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Alfa Financial Software Hldgs PLC
13 March 2025

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Alfa Financial Software Holdings PLC

Full Year Results for the year ended 31 December 2024

Breakthrough year, record TCV, total final dividend up 15%

Alfa Financial Software Holdings PLC ("Alfa" or the "Company"), a leading developer of software for the asset finance industry, today publishes its audited results for the twelve months ended 31 December 2024 ("the period").

Financial highlights:

- Record TCV of £221.3m up 34% (2023: £165.3m) with growth across the business
- Next 12 months' TCV up 43% to £95.7m (2023: £67.0m) supporting strong growth in 2025
- Revenue up 8% versus 2023, driven by strong subscription revenues growth of 18%
- Profit before Tax up 15%
- Continued innovation with £37.1m investment in product (2023: £35.1m)
- Continued strong cash generation with 89% free cash flow conversion as expected
- Robust balance sheet position with £20.5m of cash and no bank debt
- Special dividend declared up 20% to 2.4 pence per share (£7.1m) (2023: 2.0 pence)
- Proposed final ordinary dividend up 8% to 1.4 pence per share (£4.1m) (2023: 1.3 pence)
- Total dividends proposed and declared today of 3.8 pence per share, up 15%

Financial summary

Results

	Years ended 31 December		Movement
£m, unless otherwise stated	**2024**	**2023**	**%**
Revenue	109.9	102.0	8%
Operating profit	34.3	30.1	14%
Profit before tax	34.1	29.6	15%
Earnings per share - basic (p)	8.68	7.99	9%
Earnings per share - diluted (p)	8.56	7.90	8%
Special dividend declared per share (p)	2.4	2.0	20%
Proposed ordinary dividend (p)	1.4	1.3	8%

£m	**2024**	**2023**	**Movement %**
Cash	20.5	21.8	(6)%

Key measures (1)	**2024**	**2023**	**Movement**
£m, unless otherwise stated			**%**
Revenue - constant currency	109.9	100.4	9%
Cash generated from operations	37.3	39.2	(5)%
Operating free cash flow conversion (%)	89%	115%	(23)%
Total Contract Value (TCV)	221.3	165.3	34%

(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, fastest growing revenue stream
- 14% growth in subscription TCV versus last year end
- Subscription revenues have more than doubled since 2019, now accounting for 34% of total revenues (2019: 23%)
- Alfa Cloud customers now total 21 (2023: 16), 15 live with 6 in implementation

Strong sales and delivery momentum

- Record 8 new customer wins (2023: 3) and 26 delivery events in the year
- Strong late-stage pipeline, with 8 prospects at year end
- 5 out of 8 customers in late-stage pipeline are working under letters of engagement

Increased diversification of customer base over last five years

- Top five customers generated 32% of revenues (2023: 35%, 2019: 61%)
- 21 customers each contributing revenue over £2m in the period (19 in 2023 and 7 in 2019)
- Largest customer accounted for 7% of revenues (2023: 10%, 2019: 20%)

Sustained investment in product, people, planet

- Continued innovation with £37.1m investment in product (2023: £35.1m)
- Alfa Systems 6 launch successfully completed during the year
- Average headcount of 485 up 5% versus 2023 with high staff retention (96%)
- Joined United Nations Global Compact (UNGC)

Outlook

The exceptionally strong conversion of wins in Q4 2024 has led to us entering this year with a record level of TCV, setting an excellent foundation for continued growth and underpinning our confidence in the year ahead. Building on the strong subscription growth in 2024 we expect mid-teens growth in subscription revenues in FY2025, alongside strong momentum in our Delivery and Software Engineering revenues as we implement some key projects for new clients, driving an expectation of double-digit revenue growth overall. The market's strong response to the launch of Alfa Systems 6 in 2024 has endorsed the success of our strategy of continuous investment in our business and we remain well positioned for further progress and focused on delivering value in 2025 and beyond.

Andrew Denton, Chief Executive Officer

"2024 was a breakthrough year for Alfa marked by the successful launch of Alfa Systems 6, a record number of wins across our major markets and, to meet the strong demand for our products we have continued to recruit high-quality people, ending the year with more than 500 people working for Alfa. We continue to invest in Alfa Systems 6 to expand our functional and technical lead over our competition, whilst continuing to deliver reliably for our customers.

"The year's strong sales, financial performance and operational execution, along with our very healthy pipeline has reinforced the strength of our strategy and we remain confident in the outlook for the business."

Enquiries:

Alfa Financial Software Holdings PLC	+44 (0)20 7588 1800
Andrew Denton, Chief Executive Officer	
Duncan Magrath, Chief Financial Officer	
Andrew Page, Executive Chairman	
Teneo	+44 (0)20 7353 4200
James Macey White	
Victoria Boxall	
Barclays	+44 (0)20 7623 2323
Robert Mayhew	
Anusuya Gupta	
Investec	+44 (0)20 7597 4000
Patrick Robb	
Virginia Bull	
Panmure Liberum Ltd	+44 (0)20 3100 2000
Rupert Dearden	
James Sinclair-Ford	

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.

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

Renaming revenue streams

Over the last few years, the Company has transitioned away from selling perpetual licences to a SaaS licence model, in line with wider market trends and shifting customer demand. We have therefore decided to align the terminology of our revenue streams more accurately with the underlying revenues.

The remaining small amount of licence income is now largely recognised within the Subscription revenue stream and the Software Engineering revenue stream mainly represents revenue generated from our Software Engineering team. Delivery revenue arises from work delivered by our delivery teams in the form of new implementations, upgrades or delivery of other projects.

The methodology for which revenues are recognised and disclosed within each revenue stream remains unchanged, this is simply a change of name.

- Software revenue stream is now named Software Engineering
- Services revenue stream is now named Delivery; and
- No change of name for the Subscription revenue stream.

Forward-looking statements

This Full Year Report ("FYR") 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 FYR 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 FYR. Accordingly, reliance should not be placed on any forward-looking statements.

BUSINESS REVIEW

Breakthrough year

We look back on 2024 as a year of breakthroughs, whilst maintaining our excellent delivery record, we:

- Launched Alfa Systems 6
- Moved to SaaS only sales strategy
- Achieved landmark contract wins in all our markets
- Generated record TCV of £221m
- Grew total Alfa headcount to over 500 people
- Grew our US operation to over 100 colleagues
- Grew our customer base so that our top 5 customers now account for less than a third of our revenues

We have made significant strategic progress in 2024 increasing our functional lead over our competition with the release of Alfa Systems 6.

We have continued to grow the business despite the revenue headwinds from our transition from a perpetual licence to a SaaS model. We now have a SaaS only sales strategy.

We had a record year for customer wins, converting eight customers from the late-stage pipeline, which led us in the second half of the year to increase our recruitment targets in both EMEA and the US.

The success we have had in winning US Auto clients means that we believe we are now the go-to solution for that market. We have also opened-up a new area of this market with the introduction of our Total Originations capability as part of the Alfa Systems 6 launch.

We have continued to grow the Company, ending the year with global headcount in excess of 500, with over 100 people in the US, and at the same time we have maintained the extremely strong Alfa culture.

Our diversification across end markets and customers means that our top 5 customers now account for less than a third of our revenues, five years ago they were nearly two-thirds of our business.

Our delivery excellence remains a key differentiator for us, and this has continued in 2024 with twenty-six delivery events in the year.

Strong growth driven by fast growing subscription revenues

Financial performance was strong with continued growth in revenue and profit. Revenue was up 8% to £109.9m (2023: £102.0m) at actual exchange rates or up 9% at constant currency rates.

Subscription revenues continued to grow strongly, up 18% year on year largely driven by growth from existing customers. The impact of new customer wins on subscription revenues and margins will be much more pronounced after go-live, which depending on the project can take several years as contract volumes ramp up to full run rate on the system, acting as a foundation for future growth acceleration.

Delivery revenues were up 1% to £55.0m (2023: £54.6m). We expect stronger growth in 2025 as the implementation of new projects we won in Q4 2024 start to ramp up.

Software Engineering revenue increased strongly in the second half, up 70% to finish the year at £17.4m (2023: £15.6m) up 12% on prior year and with a good pipeline of work for 2025.

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We delivered strong growth in operating profit, increasing 14% to £34.3m (2023: £30.1m) on the back of the 8% growth in revenues at an improved gross margin of 64.5% (2023: 62.5%) which flows through to an improved operating margin of 31.2% (2023: 29.5%). Cash conversion in the year was 89% (2023: 115%), as expected this was lower than 2023 which benefited from an unusually high level of receipts just before the December 2023 year-end. As the SaaS model becomes more embedded, cash conversion will trend over time to between 90% - 100%. We finished the period with cash of £20.5m (31 Dec 2023: £21.8m).

Pipeline conversions driving very strong TCV growth

We saw very significant growth in our TCV through the year with the conversion of eight customers from the late-stage pipeline with TCV reaching a record level of £221.3m at the end of the year. We have continued to see strong growth in our Subscription TCV but the most significant increases were in Delivery and Software Engineering TCV, as these increase immediately when contracts are signed. At the point of contract win the Subscription TCV is relatively low, but increases over time as we get closer to go-live and full run rate revenues.

We had 21 customers each contributing revenues of more than £2m in the period, up from 19 last year and up from just seven in 2019. Our top five customer concentration has significantly reduced to 32% of our revenues in 2024, compared with 61% in 2019. Our largest customer represented just 7% of our revenues in 2024.

