectations and the Board expects full year revenue to be £1m ahead of previous expectations.

Our encouraging new business pipeline, building confidence in the outlook and our clear strategy means that Alfa is able to continue to invest in technology and people, whilst returning excess cash to shareholders through a progressive ordinary dividend along with special dividends.

FINANCIAL REVIEW

Financial results

	£m	H1 2024 Unaudited	H1 2023 Unaudited	Movement %
Revenue		52.3	52.9	(1)%
Gross profit		32.9	33.7	(2)%
Operating profit		16.2	16.9	(4)%
Profit before tax		16.1	16.6	(3)%
Taxation		(4.2)	(3.3)	27%
Profit for the period		11.9	13.3	(11)%

Revenues decreased by 1% or £0.6m to £52.3m in the six months ended 30 June 2024 (H1 2023: £52.9m). On a constant currency basis, revenues were in line with last year. Revenues grew strongly in the US, up 20%, with declines in other regions as projects reached go-live. The US accounted for 40% (H1 2023: 32%) of revenues.

Gross profit decreased to £32.9m (H1 2023: £33.7m) down £0.8m, with gross margin at 62.9% (H1 2023: 63.7%) with the reduction in gross margin as a result of increased headcount. Operating expenses were in line with last year so operating profit decreased by £0.7m to £16.2m (H1 2023: £16.9m) with profit before tax of £16.1m (H1 2023: £16.6m).

The Effective Tax Rate ("ETR") for the 2024 half year is 26.1% (H1 2023: 19.9%), the increase being principally due to the impact of the increase in the UK Corporation Tax rate from 23.5% to 25.0% for 2024 and the change in R&D relief. For the full year 2024 we expect the ETR to be around 26% (2023 full year ETR: 20.6%). Profit for the period was £11.9m (H1 2023: £13.3m).

Revenue

Revenue - by type £m	H1 2024 Unaudited	H1 2023 Unaudited	Movement %
Subscription	18.1	15.4	18%
Software	6.0	8.9	(33)%
Services	28.2	28.6	(1)%
Total revenue	52.3	52.9	(1)%

Subscription - Strong growth in subscription revenues

Subscription revenues arise from revenues from SaaS and other recurring services

Overall subscription revenues increased strongly by 18% to £18.1m (H1 2023: £15.4m) with growth driven from both new and existing customers. Subscription customers now total 36 (H1 2023: 34).

We have a single-tenant SaaS solution. We and our customers benefit from a single standard code-set and database, but with multi-layer data segregation as opposed to code-based segregation used in multi-tenant SaaS models. One of the big benefits of this approach is that customers can control their release cycles rather than having a timetable dictated to them. We mitigate the extra cost from this approach by encouraging customers to share branches and release dates.

Our SaaS services are ISO 27001 and ISO 27018 certified and SOC1 and SOC2 audited to confirm compliance with controls around data security and availability. Given the mission-critical nature of our systems to our customers, having such third-party verification of our compliance with these standards is a key selling point.

Software - Chargeable development down as we invested in Alfa Systems 6

Software revenues largely arise from chargeable development work for new and existing customers, along with some perpetual licence recognition

As expected, Software revenue for the period reduced by 33% on H1 2023. Following a very strong first half of 2023 for customer funded development days, in the second half of 2023 and in the first half of 2024 we saw a reduction in chargeable days as we focused on the launch of Alfa Systems 6. We also saw a reduction in the customised perpetual licence recognition down to £1.1m in the period (H1 2023: £2.4m) as a consequence of the successful transition to a subscription SaaS model. There were one-off licence revenues of £0.5m (H1 2023: £0.3m).

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 have the industry leading software and we continue to invest to increase that lead, through a balance of customer funded development and self-funded development.

Services - High quality services with thirteen delivery events

Services revenues arise from work for existing customers delivering new modules, upgrades, migrations and other services, as well as work with new customers on project definition and implementation of Alfa Systems.

A number of implementation projects successfully went live in the second half of 2023, with work reducing afterwards and with the impact of new projects starting up not being fully felt until the second half of 2024, so overall services revenues decreased by 1% to £28.2m (H1 2023: £28.6m) at actual exchange rates.