Delivery and Software Engineering agility

In 2023 we saw more go-lives than any other year in Alfa's history. Following this in 2024 we started work with an unprecedented number of large customers. We continue to focus on simplifying and increasing the speed of our implementations so that we can deliver more concurrent implementations. Alfa Cloud has been the most significant contributor to this process, allowing us to start implementations quickly and enabling us to demonstrate system functionality to clients much earlier in the project than before. At the year-end there were six implementations underway with Alfa Cloud.

The transition to new projects means that our software engineering teams have been pivoting in the second half of 2024 and into the first half of 2025 away from Alfa Systems 6 to supporting these new large projects with customer driven development. Whilst the focus may have shifted, there continues to be ongoing investment into the product to maintain and grow our market lead.

We invested into our UK Equipment Start and US Auto Start products to facilitate further growth in these markets.

Expanding Alfa Systems 6 functionality

In 2024 we saw the complete launch of Alfa Systems 6. This has been a hugely important step in showcasing our ongoing product investment in both functional and technical capabilities. Functional investment increases our product capability for existing markets but also expands our addressable market. Technical investment includes the use of the latest software tooling, including integration and AI capabilities.

The ten new modules that have been released cover additional functionality, such as 24/7 and Compose, they also cover new financial product capabilities such as usage based charging and revolving credit facilities, opening up incremental sales opportunities. These new modules not only open up incremental sales opportunities to existing customers but also open up new markets for us in Commercial Finance and US Originations, which have the potential to significantly increase our addressable markets. We believe it is really important to continue to invest in both functional and technical areas and this will continue in 2025.

Headcount growth, supported by strong retention

The successful conversion of the pipeline during the year resulted in us accelerating recruitment plans in the second half. Retention rates have remained very high, being 96% for the year. This demonstrates the continued strength of the Alfa culture which is a key driver of our success.

Headcount at the end of the year was up 6% at 502 (2023: 475) with average headcount in the period of 485 (2023: 463) up 5% on last year.

Strategic progress

Alfa is a software and delivery company. Our strategy for creating long-term, sustainable business value is to:

- Strengthen - grow our differentiation
- Scale - increase our capacity
- Sell - further profitable growth
- Simplify - enable more concurrent implementations, more efficiently

During 2024 we have made good progress across all of these areas, with key highlights noted below.

Strengthen:

- Launch of Alfa Systems 6
- Refreshed our software development model
- Invested in our people, increasing internal learning and development resources
- Refreshed our induction approach for new joiners

Scale:

- Increased headcount to over 500 people
- Investigating an increase in our global footprint through further geographic smart hubs
- Expanding addressable market into US Auto Originations and Commercial Finance
- Improved process for partner onboarding

Sell:

Sell:

- Record eight wins
- Sold first US Auto Originations implementation
- Continuing sequential growth in subscription revenues
- Moved to single-tenant SaaS-only sales strategy

Simplify

- Completed enabling investment for our partner-led delivery MVP in UK Equipment
- Completed an accelerated implementation with Alfa Start for a US Auto customer
- Improved migration tooling
- Further automated testing to simplify upgrades

All of the above have contributed to making significant progress on our strategy, with the strongest evidence being revenue growth of 9% (at constant currency) comfortably exceeding average headcount growth of 5% and with Subscription revenues growing at 18% - the fastest growing revenue stream.

Capital return

We are a highly cash-generative business, with cash conversion of 89% in 2024, which as expected was down on 2023 due to some early receipts at the end of 2023. We expect cash conversion to trend towards 90 - 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.

Our mechanism for returning capital is the payment of a regular, ordinary final dividend and we have a policy to grow this progressively. We will also consider special dividends when we have excess capital.

Notwithstanding the return of £22.1m excess cash to shareholders during the year through ordinary and special dividends, we ended the period with cash of £20.5m. As such, the Board has today proposed an ordinary dividend of 1.4 pence per share, up 8%, with an ex-dividend date of 29 May 2025, a record date of 30 May 2025 and a payment date of 27 June 2025. The ordinary dividend would amount to a total payment of c.£4.1m. In addition, the Board has decided to declare a special dividend of 2.4 pence per share, up 20% on the special dividend declared this time last year, with an ex-dividend date of 1 May 2025, a record date of 2 May 2025 and a payment date of 30 May 2025. The special dividend would amount to a total payment of c.£7.1m.

Stable 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, wholesale finance 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 underlying economic uncertainty in individual markets as demonstrated by our ongoing track record of growth, our record TCV and strong pipeline.

Strong pipeline

We had a hugely successful year in 2024 in converting the late-stage pipeline, with a record eight customer wins coming out of the pipeline. We ended the year with eight customers in the late-stage pipeline, of which five are already engaged in paid work under letters of engagements on implementations as we finalise commercial contracts. We are seeing good activity in the early-stage pipeline, reinforced by strong positive customer reaction to Alfa Systems 6 before and during the recent conference season.

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 their emissions is fundamental to the overall success of us achieving our SBTi targets. During 2024 we started an engagement process with our key suppliers. Generally across our key suppliers we can see that there is a strong desire to reduce emissions.

During the year we joined the UN Global Compact (UNGC) which will help us drive forwards our corporate sustainability agenda.

Outlook

The exceptionally strong conversion of wins in Q4 2024 has led to us entering this year with a record level of TCV, setting an excellent foundation for continued growth and underpinning our confidence in the year ahead. Building on the strong subscription growth in 2024 we expect mid-teens growth in subscription revenues in FY2025, alongside strong momentum in our Delivery and Software Engineering revenues as we implement some key projects for new clients, driving an expectation of double-digit revenue growth overall. The market's strong response to the launch of Alfa Systems 6 in 2024 has endorsed the success of our strategy of continuous investment in our business and we remain well positioned for further progress and focused on delivering value in 2025 and beyond.

FINANCIAL REVIEW

Financial results

£m	2024	2023	Movement %

Revenue	109.9	102.0	8%
Gross profit	70.9	63.7	11%
Operating profit	34.3	30.1	14%
Profit before tax	34.1	29.6	15%
Taxation	(8.5)	(6.1)	39%
Profit for the period	25.6	23.5	9%
Basic EPS	8.68p	7.99p	9%
Diluted EPS	8.56p	7.90p	8%

Revenues increased by 8% or £7.9m to £109.9m in the 12 months ended 31 December 2024 (2023: £102.0m), with growth at constant currency stronger at 9%. Revenues grew very strongly in North America, up 37% on the back of some large customer wins over the last 18 months, and now account for 42% (2023: 33%) of revenues.

Gross profit increased to £70.9m (2023: £63.7m) up £7.2m, with gross margin at 64.5% (2023: 62.5%) with the increase in gross margin as a result of increased capitalisation of costs from more investment focused on new modules. Sales, General & Admin expenses increased to £36.6m (2023: £34.3m) with the largest increase due to increased headcount in Sales, Legal & Commercial and Information Security. There were also increased computer costs as we closed two data centres moving to a Cloud-based solution, reducing the need for future capex. Other cost increases included health costs and profit share. Other income was £0.0m (2023: £0.7m). Overall operating profit increased by 14% to £34.3m (2023: £30.1m) with profit before tax of £34.1m (2023: £29.6m).

The Effective Tax Rate ("ETR") for 2024 was 24.9% (2023: 20.6%), 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. Profit for the period was £25.6m (2023: £23.5m).

Revenue

Revenue - by type **£m**	**2024**	**2023**	**Movement** **%**
Subscription	37.5	31.8	18%
Software Engineering	17.4	15.6	12%
Delivery	55.0	54.6	1%
Total revenue	109.9	102.0	8%

Subscription - Strong sequential growth in subscription revenues

Subscription revenues arise from revenues from SaaS and other recurring services

Overall subscription revenues increased strongly by 18% to £37.5m (2023: £31.8m) with growth driven from both new and existing customers. Subscription customers now total 39 (2023: 35) and 60% of subscription revenues come from customers using Alfa Cloud. Subscription revenues now account for 34% of overall revenues (2023: 31%)

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 an upgrade timetable dictated to them.

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 for our customers, having such third-party verification of our compliance with these standards is a key selling point.

Software Engineering - Strong H2 for chargeable work

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

Software Engineering revenues for the year increased by 12% on the back of new customer startups. We also saw a reduction in the customised perpetual licence recognition down to £3.3m in the year (2023: £4.4m) as a consequence of the successful transition to a subscription SaaS model. There were one-off licence revenues of £0.8m (2023: £0.7m).

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.

Delivery - High quality delivery

Delivery 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.

Following a record year of deliveries in 2023, in 2024 we saw six new large projects start-up. These projects are multi-year projects with go-lives in subsequent years. Overall Delivery revenues increased by 1% to £55.0m (2023: £54.6m) at actual exchange rates.

Total revenues from existing customers, including V4 to V5 upgrades was £38.7m (2023: £36.1m). Within this, as expected, V4 to V5 upgrades are slowing down as we come to the end of that program and they accounted for 12% (2023: 17%) of total Delivery 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 26 delivery events in the year which as expected was down on the record 35 last year. As noted 2024 was more about starting up new projects, however there were three go-lives during the year, one v4 to v5 upgrade in the UK, and then two smaller initial go-lives for automotive customers, one in the UK and one in the US, as part of multi-year projects with multiple go-lives.

Total Contract Value (TCV)

TCV - by stream £m	**2024**	**2023**	**Movement** %
Subscription	136.7	119.5	14%
Software Engineering	24.6	17.8	38%
Delivery	60.0	28.0	114%
Total TCV	221.3	165.3	34%

Total contract value (TCV) at 31 December 2024 was £221.3m (31 December 2023: £165.3m). TCV grew strongly on the back of the record eight wins during the year and also due to the continuing growth in subscription TCV.

TCV - by stream for next 12 months £m	**2024**	**2023**	**Movement** %
Subscription	41.9	37.1	13%
Software Engineering	13.5	8.7	55%
Delivery	40.3	21.2	90%
Total TCV	95.7	67.0	43%

Of the TCV at 31 December 2024, £95.7m (2023: £67.0m) is currently anticipated to convert into revenue within the next 12 months. The subscription portion increased 13% to £41.9m (2023: £37.1m). The strongest growth came from Software engineering TCV, up 55% to £13.5m (2023: £8.7m) and Delivery TCV up 90% to £40.3m (2023: £21.2m) due to the strong conversion of the late-stage pipeline. At 2023 year end we were working with a number of companies in the late-stage pipeline and whilst we expected the projects to continue, as they were not fully contracted they were not fully included in TCV, hence the very strong growth in the TCV figure.

Operating profit

The Group's operating profit increased by £4.2m to £34.3m in 2024 (2023: £30.1m) primarily reflecting the £7.9m increase in revenue offset by cost increases of £3.7m.

Headcount numbers were up 6% at 31 December 2024 at 502 (2023: 475), with average headcount of 485 up 5% on last year (2023: 463). Staff retention remained very high at 96%.

Expenses - net £m	**2024**	**2023**	**Movement** %
Cost of sales	39.0	38.3	2%
Sales, general and administrative expenses	36.6	34.3	7%
Other income	0.0	(0.7)	-
Total expenses - net	75.6	71.9	5%

Cost of sales increased by £0.7m to £39.0m (2023: £38.3m) 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 increased capitalised investment into the product as our engineering resources focused on Alfa Systems 6 as opposed to chargeable client work.

Sales, general and administrative (SG&A) increased to £36.6m in the year (2023: £34.3m). Salary costs were up 9% in the period to £14.1m (2023: £12.9m). Profit Share Pay, including employer's costs, in the period was £4.2m (2023: £3.8m). Share-based payment charges have decreased slightly from last year to £1.4m (2023: £1.6m). Foreign currency gains/losses were a gain of £0.5m, up from the gain of £0.3m last year. Other costs totalling £17.4m increased £1.1m on last year (2023: £16.3m) with, as expected, increased computer costs. In 2023 there were £0.6m of costs related to possible offers for Alfa.

Other income reduced from £0.7m last year to £0.0m this year largely due to the reduction in UK R&D Expenditure credit (RDEC).

Profit before tax

Overall profit before tax of £34.1m was up 15% on last year (2023: £29.6m). Net finance costs were unchanged at £0.2m (2023: £0.2m).

Profit for the period

Profit after taxation increased by £2.1m, or 9%, to £25.6m (2023: £23.5m). The Effective Tax Rate for 2024 was 24.9% (2023: 20.6%). The increase was due to 2024 being the first full year of the increased UK corporation tax rate of 25% along with the 2023 rate benefiting from a prior year R&D claim. There is no longer any benefit from R&D on the tax line, with the reduced benefit from the RDEC scheme being shown in other income.

Earnings per share

Basic earnings per share increased by 9% to 8.68 pence (2023: 7.99 pence). Diluted earnings per share also increased by 8% to 8.56 pence (2023: 7.90 pence).

Cash flow

As expected, cash generated from operations was down year on year at £37.3m (2023: £39.2m) due to the impact of some receipts received in December 2023 which we would have expected to receive in January 2024. Net cash generated from operating activities was £28.4m (2023: £32.2m) with tax payments of £8.2m up on the £6.5m for 2023 largely due to the increase in corporation tax expense.

Cash (including the effect of exchange rate changes) decreased by £1.3m to £20.5m at 31 December 2024, from £21.8m at 31 December 2023. There was £28.4m of net cash generated from operating activities (2023: £32.2m). Total dividends paid in the year, being the ordinary and two special dividends, increased by 12% to £22.1m (2023: £19.7m). Purchases of own shares in the period were £0.7m (2023: £4.8m) 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 £5.6m was up on last year (2023: £3.4m) due to as expected increased investment into the product, up to £5.3m (2023: £2.8m) and with other capex of £0.3m (2023: £0.6m).

Operating free cash flow conversion

£m	2024	2023
Cash generated from operations	37.3	39.2
Adjusted for:		
Capital expenditure	(5.6)	(3.4)
Principal element of the lease payments in respect of IFRS 16	(1.3)	(1.3)
Operating free cash flow	**30.4**	**34.5**
Operating profit	34.3	30.1
Operating free cash flow conversion	**89%**	**115%**

The Group's Operating Free Cash Flow Conversion (FCF) of 89% (2023: 115%) was down on last year. Cash conversion was impacted by receipts in December 2023 that we would normally have expected to be received in January 2024. As previously noted, the move away from perpetual licenses to a SaaS model will result in cash conversion going forwards averaging between 90% to 100%.

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 31 December 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 £8.6m at 31 December 2024. They remain extremely tightly controlled with overdue debtors only £0.5m (2023: £0.6m) and these are all within 30 days overdue. All of the year end receivables have now been collected.

Accrued income was substantially in line with last year end at £4.7m (31 December 2023: £4.6m). Corporation tax recoverable of £2.8m (31 December 2023: £1.9m) is principally due to amounts expected to be received related to R&D claims.

Trade and other payables balance increased by £1.7m to £11.7m (31 December 2023: £10.0m) which was driven primarily by an increase in amounts due relating to tax and social security.

Contract liabilities relating to software licences was largely unchanged at £8.1m (31 December 2023: £8.0m). Contract liabilities from deferred maintenance increased to £7.6m (31 December 2023: £6.2m) with the largest factor due to the timing of invoicing and receipts on one customer. We expect a £1.8m reversal of this in 2025.

Going concern

The financial statements are prepared on the going concern basis. This is considered appropriate due to the reasons stated in note 1.1.

Subsequent events and related parties

There have been no subsequent events that require disclosure. Details about related party transactions are disclosed in note 32.

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 using the average exchange rates of the comparable months in the current reporting period.

Operating free cash flow (FCF) conversion

Calculated as cash generated from operations, less capital expenditures, less the principal element of lease payments in respect of IFRS16. Operating free cash flow conversion represents operating free cash flow generated as a proportion of operating profit.

Operating FCF is calculated as follows:

	2024	2023
Unaudited	**£m**	**£m**

Cash generated from operations	37.3	39.2
Capital expenditure	(5.6)	(3.4)
Principal element of lease payments	(1.3)	(1.3)
Operating FCF generated	30.4	34.5
Operating profit	34.3	30.1
Operating FCF Conversion	89%	115%

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 assuming these services continued as planned (actual contract length varies by customer);

(ii) the estimated remaining time to complete **Delivery** and **Software Engineering** 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 **Delivery** and **Software Engineering** 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	**H2 2024**	**H1 2024**	**H2 2023**
USD	1.30	1.27	1.25
EUR	1.18	1.17	1.15

Consolidated statement of profit or loss and comprehensive income

£m	**Note**	**2024**	2023
Continuing operations			
Revenue	5	**109.9**	102.0
Cost of sales		(39.0)	(38.3)
Gross profit		**70.9**	63.7
Sales, general and administrative expenses		(36.6)	(34.3)
Other income		-	0.7
Operating profit	6	**34.3**	30.1
Share of net loss of joint venture	19	-	(0.3)
Profit before net finance costs and tax		**34.3**	29.8
Finance income	10	0.5	0.3
Finance expense	10	(0.7)	(0.5)
Profit before taxation		**34.1**	29.6
Taxation	11	(8.5)	(6.1)
Profit for the financial year		**25.6**	23.5
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	27	(0.1)	(0.2)
Other comprehensive (loss) net of tax		**(0.1)**	(0.2)
Total comprehensive income for the year		**25.5**	23.3
Earnings per share (in pence)			
Basic	12	8.68	7.99
Diluted	12	8.56	7.90

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

Consolidated statement of financial position

£m	**Note**	**2024**	2023
Assets			
Non-current assets			
Goodwill	14	24.7	24.7
Other intangible assets	15	9.3	5.0
Property, plant and equipment	16	0.7	1.0
Right-of-use assets	17	7.7	6.1
Deferred tax assets	18	0.5	0.3

Total non-current assets		**42.9**	37.1
Current assets			
Trade receivables	20	8.6	5.6
Accrued income	21	4.7	4.6
Prepayments	21	4.9	3.8
Other receivables	21	0.3	0.3
Corporation tax recoverable	21	2.8	1.9
Cash and cash equivalents	22	20.5	21.8
Total current assets		**41.8**	38.0
Total assets		**84.7**	75.1
Liabilities and equity			
Current liabilities			
Trade and other payables	23	11.7	10.0
Lease liabilities	24	0.1	1.4
Contract liabilities	23	15.7	14.2
Total current liabilities		**27.5**	25.6
Non-current liabilities			
Lease liabilities	24	9.2	6.8
Provisions for other liabilities	25	0.8	0.7
Deferred tax liabilities	18	1.0	-
Total non-current liabilities		**11.0**	7.5
Total liabilities		**38.5**	33.1
Capital and reserves			
Share capital	26	0.3	0.3
Translation reserve	27	0.1	0.2
Own shares	28	(7.9)	(8.7)
Retained earnings		53.7	50.2
Total equity		**46.2**	42.0
Total liabilities and equity		**84.7**	75.1