Total revenues from existing customers, including V4 to V5 upgrades was 71% (H1 2023: 67%), within this, as expected, V4 to V5 upgrades are slowing down as we come to the end of that program and they accounted for 16% (H1 2023: 17%) of total services revenue. As V4 to V5 projects are replaced by new projects this will further boost subscription revenues due to the higher incremental subscription revenues they will generate in the future.

We had thirteen delivery events in the year including one v4 to v5 go-live. Increasing our use of partners is a key element of our longer-term strategy for increasing the number of implementations we can deliver and provides us with a more flexible implementation resource. Our programme is well developed in Europe and is starting to increase in the US to help with the strong demand we see out there.

Total Contract Value (TCV)

TCV - by type (unaudited) £m	2024 H1	2023 FY	2023 HY
Subscription	129	119	102
Software	17	18	15
Services	47	28	21
Total TCV	193	165	138

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

Total contract value (TCV) at 30 June 2024 was £193m (31 December 2023: £165m, 30 June 2023: £138m). TCV grew strongly on the back of the two wins in the first half along with continuing growth in subscription TCV. One prospect in the late-stage pipeline, with an initial TCV value of £19m, was converted into a win in H2 and so is not included in the above figures.

Of the TCV at 30 June 2024, £72m (H1 2023: £60m) is currently anticipated to convert into revenue within the next 12 months. The subscription portion increased strongly, up £7m or 21% to £40m (H1 2023: £33m). Software revenues were up £4m to £10m (H1 2023: £6m) due to confirmed development work on new projects, with the services element of £22m (H1 2023: £21m) also up.

Operating profit

The Group's operating profit decreased by £0.7m to £16.2m in H1 2024 (H1 2023: £16.9m) primarily reflecting the £0.6m decrease in revenue due to the investment in Alfa Systems 6.

Headcount numbers were up 5% at 30 June 2024 at 484 (H1 2023: 462), with average headcount of 474 up 5% on last year (H1 2023: 453). Staff retention remained high at 96% on a 12 month basis, and this is up from 95% at 30 June 2023 and 85% at 30 June 2022.

Expenses - net £m	H1 2024 Unaudited	H1 2023 Unaudited	Movement %
Cost of sales	19.4	19.2	1%
Sales, general and administrative expenses	17.0	17.0	0%
Other income	(0.3)	(0.2)	50%
Total expenses - net	36.1	36.0	0%

Cost of sales increased by £0.2m to £19.4m (H1 2023: £19.2m) to support the growth in the business. This was due to higher headcount and salary costs along with increased hosting costs from the increasing scale of that business, offset by higher capitalisation of intangible software as our engineering resources focused on Alfa Systems 6 as opposed to chargeable client work.

Sales, general and administrative (SG&A) was unchanged at £17.0m in the six-month period to 30 June 2024 (H1 2023: £17.0m). Salary costs were up 5% in the period to £6.8m (2023 H1: £6.4m). Profit Share Pay, including employer's costs, in the period was £1.8m (2023 H1: £2.1m). Share-based payment charges have decreased over last year by £0.4m to £0.5m (H1 2023: £0.9m), principally due to reassessment of performance outcome. Foreign currency gains/losses were nil down from the gain of £0.1m last year. Travel and conference costs were in line with last year. Other costs totalling £7.3m increased £0.2m on last year (H1 2023: £7.1m) with, as expected, increased computer costs. The first half of 2023 included £0.5m of costs related to possible offers for Alfa.

Profit before Tax

Overall Profit before Tax of £16.1m was down 3% on last year (H1 2023: £16.6m). Net finance costs reduced to £0.1m (H1 2023: £0.2m) due to a small increase in interest income.

Profit for the period

Profit after taxation reduced by £1.4m, or 11%, to £11.9m (H1 2023: £13.3m). The Effective Tax Rate ("ETR") for the 2024 half year is 26.1% (H1 2023: 19.9%), with H1 2023 benefiting from a prior year R&D claim. For the full year 2024 we expect the ETR to be around 26.0% (2023 full year ETR: 20.6%). The increase in the ETR is principally due to the increase in the UK Corporation Tax rate from 23.5% to 25% in 2024 and the reduced benefit of R&D claims under the RDEC scheme being disclosed in other income as opposed to within tax.