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

Consolidated statement of changes in equity

£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 year		-	-	-	23.5	23.5
Other comprehensive (loss)		-	-	(0.2)	-	(0.2)
Total comprehensive income for the year		-	-	(0.2)	23.5	23.3
Transactions with owners in their capacity as owners:						
Equity-settled share-based payment schemes	29	-	-	-	1.5	1.5
Equity-settled share-based payment schemes - deferred tax impact	18	-	-	-	(0.5)	(0.5)
Dividends	31	-	-	-	(19.7)	(19.7)
Own shares distributed	28	-	3.6	-	(3.4)	0.2
Own shares acquired	28	-	(4.8)	-	-	(4.8)
Balance as at 31 December 2023		0.3	(8.7)	0.2	50.2	42.0
Profit for the financial year		-	-	-	25.6	25.6
Other comprehensive (loss)		-	-	(0.1)	-	(0.1)
Total comprehensive income for the year		**-**	**-**	**(0.1)**	**25.6**	**25.5**
Transactions with owners in their capacity as owners:						
Equity-settled share-based payment schemes	29	-	-	-	1.1	1.1
Equity-settled share-based payment schemes - deferred tax impact	18	-	-	-	0.4	0.4
Dividends	31	-	-	-	(22.1)	(22.1)
Own shares distributed	28	-	1.5	-	(1.5)	-
Own shares acquired	28	-	(0.7)	-	-	(0.7)
Balance as at 31 December 2024		**0.3**	**(7.9)**	**0.1**	**53.7**	**46.2**

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

Consolidated statement of cash flows

£m	Note	2024	2023
Cash flows from operating activities			
Profit before tax		34.1	29.6
Net finance costs		0.2	0.2
Share of net loss from joint venture		-	0.3
Operating profit		**34.3**	30.1
Adjustments:			
Depreciation	6/16/17	1.7	1.8
Amortisation	6/15	1.0	0.7
Share-based payment charge	29	1.1	1.6
RDEC tax charge/(credit)	6	0.1	(0.5)
Increase/(decrease) in provisions	25	0.1	(0.2)
Movements in working capital:			
Increase/(decrease) in contract liabilities	23	1.5	(0.6)
(Increase)/decrease in trade and other receivables	20/21	(4.2)	5.8
Increase in trade and other payables (excluding contract liabilities)	23	1.7	0.5
Cash generated from operations		**37.3**	39.2
Interest element on lease payments	10/24	(0.6)	(0.4)
Other interest paid	10	(0.1)	(0.1)
Income taxes paid		(8.2)	(6.5)
Net cash generated from operating activities		**28.4**	32.2
Cash flows from investing activities			
Payments for purchases of property, plant and equipment	16	(0.3)	(0.6)
Payments for internally developed software	15	(5.3)	(2.8)
Payments in relation to direct costs associated with lease extensions		(0.3)	-
Interest received	10	0.5	0.3
Net cash outflow from in investing activities		**(5.4)**	(3.1)
Cash flows from financing activities			
Dividends paid to Company shareholders	31	(22.1)	(19.7)
Payments of lease liabilities (principal)	24	(1.3)	(1.3)
Purchase of own shares	28	(0.7)	(4.8)
Cash used in financing activities		**(24.1)**	(25.8)
Net (decrease)/increase in cash		(1.1)	3.3
Cash and cash equivalents at the beginning of the year	22	21.8	18.7
Effect of foreign exchange rate changes on cash and cash equivalents		(0.2)	(0.2)
Cash and cash equivalents at the end of the year	22	**20.5**	21.8

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the consolidated financial statements for the year ended 31 December 2024

1. Summary of significant accounting policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the Group, consisting of Alfa Financial Software Holdings PLC (Alfa or the Company), its subsidiaries and joint venture, and are presented to the nearest £0.1m unless otherwise stated.

The principal activity of the Group is to develop, implement and support software and SaaS solutions to the auto and equipment finance industry in the United Kingdom, Europe, Africa, North America, and Australasia.

1.1 Basis of preparation

Statement of Compliance

The preliminary results for the year ended 31 December 2024 are prepared in accordance with UK adopted International Accounting Standards (IAS) and interpretations by the IFRS Interpretations Committee applicable to companies reporting under UK adopted IFRS. They do not include all the information required for full annual statements and should be read in conjunction with the 2024 Annual Report. The accounting policies adopted in this preliminary announcement are consistent with the Annual Report for the year ended 31 December 2024.

The financial information has been extracted from the financial statements for the year ended 31 December 2024, which have been approved by the Board of Directors on 12 March 2025. They have been reported on by the Group's auditors and will be delivered to the Registrar of Companies in due course. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The comparative figures for the financial year 31 December 2023 have been extracted from the Group's statutory accounts for that financial year. The Board of Directors approved the 2023 Group financial statements on 13 March 2024, and they have been delivered to the Registrar of Companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.

The financial information contained in this announcement does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006.

Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with the Companies Act 2006 and with United Kingdom adopted International Accounting Standards.

Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention, other than the revaluation of financial assets and financial liabilities recorded at fair value through profit or loss.

Going concern

The 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 reasonably possible changes in trading performance, show that the Group has sufficient cash reserves to continue to operate for a period of not less than 12 months from the date of these financial statements.

The going concern assessment 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.

On this basis, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

New and amended standards adopted by the Group

The Group has not adopted any new and amended standards in the current financial year that have had any material impact on the disclosures or on the amounts reported in these financial statements.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the Group has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

- IFRS 9/IFRS 7 - 'Amendments to the Classification and Measurement of Financial Instruments' (effective 1 January 2026)
- 'Annual Improvements to IFRS Accounting Standards' - Volume 11 (effective 1 January 2026)
- IFRS 18 - 'Presentation and Disclosures in Financial Statements' (effective 1 January 2027)

The Directors of the Company have not as yet evaluated the impact of these amendments on the presentation and disclosures of the Group's consolidated financial statements in future periods.

1.2 Group structure

Basis of consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. Unless otherwise stated, subsidiaries have share capital consisting solely of ordinary shares, and the proportion of ownership interests held equals the voting rights held by the Group. The country of incorporation or registration is also each subsidiary's principal place of business.

All intra-group transactions, balances, income and expenses are eliminated on consolidation. All subsidiaries have a 31 December year-end. The Group exercises control over the employee benefit trust (EBT) because it is exposed to, and has a right to, variable returns from this EBT and is able to use its power over the EBT to affect those returns. The EBT is therefore consolidated by the Group.

Joint arrangements

A joint arrangement is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control; that is, when the relevant activities that significantly affect the investee's returns require the unanimous consent of the parties sharing control.

Joint control is the contractually agreed sharing of control of an arrangement, and exists only when decisions about the activities that significantly affect the arrangement's returns require the unanimous consent of the parties sharing control. Judgement is required in determining this classification through an evaluation of the facts and circumstances arising from each individual arrangement. Joint arrangements are classified as either joint operations or joint ventures based on the rights and obligations of the parties to the arrangement. In joint operations, the parties have rights to the assets and obligations for the liabilities relating to the arrangement, whereas in joint ventures, the parties have rights to the net assets of the arrangement.

Alfa only had one joint venture, namely Alfa iQ Limited (Alfa iQ), which was formed in May 2020. Due to the activity in Alfa iQ being brought fully into the Alfa Group, the Alfa iQ joint venture ceased its activity in late 2023 and the company was placed into Members Voluntary Liquidation in 2024. The investment in the joint venture, up to the point of the Members Voluntary Liquidation, was accounted for using the equity method.

1.3 Segment reporting

Operating and reporting segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (CODM). The Group's Chief Executive Officer (CEO), who is responsible for allocating resources and assessing performance, has been identified as the CODM.

The CODM regularly reviews the Group's operating results in order to assess performance and to allocate resources. The CODM considers the business from a product perspective and, therefore, recognises one operating and reporting segment, being the sale of software and related services. The Group splits revenue by type of activity but reports operating results on a consolidated basis, as presented to the CODM, along with the required entity wide disclosures.

The Group discloses revenue split by type of activity, being Subscription, Software Engineering and Delivery.

a) Subscription revenues include recurring revenues paid on a monthly or annual basis, including subscription licence revenues, maintenance and cloud hosting.
b) Software Engineering revenues include revenues from the recognition of customised licence revenue, one-off licence fees and any development revenues.
c) Delivery revenues are revenues from any work done for customers including pre-implementation, implementation work and ongoing services, but excludes any revenue from development work which is disclosed in Software Engineering.

See note 1.5 for details of our revenue recognition accounting policy and note 2 for the critical accounting judgements in relation to revenue recognition.

1.4 Foreign currency translation

Functional currency

Items included in the consolidated financial statements of each of the Group's subsidiaries are measured using their functional currency. The functional currency of the parent and each subsidiary is the currency of the primary economic environment in which the entity operates. See applicable exchange rates used in 2024 and 2023 below:

	2024		2023	
	Closing	Average	Closing	Average
USD	1.25	1.28	1.27	1.24
EUR	1.21	1.18	1.15	1.15
NZD	2.24	2.11	2.01	2.02
AUD	2.02	1.94	1.87	1.87

Presentation currency

The consolidated financial statements are presented in pounds sterling. The Company's functional and presentation currency is pounds sterling.

Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position.

- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions).

- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Foreign currency transactions

Transactions in foreign currencies are translated into the respective functional currencies using the exchange rates prevailing at the dates of the transactions. Foreign exchange differences arising from the settlement of such transactions and from the translation at the reporting date of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. See applicable exchange rates used by the Group above.