Earnings per share

Basic earnings per share decreased by 10% to 4.05 pence (H1 2023: 4.52 pence). Diluted earnings per share also decreased by

10% to 4.00 pence (H1 2023: 4.45 pence).

Cash flow

As expected, cash generated from operations was down year on year at £18.8m (H1 2023: £26.2m) due to the impact of some receipts received in December 2023 which we would have expected to receive in January 2024, along with a higher level of capex from investment in Alfa Systems 6. Net cash generated from operating activities was £13.9m (H1 2023: £22.6m) with tax payments of £4.6m up on the £3.4m for H1 2023.

Net cash (including the effect of exchange rate changes) increased by £0.2m to £22.0m at 30 June 2024, from £21.8m at 31 December 2023. There was £13.9m of net cash generated from operating activities (H1 2023: £22.6m). We returned £9.7m of cash to shareholders in the period, in respect of the FY 2023 Final Dividend and a 2023 Special Dividend (H1 2023: £7.9m). Purchases of own shares in the period were £0.8m (H1 2023: £4.7m) down on last year as they were purely for shares into the Employee Benefit Trust, whereas last year there were also treasury shares purchased in the period. Net capital expenditure of £2.8m was up on last year (H1 2023: £1.7m) with as expected increased capitalisation of software up to £2.7m (H1 2023: £1.0m) and with other capex of £0.1m (H1 2023: £0.7m).

The Group's Operating Free Cash Flow Conversion (FCF) of 95% (H1 2023: 140%) benefited from annual maintenance payment receipts, although these are declining in impact on overall cashflow profile as we move to a subscription model. This change will, as previously noted, result in moving cash conversion on average to around 100%. In the first half the cash conversion was also impacted by receipts received in December 2023 that we would normally have expected to be received in January 2024.

Balance sheet

The significant movements in the Group's balance sheet, aside from the cash balance which is described above, from 31 December 2023 to 30 June 2024 are detailed below.

As expected, trade receivables increased from the very low level at 31 December 2023 of £5.6m, which had benefited from some early payments from customers, to £6.4m at 30 June 2024. Accrued income increased from the year end position to £6.2m (31 December 2023: £4.6m) with the increase largely due to one customer where we were awaiting a purchase order before the work could be invoiced. Corporation Tax recoverable of £2.7m (31 December 2023: £1.9m) is principally due to amounts expected to be received related to R&D claims.

Trade and other payables balance decreased by £0.5m to £9.5m at 30 June 2024 (31 December 2023: £10.0m).

Contract liabilities relating to software licences decreased by £0.2m to £7.8m at 30 June 2024 (31 December 2023: £8.0m). Contract liabilities from deferred maintenance increased to £10.8m (31 December 2023: £6.2m) reflecting the timing of billing of a number of annual maintenance contracts on 1 May.

Subsequent events and related parties

There have been no subsequent events or related party transactions.

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 2023, dated 13 March 2024, 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 risk of global and local economic downturn, having the potential to reduce our customers' and prospects' spending on our services, potentially impacted by recent events including the ongoing Ukraine war, conflict in the Middle East and the knock-on economic impacts of the COVID-19 pandemic. Despite recent reductions in inflation and interest rates, they remain higher than the recent longer-term trend, and could also impact customers' and prospects' spending on our services.

Risk to people, teams and skills: talent recruitment, training and retention may not keep pace with our forecasts, preventing us fulfilling obligations to customers or taking on new business.

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.

Competition risk: competitors may gain market share in target markets, impacting our growth potential.

Since the Annual Report, the following risk has been removed from the principal risks, as significant mitigating infrastructure decommissioning actions have been completed:

Legacy versions of Alfa Systems continue to be supported for a number of customers. The infrastructure management and support of these may become expensive, time-consuming and insecure in the period leading up to complete decommissioning.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2024

£m	Note	H1 2024 Unaudited	H1 2023 Unaudited
Continuing Operations			
Revenue	3	52.3	52.9
Cost of sales		(19.4)	(19.7)

Cost of sales		(12.7)	(12.2)
Gross profit		32.9	33.7
Sales, general and administrative expenses		(17.0)	(17.0)
Other operating income		0.3	0.2
Operating profit	4	16.2	16.9
Share of results of associates and joint ventures		-	(0.1)
Profit before net finance costs and tax		16.2	16.8
Finance income		0.2	0.1
Finance costs		(0.3)	(0.3)
Profit before tax		16.1	16.6
Tax expense	6	(4.2)	(3.3)
Profit for the period attributable to owners of the parent		11.9	13.3
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation of foreign operations		-	(0.2)
Total comprehensive income, net of tax		-	(0.2)
Total comprehensive income for the period attributable to owners of the parent		11.9	13.1
Earnings per share (in pence)			
Basic		4.05	4.52
Diluted		4.00	4.45

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 2024

£m	Note	30 June 2024 Unaudited	31 Dec 2023 Audited
Assets			
Non-current assets			
Goodwill	7	24.7	24.7
Other intangible assets	8	7.3	5.0
Property, plant and equipment	9	0.8	1.0
Right-of-use assets	10	7.3	6.1
Deferred tax assets		0.2	0.3
Total non-current assets		40.3	37.1
Current assets			
Trade receivables	11	6.4	5.6
Accrued income	12	6.2	4.6
Prepayments	12	3.9	3.8
Other receivables	12	0.1	0.3
Corporation tax receivable	12	2.7	1.9
Cash and cash equivalents		22.0	21.8
Total current assets		41.3	38.0
Total assets		81.6	75.1
Liabilities and equity			
Current liabilities			
Trade and other payables	13	9.5	10.0
Lease liabilities	14	0.7	1.4
Contract liabilities	13	18.6	14.2
Total current liabilities		28.8	25.6
Non-current liabilities			
Lease liabilities	14	8.4	6.8
Provisions for other liabilities	13	0.6	0.7
Total non-current liabilities		9.0	7.5
Total liabilities		37.8	33.1
Capital and reserves			
Share capital		0.3	0.3
Translation reserve		0.2	0.2
Own shares	15	(7.9)	(8.7)
Retained earnings		51.2	50.2
Total equity		43.8	42.0
Total liabilities and equity		81.6	75.1

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 2024

£m	Note	Share capital	Own shares	Translation reserve	Retained earnings	Equity attributable to owners of the parent
Balance as at 1 January 2023		0.3	(7.5)	0.4	48.8	42.0
Profit for the financial period		-	-	-	13.3	13.3
Other comprehensive income		-	-	(0.2)	-	(0.2)
Total comprehensive income for the period		-	-	(0.2)	13.3	13.1
Equity settled share-based payment schemes		-	-	-	0.7	0.7
Equity settled share-based payment schemes - deferred tax impact		-	-	-	(0.4)	(0.4)
Dividends		-	-	-	(7.9)	(7.9)
Own shares distributed		-	4.0	-	(3.8)	0.2
Own shares acquired		-	(4.7)	-	-	(4.7)
Balance as at 30 June 2023		0.3	(8.2)	0.2	50.7	43.0
Balance as at 1 January 2024		0.3	(8.7)	0.2	50.2	42.0
Profit for the financial period		-	-	-	11.9	11.9
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		-	-	-	11.9	11.9
Equity settled share-based payment schemes		-	-	-	0.2	0.2
Equity settled share-based payment schemes - deferred tax impact		-	-	-	0.1	0.1
Dividends		-	-	-	(9.7)	(9.7)
Own shares distributed	15	-	1.6	-	(1.5)	0.1
Own shares acquired	15	-	(0.8)	-	-	(0.8)
Balance as at 30 June 2024		0.3	(7.9)	0.2	51.2	43.8