1.5 Revenue recognition

The Group derives revenue by type of activity being Subscription, Software Engineering and Delivery (as disclosed in note 1.3).

i. Subscription revenue includes the periodic rights to use Alfa Systems, periodic maintenance, and subscription (including cloud hosting).
ii. Software Engineering revenue includes chargeable development revenue, customised licence revenue, options over the right to use Alfa Systems, and one-off licence fees.
iii. Delivery revenue includes software implementation services.

The Group provides the right to use, software development services, core implementation services and ongoing support of its product, Alfa Systems. The Group's contractual arrangements contain multiple deliverables or services, such as the development or customisation of the software to the customer's requirements, implementation services such as migration of data and testing, and certain project management services.

Alfa assesses whether there are distinct performance obligations at the start of each contract and throughout the performance of the implementation, development and services projects and maintenance period. These performance obligations are laid out in this note.

Any one contract may include a single performance obligation or a combination of those listed below:

1.5.1 Software implementation services

Where implementation services are considered to be distinct, i.e. when relatively straightforward, do not require additional development services and could be performed by an external third party, the implementation services are accounted for as a separate performance obligation from any development services.

When a customer is in the process of implementing the software, the transaction price is allocated to this based on the stand-alone selling prices (derived from standard day rates) and is recognised over time based on the effort incurred, limited to the amount to which Alfa has a right to payment. For customers under the Group's subscription-based contracts that are undergoing implementation, revenue for software implementation services is deemed to be distinct from any other performance obligation. Recognition over time is appropriate because customers simultaneously receive and consume the benefits provided. A percentage-of-completion basis is used to estimate progress towards completion of the performance obligation over time. To calculate the percentage-of-completion, data is derived from timesheets for the days worked for the customer on implementation work and compared with the latest forecast of total implementation days to be completed on the project.

When the type of services provided are ongoing services, the transaction price is deemed to be the actual day rate, and revenue is recognised at a point in time as the service is provided.

1.5.2 Development services and licence services (the customised licence)

Another performance obligation is the granting of a right to use Alfa Systems, which includes the delivery of the related software licence and any development efforts which change the underlying code. During the initial phase of implementing the software, the total revenue attributable to this performance obligation is estimated at the outset of the relevant software implementation project and recognised as the effort is expended, on a percentage-of-completion basis, limited to the amount of revenue to which Alfa has the right to payment. See note 5.6 for the accounting policy for variable consideration.

Recognition over time is appropriate because customers obtain the ability to benefit from the product from the start of the implementation project; the development or customisation of the asset is tailored to the customer's specific requirements; and the customer is entitled to the benefits of the efforts as at the date the efforts are delivered. A percentage-of-completion basis is used to estimate progress towards completion of the performance obligation over time. To calculate the percentage-of-completion, data is derived from timesheets for the days worked for the customer on development work and compared with the latest forecast of total development days to be completed on the project.

Revenue attributable to development services is valued using the residual value method as there are no stand-alone selling prices which are observable, as each project is customised. For customers under the Group's subscription-based contracts that are undergoing implementation, revenue for development services is deemed to be distinct from any other performance obligation and is recognised based on a percentage-of-completion basis.

Once the customer is already using the software, and the services provided are ongoing development, the transaction price is deemed to be the actual day rate and revenue is recognised at a point in time as the development service is provided.

1.5.3 Option over the right to use Alfa Systems

In the event that perpetual licence customers have to pay periodic maintenance fees in order to keep using Alfa Systems, a component of these future maintenance fees is attributable to the right to use the software. In these circumstances, the licence granted by Alfa is considered to renew in future periods. There may be a material right in respect of discounts in future periods. In order to ascribe a value to this option, management annualises the value of the customised licence performance obligation and compares it to the annual right to use software performance obligation post go live.

The value of this option is built up from the start of the implementation project in line with the percentage-of-completion of development revenue described in note 1.5.2 above. Following the completion of the implementation project, the value of this option is recognised evenly over the expected remaining customer life.

1.5.4 Periodic right to use Alfa Systems

When a customer pays its maintenance fee annually, this performance obligation represents the proportion of this fee which relates to the periodic option to renew the right to use Alfa Systems. If there is the right of clawback of the annual right to use, such amounts are recognised throughout the annual period. If there is no right of clawback, then the annual right to use amount is recognised in full when there is a right of collection.

When a customer pays for its maintenance fee as part of a subscription contract (see note 1.5.6 below), it will not be treated as a separate performance obligation (and will instead be part of the subscription amount).

1.5.5 Periodic maintenance amounts

This represents the stand-alone selling price of the ongoing support or maintenance of Alfa Systems which is recognised throughout the period over which the services are delivered.

1.5.6 Subscription amounts

Certain of the Group's implementation and service contracts include a subscription payment mechanism. This represents a monthly fee charged to the customer covering one or more of the following performance obligations: the provision of monthly hosting services; the monthly periodic right to use Alfa Systems; and the provision of monthly maintenance services (when this becomes applicable to the customer). The monthly payments are recognised as revenue in the period to which they relate. This reflects the underlying performance obligations of the Group and termination rights of the customer.

1.5.7 One-off revenue amounts

From time to time, the Group is entitled to receive one-off licence revenue from its customers as they increase the number of contracts on their version of Alfa Systems. Additionally, there are times when catch-up periodic maintenance amounts are entitled to be received by the Group, also as a result of the increased number of contracts. Generally, this revenue is recognised at the point in time it is invoiced, or becomes contractually payable, reflecting the fact that the Group has no remaining performance obligations to satisfy.

Capitalised sales incentive costs

The Group incentivises its sales force for securing sales. In line with IFRS 15, these costs are capitalised and are amortised in line with the percentage-of-completion of the software implementation project to which they relate.

Costs to fulfil contracts

The Group has recognised an asset in relation to employee costs to fulfil its long-term development contracts (as disclosed in note 21). These costs relate directly to the contracts, generate or enhance resources to be used to satisfy performance obligations in the future and are expected to be recovered. This asset is presented within prepayments in the statement of financial position. These costs are amortised within cost of sales in line with the percentage-of-completion of the development project to which they relate.

1.6 Operating expenses

Operating expenses include items such as personnel costs (including training and recruitment), cost of software not capitalised, research and development costs, and other infrastructure expenses. These items have been grouped into the following categories for disclosure purposes:

- Cost of sales - This includes salaries and other direct costs associated with satisfying customer contracts (including hosting costs) and for developing software.

- Sales, general and administrative expenses - This includes all the residual operating costs.

1.7 Income tax

Taxation expense for the year comprises current and deferred tax recognised in the reporting period. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. Current or deferred taxation assets and liabilities are not discounted.

Under the R&D Expenditure Credit (also referred to as the 'RDEC') scheme, the Group has received a tax credit based on qualifying R&D expenditure. This tax credit is recognised within pre-tax income, as 'Other Income'.

Current tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Group and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Group's consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

1.8 Leases

The Group enters into lease contracts in respect of various properties and motor vehicles. These rental contracts are typically made for fixed periods of two to ten years, and sometimes have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In accordance with IFRS 16, leases are recognised as a right-of-use asset with a corresponding liability, at the date at which the leased asset is available for use by the Group. These assets and liabilities are initially measured on a present value basis (as set out in more detail below), with each subsequent lease payment allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Alfa assesses whether a contract is, or contains, a lease at inception of the contract. The Group recognises a right of use asset and a corresponding lease liability, with respect to all lease arrangements in which it is the lessee, except for short term leases (defined as leases with a lease term of 12 months, or less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an expense on a straight line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments (including in substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- The amount expected to be payable by the lessee under residual value guarantees;
- The exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- Penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented in separate lines, split between current and non-current liabilities, in the consolidated statement of financial position. It is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group re-measures the lease liability (and makes a corresponding adjustment to the related right of use asset) whenever:

- The lease term has changed, or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index, or rate, or a change in expected payment under a guaranteed residual value. In these cases, the lease liability is re-measured by discounting the revised lease payments, using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

Right-of-use assets

The right of use assets comprise:

- The initial measurement of the corresponding lease liability;
- Lease payments made at, or before, the commencement day;
- Any initial direct costs; and
- Restoration costs.

The right of use assets are presented as a separate line in the consolidated statement of financial position.

The right of use assets are presented as a separate line in the consolidated statement of financial position.

The right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses (if applicable). They are depreciated from the commencement date of the lease and over the shorter period of the lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset, or the cost of the right of use asset reflects an expectation that the Group will exercise a purchase option, the related right of use asset is depreciated over the useful life of the underlying asset. Currently, the Group does not have any leases that include a purchase option, or transfer ownership of the underlying asset.

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located, or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37.

Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment and that is within the control of the lessee. During the current financial period, there have been no changes in such assessments.

Variable rents that do not depend on an index, or rate, are not included in the measurement of the lease liability and the right of use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included as an expense in the consolidated statement of profit or loss and comprehensive income.

1.9 Impairment of non-financial assets

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

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount might not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.10 Cash and cash equivalents

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

1.11 Financial assets

Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

Classification and initial measurement of financial assets

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with IFRS 15, all financial assets are initially measured at fair value adjusted for transaction costs (where applicable). Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- Amortised cost;
- Fair value through profit or loss (FVTPL); and
- Fair value through other comprehensive income (FVOCI).

In the periods presented, the Group does not have any material financial assets categorised as FVTPL or FVOCI. The classification is determined by both:

- The entity's business model for managing the financial asset; and
- The contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss, where material, are presented within finance costs, finance income or other financial items, except for impairment of trade receivables which is presented within sales, general and administrative expenses.