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 2024**

£m	Note	H1 2024 Unaudited	H1 2023 Unaudited
Cash flows from operations			
Profit before tax		16.1	16.6
Net finance costs		0.1	0.2
Share of net loss from joint venture		-	0.1
Operating profit		16.2	16.9
Adjustments:			
Depreciation	9/10	0.8	0.9
Amortisation	8	0.4	0.5
Share-based payment charge		0.2	0.7
Research and Development Expenditure Credit		(0.3)	-
Movement in provisions		(0.1)	(0.3)
Movement in working capital:			
Movement in contract liabilities		4.4	5.6
Movement in trade and other receivables		(2.3)	(0.3)
Movement in trade and other payables (excluding contract liabilities)		(0.5)	2.2
Cash generated from operations		18.8	26.2
Interest element on lease payments		(0.3)	(0.2)
Income taxes paid		(4.6)	(3.4)
Net cash generated from operating activities		13.9	22.6
Cash flows from investing activities			
Purchases of property, plant and equipment	9	(0.1)	(0.7)
Payments for internally developed software	8	(2.7)	(1.0)
Additions of right-of-use assets		(0.2)	-
Interest received		0.2	-
Net cash used in investing activities		(2.8)	(1.7)
Cash flows from financing activities			
Dividends paid to Company shareholders	18	(9.7)	(7.9)
Principal element of lease payments	14	(0.6)	(0.8)
Purchase of own shares	15	(0.8)	(4.7)
Net cash used in financing activities		(11.1)	(13.4)
Net increase in cash and cash equivalents		-	7.5
Cash and cash equivalents at the beginning of the period		21.8	18.7
Effect of foreign exchange rate changes on cash		0.2	0.1

and cash equivalents		
Cash and cash equivalents at the end of the period	22.0	26.3

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 2024

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 company 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 auto and equipment finance industry in the United Kingdom, North America, Europe, Australasia and Africa.

These unaudited Half Year Financial Statements have been approved for issue by the Board of Directors on 4 September 2024. 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 2023 (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 2023 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 were the same as those that applied to the consolidated Annual Financial Statements described above. With respect to the key sources of estimation uncertainty disclosed in the consolidated Annual Financial Statements, it is noted that over the last few years we have increasingly moved to selling subscription licences in place of perpetual licences, and this has resulted in a decrease in the significance of the customised licence estimates and related judgements.

The Half Year Financial Statements have been prepared on a going concern basis, under the historical cost convention.

2(b) Going concern

The Half Year 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 from the date of approval of these Half Year Financial Statements.

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.

On this basis, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the Half Year 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 the Group invoices a significant 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.

2(e) Foreign currency

The following exchange rates were used in the financial statements:

		USD	EUR	AUD	NZD
Average rate 6 months to:					
	30 June 2024	1.27	1.17	1.92	2.08
	30 June 2023	1.23	1.14	1.82	1.98
Closing rate:					
	30 June 2024	1.26	1.18	1.89	2.07
	31 Dec 2023	1.27	1.15	1.87	2.01

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:

£m	HI 2024 Unaudited	HI 2023 Unaudited
Subscription	18.1	15.4
Software	6.0	8.9
Services	28.2	28.6
Total revenue	52.3	52.9

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:

£m	HI 2024 Unaudited	HI 2023 Unaudited
UK	17.6	19.5
US	20.7	17.2
Rest of EMEA (excl. UK)	11.1	12.1
Rest of the World	2.9	4.1
Total revenue	52.3	52.9

3(c) Revenue by currency

Revenue by contractual currency is as follows:

£m	HI 2024 Unaudited	HI 2023 Unaudited
GBP	21.3	24.1
USD	21.0	17.7
EUR	7.1	7.0
Other	2.9	4.1
Total revenue	52.3	52.9

3(d) Liabilities from contracts with customers

£m	HI 2024 Unaudited	HI 2023 Unaudited
Contract liabilities - deferred licence	7.8	9.3
Contract liabilities - deferred maintenance	10.8	11.1
Total contract liabilities	18.6	20.4

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:

HI 2024 - £m	Subscription	Software	Services	Total revenue
At a point in time - time and materials	-	3.2	23.6	26.8
At a point in time - fixed price	-	0.5	-	0.5

Over time - time and materials	-	1.4	4.6	6.0
Over time - fixed price	18.1	0.9	-	19.0
Total revenue	18.1	6.0	28.2	52.3

HI 2023 - £m	Subscription	Software	Services	Total revenue
At a point in time - time and materials	-	5.5	20.1	25.6
At a point in time - fixed price	-	0.3	-	0.3
Over time - time and materials	-	2.0	8.5	10.5
Over time - fixed price	15.4	1.1	-	16.5
Total revenue	15.4	8.9	28.6	52.9

4. Operating profit

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

£m

£m	HI 2024 Unaudited	HI 2023 Unaudited
Research and development costs	1.5	1.5
Depreciation of property, plant and equipment	0.3	0.3
Depreciation of right-of-use assets	0.5	0.6
Amortisation of intangible assets	0.4	0.5
Foreign exchange loss/(gain)	0.2	(0.1)
Share-based payments	0.5	0.9
Costs related to possible offer*	-	0.5
Gain on forward contract	(0.2)	(0.1)

* Costs related to possible offer of £0.5m were incurred in the first half of 2023 (2024 HI: nil) and comprised legal fees and expenses incurred as a result of a possible offer for Alfa from a private equity firm called EQT.

5. Employee costs

£m	HI 2024 Unaudited	HI 2023 Unaudited
Wages and salaries*	22.0	20.6
Social security contributions (on wages and salaries)	2.6	2.3
Pension costs	1.7	1.5
Less: capitalisation*	(2.7)	(1.0)
	23.6	23.4
Profit share pay**	1.8	2.1
Share-based payments***	0.5	0.9
Total employment costs	25.9	26.4

* To be consistent with the current year disclosure, the prior year wages and salaries number has been split into the amount that was expensed and the amount that was capitalised as part of time spent on internally generated intangibles. The net number is consistent with the 2023 Half Year Financial Statements.

** Profit share pay refers to a pool of money (that equates to approximately 10% of the Group's pre-tax profits before charging profit share) 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.

Average monthly number of people employed (including Directors)	HI 2024 Unaudited	HI 2023 Unaudited
UK	337	330
US	92	82
Rest of EMEA (ex UK) *	29	28
Rest of the World*	16	13
Total average monthly number of people employed	474	453

* To be consistent with the geographical split in note 3(b), the 'Rest of the World' headcount disclosed in the prior year has been split into 'Rest of EMEA' and 'Rest of the World'. The total remains unchanged.

At 30 June 2024 the Group had 484 employees (30 June 2023: 462).

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 2024 was £4.2m (HI 2023: £3.3m).

The Effective Tax Rate ("ETR") for the 2024 half year is 26.1% (HI 2023: 19.9%). The ETR for HI 2024 is impacted by

adjustments relating to prior years totalling £0.2m (in H1 2023 the ETR benefited due to a prior year R&D claim of £0.9m).

For the full year 2024 we expect the ETR to be around 26% (2023 full year ETR: 20.6%), so trending towards the UK statutory tax rate of 25% (2023: 23.5%) and taking into account the impact of the adjustments relating to prior years.

7. Goodwill

	H1 2024 Unaudited	FY 2023 Audited
Cost		
At 1 January	24.7	24.7
At 30 June / 31 December	24.7	24.7

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 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 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
Cost			
At 1 January 2023	1.7	4.3	6.0
Additions	-	2.8	2.8
At 31 December 2023	1.7	7.1	8.8
Amortisation			
At 1 January 2023	1.0	2.1	3.1
Charge for the period	0.1	0.6	0.7
At 31 December 2023	1.1	2.7	3.8
Net book value			
At 31 December 2023	0.6	4.4	5.0
Cost			
At 1 January 2024	1.7	7.1	8.8
Additions	-	2.7	2.7
Disposals	(0.7)	-	(0.7)
At 30 June 2024	1.0	9.8	10.8
Amortisation			
At 1 January 2024	1.1	2.7	3.8
Charge for the period	0.1	0.3	0.4
Disposals	(0.7)	-	(0.7)
At 30 June 2024	0.5	3.0	3.5
Net book value			
At 30 June 2024	0.5	6.8	7.3

Significant movement in other intangible assets

During H1 2024, Alfa developed new internally generated software at a cost of £2.7m (H1 2023: £1.0m). This software will be amortised over three to five years.

The total research and product development expense for H1 2024 was £1.5m (H1 2023: £1.5m) (see Note 4).