Subsequent measurement of financial assets

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

- They are held within a business model whose objective is to hold the financial assets and collect their contractual cash flows; and
- The contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Discounting is omitted where the effect of discounting is immaterial. The Group's trade and most other receivables (notes 20 and 21) and cash and cash equivalents (note 22) fall into this category of financial instruments.

Impairment of financial assets

Under IFRS 9, the requirements are to use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. The Group considers a broad range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

1.12 Trade receivables

Trade receivables are amounts due from customers for licences sold or services performed in the ordinary course of business. They are generally due for settlement within 30 days of the invoice date and are therefore all classified as current. Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue. The expected impairment loss is recognised in the consolidated statement of profit or loss and comprehensive income within sales, general and administrative expenses, and subsequent recoveries are credited to the same account previously used to recognise the impairment charge. During the current and prior period, the result of the above was immaterial and no impairment loss has been recognised.

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

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

1.13 Property, plant and equipment

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

Fixtures and fittings: 3-10 years

IT equipment: 2-5 years

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

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

1.14 Goodwill and other intangible assets

Goodwill

Goodwill arose on the acquisition of subsidiaries in 2012 and represents the excess of the consideration transferred over the fair value of the identifiable assets acquired and the liabilities and contingent liabilities assumed.

The Group assesses whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy stated in note 1.9 above. There is one CGU, being the Group, as its geographical operations do not have separate or distinct cash inflows. The recoverable amount of goodwill has been determined based on value-in-use calculations using cash flow projections from financial budgets and forecasts.

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

Intangible assets

Internally generated intangible assets are initially measured at cost, and only qualify for capitalisation if the Group can demonstrate all of the following:

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

The cost for internally generated intangible assets is based on the time spent by staff on product development activities, to which a day rate based on salary cost is applied. Development expenditure incurred on minor or major upgrades, or other changes in software functionality, does not satisfy the criteria, where it is considered that the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense.

The Group continually assesses the eligibility of development costs for capitalisation on a project-by-project basis. See note 15 for disclosure of development costs which have met the criteria of IAS 38 for recognition.

Externally acquired intangible assets are initially recorded at historical cost. Historical cost includes expenditure that is directly attributable to the acquisition of the item.

The Group amortises intangible assets with a limited useful life, using the straight-line method over the following periods:

Computer software: licence period or 10 years as applicable

Computer software: licence period of 10 years as applicable

Internally generated software: 3-5 years

Amortisation is presented within sales, general and administrative expenses.

Research and development costs which do not meet the criteria set out above are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in subsequent periods.

1.15 Trade and other payables

Trade payables are obligations to pay for goods or services which have been acquired in the ordinary course of business from suppliers. Trade payables are recognised initially at fair value and subsequently measured at amortised costs using the effective interest rate method. As the total carrying amount is due within the next 12 months from the reporting date, the impact of applying the effective interest method is not significant and, therefore, the carrying amount equals the contractual amount or the fair value initially recognised.

The Group's financial liabilities include trade and other payables and lease liabilities. Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss. Subsequently, financial liabilities are measured at amortised cost using the effective interest method. All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income. The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

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

1.16 Provisions

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

1.17 Employee benefits

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

Short-term benefits

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

Post-employment benefits

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

Employee share scheme expense

The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. For those share schemes with market-related vesting conditions, the fair value is determined using the Monte Carlo model at the grant date. For share options issued with non-market performance vesting conditions, the fair value of the underlying vehicle is equal to the grant date share price discounted by the expected dividend yield to reflect the lack of dividend accrual over the vesting period. For all other share awards, those with pure employment conditions attached, the fair value is determined by reference to the market value of the shares at the grant date or (where they have an exercise price) by using the Black Scholes model. For all share schemes with non-market vesting conditions, the likelihood of vesting has been taken into account when determining the relevant charge. Vesting assumptions are reviewed during each reporting period to ensure they reflect current expectations.

1.18 Equity

Ordinary shares

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

Cumulative translation reserve

Exchange differences arising on translation of foreign subsidiaries are recognised in other comprehensive income and accumulated in a separate reserve within equity. The cumulative amount would be reclassified to profit or loss if the entity was disposed of.

Own shares

Own shares represent the shares of the parent company Alfa Financial Software Holdings PLC that are either held by the EBT, or acquired by the Group as part of its share buy-back programme (see note 28).

Own shares are recorded at cost and deducted from equity.

1.19 Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of Alfa by the weighted average number of ordinary shares outstanding during the year (excluding own shares held).

Diluted earnings per share

Diluted earnings per share is calculated in line with the basic earnings per share calculation above except that the weighted average number of shares includes all potentially dilutive options granted by the reporting date as if those options had been exercised on the first day of the accounting period or the date of the grant, if later. The shares have no right to voting or to dividends while held in trust.

2. Critical accounting judgements, estimates and assumptions

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted in future periods due to estimates and assumptions turning out to be wrong. Detailed information about each of these estimates and judgements is included in other notes, together with information about the basis of calculation for each affected line item in the financial statements.

2.1 Critical judgements in applying the Group's accounting policies

Revenue recognition

Critical judgements specific to customised licence revenue:

The Group is required to make an assessment as to whether the implementation process, which includes customised licence and implementation revenue streams as well as any maintenance fees during this phase, forms one or a number of performance obligations. Since the residual value method is used for the customised licence revenue (as explained in note 1.5), the estimation of fair value of implementation revenue will impact the contract consideration assigned to the customised licence.

In addition, the Group is also required to make an assessment as to whether each contract contains an expectation to deliver multiple separate instances of the customised licence which may form separate groups of distinct performance obligations. In doing the above, the Group assesses each software implementation contract as to whether the underlying software requires significant modification or customisation by the Group in order to meet the customer's requirements before Alfa Systems can be utilised by the customer. Therefore, judgement is required in determining which efforts relate to the implementation process and which efforts could be determined to be development services which change or enhance the underlying code. In making this judgement, the Group assesses the contractual terms and the original project plan for the implementation but also uses historical evidence of what constitutes core implementation work.

Critical judgements applicable to all revenue:

Judgements are made when the Group enters into new contracts with existing customers and also when there are changes to existing contracts with customers that include the addition of new customer-specific contractual terms. For these, the Group assesses the contractual terms both individually and in the context of the wider arrangement and applies the guidance in IFRS 15 to determine the appropriate accounting.

Internally generated software development - Assessing whether a project meets criteria of IAS 38

The Group is required to make an assessment of each ongoing project in order to determine at what stage (if at all) a project meets the criteria outlined in the Group's accounting policies. Such assessment may, in certain circumstances, require significant judgement. In making this judgement, the Group evaluates, amongst other factors, the stage at which technical feasibility has been achieved, management's intention to complete and use or sell the product, the likelihood of success, the availability of technical and financial resources to complete the development phase and management's ability to measure reliably the expenditure attributable to the project. Research and product development expenditure incurred on minor or major upgrades, or other changes in software functionality, does not satisfy the criteria where it is considered that the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense. Judgement is also required with respect to when an asset is ready to be amortised - in making this judgement, the Group considers, amongst other factors, when the asset is available for use in the manner intended by management.

3. Financial risk management

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

Area	Exposure arising from	Measurement	Management
Market risk - foreign exchange	Contracted revenue and costs denominated in a currency other than the entity's functional currency; and Monetary assets and liabilities denominated in a currency other than the entity's functional currency	Cash flow forecasting and foreign exchange sensitivity	Natural hedging from localised cost base and conversion of foreign currency cash balances into pounds sterling; and Use of forward contracts to manage some of the foreign exchange risk (these are not hedge accounted)
Credit risk - cash balances	Cash and cash equivalents	Credit ratings	Diversification of bank deposits
Credit risk - customer receivables	Trade receivables and accrued income	Ageing analysis Credit ratings	Credit checks and contractual payment terms
Liquidity	Cash and cash equivalents	Daily cash reporting	Cash forecasting and managing maturity of cash deposits

The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group has used financial instruments to hedge certain risk exposures in the past. Risk management is carried out by the finance function under policies approved by the Board. The finance function identifies, evaluates and mitigates financial risks when deemed necessary.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders, and maintain an optimal capital structure.

3.1 Foreign exchange risk

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

The split by currency in relation to trade receivables is set out in note 20.

The Group's exposure to foreign currency risk in relation to revenue is set out in note 5.4.

The Group utilised forward contracts in both 2024 and 2023 to hedge against foreign currency exposure. The Group has three outstanding commercial foreign exchange contracts at 31 December 2024 (2023: one outstanding) with a fair value of £(0.1)m (2023: £0.2m). No hedge accounting has been applied in the year.

A 10% increase in the USD:GBP exchange rate in the year ended 31 December 2024 would have increased revenue and profit by 4% and 9% respectively (2023: 3% and 6% respectively). Management believes that 10% is a reasonable sensitivity given historical exchange rate movement.

3.2 Credit risk

a. Credit risk related to transactions with financial institutions

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

b. Credit risks related to customer trade receivables

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

The Group's customer base predominantly consists of large financial institutions that are financially sound. The responsibility for customer credit risk management rests with management of the Group. Payment terms are set in accordance with practices in the different geographies and end markets served, typically being 30 days from the date of the invoice. Trade receivables are actively monitored and managed. Collection risk is mitigated through prompt submission of invoices. Historically, there has been a de minimis level of customer default as a result of the long history of dealing with the Group's customer base and an active credit monitoring function. Where applicable, credit limits may be established based on internal or external rating criteria, which take into account such factors as the financial condition of the customers, their credit history and the risk associated with their industry segment.