9. Property, plant and equipment

£m	Fixtures and fittings	IT equipment	Total
Cost			
At 1 January 2023	1.5	3.8	5.3
Additions	0.1	0.5	0.6
Disposals	-	(1.1)	(1.1)
At 31 December 2023	1.6	3.2	4.8
Depreciation			
At 1 January 2023	0.9	3.4	4.3
Charge for the period	0.2	0.4	0.6
Disposals	-	(1.1)	(1.1)
At 31 December 2023	1.1	2.7	3.8
Net book value			
At 31 December 2023	0.5	0.5	1.0
Cost			
At 1 January 2024	1.6	3.2	4.8
Additions	-	0.1	0.1
Disposals	(0.1)	(1.4)	(1.5)
At 30 June 2024	1.5	1.9	3.4
Depreciation			

At 1 January 2024	1.1	2.7	3.8
Charge for the period	0.1	0.2	0.3
Disposals	(0.1)	(1.4)	(1.5)
At 30 June 2024	1.1	1.5	2.6
Net book value			
At 30 June 2024	0.4	0.4	0.8

10. Right-of-use assets

£m	Motor vehicles	Property	Total
Cost			
At 1 January 2023	0.5	10.9	11.4
Additions	0.2	-	0.2
At 31 December 2023	0.7	10.9	11.6
Depreciation			
At 1 January 2023	0.3	4.0	4.3
Charge for the period	0.2	1.0	1.2
At 31 December 2023	0.5	5.0	5.5
Net book value			
At 31 December 2023	0.2	5.9	6.1
Cost			
At 1 January 2024	0.7	10.9	11.6
Additions	-	1.7	1.7
Disposals	(0.3)	-	(0.3)
At 30 June 2024	0.4	12.6	13.0
Depreciation			
At 1 January 2024	0.5	5.0	5.5
Charge for the period	0.2	0.3	0.5
Disposals	(0.3)	-	(0.3)
At 30 June 2024	0.4	5.3	5.7
Net book value			
At 30 June 2024	-	7.3	7.3

11. Trade receivables

The Group holds the following trade receivables:

£m	HI 2024 Unaudited	FY 2023 Audited
Trade receivables	6.4	5.6
Provision for impairment	-	-
Total trade receivables - net	6.4	5.6

Trade receivables ageing

Ageing of net trade receivables £m	HI 2024 Unaudited	FY 2023 Audited
Within agreed terms	6.0	5.0
Past due 1-30 days	0.4	0.6
Past due 31-90 days	-	-
Past due 91+ days	-	-
Trade receivables - net	6.4	5.6

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	HI 2024 Unaudited	FY 2023 Audited
Accrued income	6.2	4.6
Prepayments	3.9	3.8
Other receivables	2.7	1.6

Corporation tax recoverable	2.7	1.9
Other receivables	0.1	0.3
Total other receivables	12.9	10.6

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 £1.6m since last year-end driven by invoice timing.

Prepayments include £1.2m (FY 2023: £1.3m) of deferred costs in relation to costs to fulfil contracts.

13. Current and non-current liabilities

£m	HI 2024 Unaudited	FY 2023 Audited
Trade payables	0.6	0.5
Other payables	8.9	9.5
Contract liabilities - deferred licence and fees	7.8	8.0
Contract liabilities - deferred maintenance	10.8	6.2
Lease liabilities	9.1	8.2
Provisions for other liabilities	0.6	0.7
Total trade and other payables	37.8	33.1
Less: non-current portion	(9.0)	(7.5)
Total current liabilities	28.8	25.6

14. Lease liabilities

The following table sets out the reconciliation of the lease liabilities from the 1 January 2023 to the amount disclosed at 30 June 2024:

£m	Total
Lease liabilities recognised at 1 January 2023	9.3
Additions	0.2
Disposals	-
Interest charge	0.4
Payments made on lease liabilities	(1.7)
At 31 December 2023	8.2
Additions	1.5
Disposals	-
Interest charge	0.3
Payments made on lease liabilities	(0.9)
At 30 June 2024	9.1

Additions to lease liabilities include extensions to existing lease agreements.

Below is the summary of timing of the lease payments:

£m	HI 2024 Unaudited	FY 2023 Audited
Non-current liability	8.4	6.8
Current liability	0.7	1.4
	9.1	8.2

Below is the maturity analysis of the lease liabilities:

Maturity analysis	HI 2024 Unaudited	FY 2023 Audited
No later than 1 year	1.3	1.7
Between 1 year and 5 years	5.3	6.2
Later than 5 years	6.7	1.4
Total future lease payments	13.3	9.3
Total future interest payments	(4.2)	(1.1)
	9.1	8.2

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. These are the only changes in liabilities arising from financing activities in the period. Movements in cash and cash equivalents are set out in the cash flow statement.