The Group applies the IFRS 9 simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance for all trade receivables and accrued income. To measure the expected credit losses, trade receivables and accrued income have been grouped based on shared credit risk characteristics and the days past due. The accrued income relates to unbilled work in progress and has substantially the same risk characteristics as the trade receivables for the same types of contracts, other than where the Group has collected upfront payments in the form of licence fees at the start of a software implementation contract.

The expected loss rates of trade receivables are based on the payment profiles of customer invoices over a period of 36 months before 31 December 2024 (2023: 31 December 2023), and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted to reflect current or forward-looking information in relation to any macroeconomic factors affecting the ability of the customers to settle the receivables. The same approach is applied to both trade receivables and accrued income expected credit loss provisions.

The Group has not identified any current factors or forward-looking information which would be relevant to the historical loss rates. On this basis, the loss allowance as at 31 December 2024 and 31 December 2023 was immaterial for both trade receivables and accrued income.

See note 20 - Trade receivables for the ageing of trade receivables and significant customer credit risk exposure.

3.3 Liquidity risk

The Group's principal objectives when managing capital are to ensure that funds are available to support its growth strategy and to safeguard the Group's ability to continue as a going concern.

The capital structure of the Group consists of cash and cash equivalents (note 22) and equity attributable to equity holders of the parent.

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

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

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

	31 December 2024					
£m	**Total**	**Less than 6 months**	**Between 6 to 12 months**	**Between 1 to 2 years**	**Between 2 to 5 years**	**More than 5 years**
Trade and other payables	**8.4**	8.4	-	-	-	-
Lease liabilities - future lease payments	**13.4**	0.5	0.3	1.8	4.8	6.0

	31 December 2023					
£m	Total	Less than 6 months	Between 6 to 12 months	Between 1 to 2 years	Between 2 to 5 years	More than 5 years
Trade and other payables	8.0	8.0	-	-	-	-
Lease liabilities - future lease payments	9.3	0.8	0.9	1.6	4.6	1.4

4. Segments and principal activities

4.1 Revenue by stream

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

£m	2024	2023
Subscription	37.5	31.8
Software Engineering	17.4	15.6
Delivery	55.0	54.6
Total revenue*	**109.9**	102.0

* The names of two revenue streams have been changed in 2024 - 'Software' is now 'Software Engineering' and 'Services' is now 'Delivery'. This is purely a renaming of the revenue streams which has not impacted the revenue allocation between the streams, nor the total revenue or profit disclosed for 2023.

4.2 Non-current assets geographical information

Non-current assets attributable to each geographical market:

£m	2024	2023
UK	40.9	35.7
North America	0.8	1.0
Rest of EMEA (excl. UK)*	-	-
Rest of World*	0.7	0.1
Total non-current assets	**42.4**	36.8

* To be consistent with the geographical split in note 5.3, the 'Rest of the World' assets disclosed in the prior year have been split into 'Rest of EMEA' and 'Rest of the World'. The total remains unchanged.

Revenue by geographical market is contained within note 5.3. The table above excludes deferred tax assets for both 2024 and 2023.

5. Revenue from contracts with customers

5.1 Customer concentration

There were no customers with revenue accounting for more than 10% of total revenue in 2024 and 2023.

5.2 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 streams:

2024

£m	Subscription	Software Engineering	Delivery	Total Revenue
At a point in time - time and materials	-	7.5	43.8	51.3
At a point in time - fixed price	-	0.8	-	0.8
Over time - time and materials	-	7.6	11.2	18.8
Over time - fixed price	37.5	1.5	-	39.0
Total revenue*	**37.5**	**17.4**	**55.0**	**109.9**

2023

£m	Subscription	Software Engineering	Delivery	Total Revenue
At a point in time - time and materials	-	9.8	39.3	49.1
At a point in time - fixed price	-	0.5	-	0.5
Over time - time and materials	-	3.5	15.3	18.8
Over time - fixed price	31.8	1.8	-	33.6
Total revenue*	31.8	15.6	54.6	102.0

All goods and services are sold directly to customers.

* The names of two revenue streams have been changed in 2024 - 'Software' is now 'Software Engineering' and 'Services' is now 'Delivery'. This is purely a renaming of the revenue streams which has not impacted the revenue allocation between the streams, nor the total revenue or profit disclosed for 2023.

5.3 Revenue geographical information

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	2024	2023
UK	32.0	38.1
North America	46.1	33.6
Rest of EMEA (excl. UK)	23.6	23.1
Rest of World	8.2	7.2
Total revenue	**109.9**	102.0

5.4 Revenue by currency

Revenue by contractual currency is as follows:

Revenue by contractual currency is as follows:

£m	2024	2023
GBP	40.4	46.3
USD	46.5	34.6
EUR	14.8	13.9
Other	8.2	7.2
Total revenue	**109.9**	102.0

5.5 Liabilities from contracts with customers

£m	2024	2023
Contract liabilities - deferred licence and fees	8.1	8.0
Contract liabilities - deferred maintenance	7.6	6.2
Total contract liabilities	**15.7**	14.2

Contract liabilities - deferred licence

Where a customer purchases a perpetual software licence, this is generally invoiced upfront at the commencement of the implementation project. Customers generally require additional development efforts over the life of the implementation project in order to customise the underlying code within Alfa Systems. Together, these two elements form the Group's customised licence performance obligation. The fair value of this performance obligation is determined using the residual method as set out in note 1.5.2 and this fair value is recognised as the development effort is expended, on a percentage-of-completion basis.

As such, the deferred licence contract liability balance as at 31 December 2024 and 31 December 2023 represents any amounts received in advance for the customised licence performance obligation being satisfied (including any unrecognised software licence amounts that were received upfront).

Additionally, where an option over the right to use Alfa Systems in the future exists, the value of this is also included within the deferred licence contract liability. The contract liability relating to the material right value is increased over the life of the implementation project in line with the percentage of completion of the development efforts and then released on a straight-line basis over the expected remaining customer life post completion of the implementation project.

The deferred licence contract liability balance will increase during the year as a result of:

- Any new upfront software licence payments;
- Any write back in previously recognised revenue as a result of project extensions or re-plans;
- Decreasing percentage-of-completion of development efforts; and
- Any additional material right balances that are added during the year.

The deferred licence contract liability balance will decrease during the year as a result of:

- Increasing percentage-of-completion of development efforts; and
- Any release of material right balances following the completion of the implementation project.

Contract liabilities - deferred maintenance

A number of the Group's customers are invoiced annually in advance for the maintenance and support service provided by the Group. As such, the deferred maintenance contract liability balance will increase as a result of billing and invoices becoming due, and will decrease as the Group satisfies its associated performance obligations. The deferred maintenance contract liability balance as at 31 December 2024 and 31 December 2023 therefore represents the Group's unsatisfied maintenance performance obligation for which the revenue has been invoiced in advance.

5.6 Unsatisfied performance obligations

During 2020, the Group entered into a new one-off five-year contract with a customer to renew its software licence and maintenance agreements. The total amount of the contract price from this non-cancellable contract that relates to the performance obligations that are unsatisfied at 31 December 2024 is £1.8m (2023: £4.0m). We expect to recognise the remaining £1.8m in the final financial year of the contract, being 2025.

In addition, the Group has unsatisfied or partially satisfied performance obligations at 31 December 2024 that relate to the licence customisation for some customers that have ongoing implementation projects. This performance obligation includes the delivery of the related software licence and any development efforts which will change the underlying code. Linked to certain of these ongoing and future projects, and also to certain implementation projects completed during 2024, the Group also has unsatisfied or partially satisfied performance obligations at 31 December 2024 that relate to the option over the right to use Alfa Systems, and in particular any material right in respect of discounts to be received by customers in future periods.

The above includes certain amounts recognised as contract liabilities. The transaction price allocated to these unsatisfied or partially satisfied performance obligations as at 31 December 2024 is £9.9m (2023: £9.4m). This amount is expected to be recognised over the remaining life of the implementation projects, in respect of the licence and development efforts, and over the expected customer life (following the completion of the implementation project) in respect of the option over the right to use Alfa Systems. Of the £9.9m, it is expected that £3.9m will be recognised in 2025, with the remainder being recognised in subsequent years.

These unsatisfied or partially satisfied performance obligations are based on management's best judgement and may be impacted in the future by a number of factors including:

- Any possible contract modifications;
- Currency fluctuations;
- External market factors; and
- Changes to the overall forecast project plan including the overall life of the implementation project and any required development efforts.

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about the unsatisfied performance obligations that have original expected durations of one year or less. This includes those performance obligations linked to ongoing services for all project types (i.e. subscription, software engineering and delivery).

The Group also applies the practical expedient in paragraph B16 of IFRS 15 and does not disclose the amount of the transaction price allocated to the unsatisfied contract performance obligations where consideration will be received directly corresponding to the value of the performance obligation in the future and this consideration aligns to the value received to date for the corresponding performance obligation. This includes those performance obligations linked to our software implementation services.

The disclosures above for unsatisfied or partially satisfied performance obligations are not relevant to our subscription performance obligations as these are typically satisfied on a monthly basis in line with the termination rights of the customers (see note 1.5.6).