15. Own shares

£m	HI 2024 Unaudited	FY 2023 Audited
Own shares at 1 January	8.7	7.5
Own shares acquired	0.8	4.8
Own shares distributed	(1.6)	(3.6)
At 30 June / 31 December	7.9	8.7

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

- Purchased and held by the Group's employee benefit trust to satisfy options under the Group's share options plans

exercised and held by the Group's employees under its share options plan. The number of shares held at H1 2024 was 106,662 (FY 2023: 721,036); and

- Purchased 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 2024 was 4,775,119 (FY 2023: 4,775,119).

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 have been no changes to risk management policies since year-end.

17. Controlling party and related party transactions

The ultimate parent undertaking as at 31 December 2023 was CHP Software and Consulting Limited (the 'ultimate parent'), which was the parent undertaking of the smallest and largest group in relation to these consolidated financial statements. Following an internal reorganisation within the CHP group, the ultimate parent (from 12 January 2024 onwards) is CHP Software and Consulting Holdings Limited. The ultimate controlling party is Andrew Page. There was no trading between the Group and the ultimate parent in H1 2024 or H1 2023.

In H1 2023 the Group sold two debentures to the ultimate parent for £0.2m (H1 2024: nil). The transaction was at arm's length.

In 2020, the Group invested £0.4m in Alfa iQ consisting of: a capital contribution of £0.3m; and an interest-free loan fair valued at £0.1m. At 30 June 2024 the investment is carried at £nil (H1 2023: £0.1m) and the loan is carried at £nil (H1 2023: £0.1m). This is because the activity in the Alfa iQ joint venture ceased in late 2023 and the structure is in the process of being formally dissolved. In H1 2023 Alfa Financial Software Limited paid expenses of £0.1m (H1 2024: nil) on behalf of Alfa iQ Limited (relating to computer costs and payroll) and these were fully recharged back to Alfa iQ Limited at no mark up.

In H1 2023, the Group paid property expenses of £0.04m on behalf of the ultimate parent and these were fully recharged back to the ultimate parent at no mark up. In H1 2024, the Group has been invoiced for property expenses of £0.005m on behalf of the ultimate parent and these have been fully recharged back to the ultimate parent at no mark up.

Dividends to the amount of £5.6m were paid to the ultimate parent in H1 2024 (H1 2023: £4.8m).

At 30 June 2024 there was £nil balances outstanding from, or to, the ultimate parent (30 June 2023: £nil).

18. Dividends

The Board declared a 2.0 pence per share Special dividend, amounting to £5.9m, payable on 30 May 2024 with a record date of 3 May 2024. An ordinary dividend of 1.3 pence per share for the year ended 31 December 2023 equating to £3.8m was paid on 27 June 2024, with a record date of 31 May 2024.

The Board declared on 4 September 2024 a special dividend of 4.2 pence per share, with an ex-dividend date of 26 September 2024, a record date of 27 September 2024 and a payment date of 8 November 2024. The special dividend would amount to a total payment of c.£12.4m.

19. Subsequent events

There have been no reportable subsequent events.

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, except as noted:

Andrew Page

Andrew Denton

Duncan Magrath

Matthew White

Steve Breach

Adrian Chamberlain

Charlotte de Metz
Chris Sullivan
Reena Raichura (appointed 3 June 2024)

By order of the Board
Duncan Magrath
Chief Financial Officer
4 September 2024

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 2024 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 2024 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

4 September 2024

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:

Unaudited	H1 2024	H1 2023
	£m	£m
Cash generated from operations	18.8	26.2
Capital expenditure	(2.8)	(1.7)
Principal element of lease payments	(0.6)	(0.8)
Operating FCF generated	15.4	23.7
Operating FCF Conversion	95%	140%

Total contract value (TCV)

Total contract value ("TCV") - TCV is calculated by analysing future contract 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); and
- (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 2024	H2 2023	H1 2023
USD	1.27	1.25	1.30
EUR	1.17	1.15	1.18



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