The Group has variable consideration in the form of contract banding for its licence and maintenance volumes. It is included in the transaction price only to the extent that it is highly probable that a significant reversal of revenue will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

6. Operating profit

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

£m	2024	2023
Research and development costs	2.3	3.1
Depreciation of property, plant and equipment	0.6	0.6
Depreciation of right-of-use lease assets	1.1	1.2
Amortisation of intangible assets	1.0	0.7
Foreign exchange (gain)/loss	(0.2)	0.1
Forward foreign exchange contracts (gain)	(0.3)	(0.4)
Share-based payments (including social security contributions)	1.4	1.6
RDEC*	0.1	(0.5)
Costs related to possible offers**	-	0.6

* The Company intends to claim credits under the UK RDEC regime in respect of the years 2023 and 2024. The amount of the estimated RDEC credit is required to be recognised as both other income (which is taxable) and as a recoverable. The estimated RDEC amount recognised in 2023 was £0.5m. In 2024, the Company reduced the estimated RDEC benefit for 2023 by £0.3m to £0.2m, and also recognised an estimated RDEC benefit for 2024 of £0.2m. Accordingly, as at 31 December 2024, the Company has recognised a total £0.4m of RDEC credit for 2023 and 2024.

** Costs related to possible offers to acquire the Group of £0.6m were incurred in 2023. These related to legal fees and expenses incurred as a result of two possible offers from private equity firms. No such costs were incurred in 2024.

7. Personnel-related costs

£m	2024	2023
Wages and salaries*	44.4	41.3
Social security contributions (on wages and salaries)	5.2	5.1
Pension costs	3.5	3.2
Less: capitalisation*	(5.3)	(2.8)
	47.8	46.8
Profit share pay**	4.2	3.8
Share-based payments (including social security contributions)	1.4	1.6
Total employment costs	**53.4**	52.2

* 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 disclosure.

** 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.

Average monthly number of people employed based on location (including Executive Directors)	2024	2023
UK	340	334
USA	99	86
Rest of EMEA (excl. UK)*	17	14
Rest of World*	29	29
Total average monthly number of people employed	**485**	463

* To be consistent with the geographical split in note 5.3 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 31 December 2024, the Group had 502 employees (2023: 475).

8. Key management

Key management compensation (including Directors):

£m	2024	2023
Wages, salaries and short-term benefits	2.3	2.1
Social security contributions	0.3	0.2
Share-based payments (including social security contributions)	0.5	1.0
Total key management compensation	**3.1**	3.3

Key management personnel consist of the Company Leadership Team and the Executive and Non-Executive Directors. Directors' remuneration is detailed in the Remuneration Report.

9. Auditor's remuneration

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

£m	2024	2023
Audit fees		
RSM UK Audit LLP		
Audit of the consolidated financial statements	0.2	0.2
Audit of subsidiaries	0.2	0.2
Total audit fees	**0.4**	0.4
Audit-related assurance fees		
Review of interim financial report	0.1	0.1
Total audit-related assurance fees	**0.1**	0.1
Non-audit services	-	-
Total audit and non-audit-related services	**0.5**	0.5

10. Finance income and expense

£m	2024	2023
Finance income		
Interest income on cash or short-term bank deposits	0.5	0.3

£m	Note	2024	2023
Finance expense			
Interest on lease liabilities	24	(0.6)	(0.4)
Other interest expense		(0.1)	(0.1)
Total finance expense		**(0.7)**	(0.5)

11. Income tax expense

Analysis of charge for the year

£m	2024	2023
Current tax:		
Current tax on profit for the year	6.8	6.1
Adjustment in respect of prior years	(0.2)	(1.2)
Foreign tax on profit of subsidiaries for the current year	0.7	0.5
Current tax	**7.3**	5.4
Deferred tax:		
Origination and reversal of temporary differences	1.2	0.7
Deferred tax	**1.2**	0.7
Total tax charge in the year	**8.5**	6.1

The effective tax rate for the year is in line with (2023: lower than) the standard rate of corporation tax in the UK. The effective tax rate for the year ended 31 December 2024 was 24.9% (2023: 20.6%). The effective tax rate for the year is impacted by favourable adjustments in respect to prior years totalling £0.2m relating predominately to the UK position for 2023 including further work on the deductibility of exceptional costs (2023: £1.2m, due predominately to the benefit of the R&D claim for 2022). Unlike in 2022 and earlier years, the effective tax rate for both 2024 and 2023 does not benefit from the impact of UK R&D claims, as from 2023 the Company is required to make R&D claims under the UK RDEC regime.

The overall tax charge for the year is reconciled as follows:

Analysis of charge for the year

£m	2024	2023
Profit on ordinary activities before taxation	34.1	29.6
Profit on ordinary activities at the standard rate of corporation tax		
- 25.0% (2023: 23.5%*)	8.5	7.0
Tax effects of:		
Adjustment in respect of prior years	(0.2)	(1.2)
Impact of disallowable items	-	0.2
Other	0.2	0.1
Total tax charge for the year	8.5	6.1

* The rate of UK corporation tax increased from 19% to 25% with effect from April 2023. The blended rate of UK corporation tax for 2023 is therefore 23.5%.

12. Earnings per share

	2024	2023
Profit attributable to equity holders of Alfa (£m)	25.6	23.5

Weighted average number of shares outstanding during the year	294,925,812	294,462,166
Basic earnings per share (pence per share)	8.68	7.99
Weighted average number of shares outstanding including potentially dilutive shares	298,962,970	298,119,816
Diluted earnings per share (pence per share)	8.56	7.90

The weighted average number of ordinary shares in issue excludes 5,074,188 (2023: 5,537,834) shares held by the Group cumulatively under the EBT and as a result of the share buy-back programme.

The diluted number of ordinary shares outstanding, including share awards, is calculated on the assumption of conversion of 4,037,158 (2023: 3,657,650) potentially dilutive ordinary shares.

13. Financial assets and liabilities

£m	Note	2024	2023
Financial assets			
Financial assets at amortised cost:			
Trade receivables	20	8.6	5.6
Other financial assets at amortised cost	21	5.0	4.9
Cash and cash equivalents	22	20.5	21.8
Total financial assets		**34.1**	32.3
Financial liabilities			
Financial liabilities at amortised cost:			
Trade and other payables	23	8.4	8.0
Lease liabilities	24	9.3	8.2
Total financial liabilities		**17.7**	16.2

14. Goodwill

£m	2024	2023
Cost		
At 1 January	24.7	24.7
At 31 December	**24.7**	24.7

The recoverable amount of goodwill has been determined based on value-in-use calculations using cash flow projections from financial budgets and forecasts for a five-year period using a pre-tax discount rate of 10.4% (2023: 10.4%) which is based on the CGU's weighted average cost of capital. Cash flows beyond these periods have been extrapolated using a steady 2.5% (2023: 2.7%) average growth rate which is reflective of management's best estimate at the time.

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

15. 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	-	5.3	5.3
Disposals	(0.7)	-	(0.7)
At 31 December 2024	**1.0**	**12.4**	**13.4**
Amortisation			
At 1 January 2024	1.1	2.7	3.8
Charge for the period	0.2	0.8	1.0
Disposal	(0.7)	-	(0.7)
At 31 December 2024	**0.6**	**3.5**	**4.1**
Net book value			
At 31 December 2024	**0.4**	**8.9**	**9.3**

Significant movement in other intangible assets

During 2024, Alfa developed new internally generated software at a cost of £5.3m (2023: £2.8m). This software will be amortised over three to five years.

The total research and product development expense for the period was £2.3m (2023: £3.1m).

16. 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 year	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	-	0.3	0.3
Disposals	(0.1)	(1.7)	(1.8)
At 31 December 2024	**1.5**	**1.8**	**3.3**
Depreciation			
At 1 January 2024	1.1	2.7	3.8
Charge for the year	0.2	0.4	0.6
Disposals	(0.1)	(1.7)	(1.8)
At 31 December 2024	**1.2**	**1.4**	**2.6**
Net book value			
At 31 December 2024	**0.3**	**0.4**	**0.7**

17. 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 year	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*	0.3	2.4	2.7
Disposals	(0.3)	-	(0.3)
At 31 December 2024	**0.7**	**13.3**	**14.0**
Depreciation			
At 1 January 2024	0.5	5.0	5.5
Charge for the year	0.1	1.0	1.1
Disposals	(0.3)	-	(0.3)
At 31 December 2024	**0.3**	**6.0**	**6.3**
Net book value			
At 31 December 2024	**0.4**	**7.3**	**7.7**

* Additions to property in the year relate primarily to the extension of the lease (a lease modification) to the UK office at Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK.

The Group recognised the following amounts in the consolidated statement of profit or loss and comprehensive income in relation to leases under IFRS 16:

£m	**2024**	2023
Depreciation	(1.1)	(1.2)
Interest expense	(0.6)	(0.4)

Short term lease expense		
	-	(0.1)

18. Deferred income tax

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

£m	2024	2023
Balance as at 1 January	0.3	1.6
Effect of changes in tax rates	-	(0.1)
Deferred income taxes recognised in the consolidated statement of profit or loss and comprehensive income	(1.2)	(0.7)
Deferred tax on share-based payments recognised in reserves	0.4	(0.5)
Balance as at 31 December	**(0.5)**	0.3
Consisting of:		
Depreciation in excess of capital allowances	-	(0.1)
Capital allowances in excess of depreciation	0.1	-
Other timing differences	(0.6)	0.4
Balance as at 31 December	**(0.5)**	0.3

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as the Group is able to control the timing of these temporary differences and it is probable that they will not reverse in the foreseeable future. Unremitted earnings totalled £2.7m at 31 December 2024 (2023: £5.5m).

At the reporting date, the provision for deferred tax comprised net deferred tax assets relating to overseas group companies of £0.5m (20023: £0.3m) and net deferred tax liabilities relating to the UK of £(1.0)m (2023: nil). The net deferred tax liabilities relating to the UK is comprised mainly of a deferred tax liability in relation to accelerated tax deductions for capitalised intangibles of £(2.3)m (2023: £(1.1)m) and a deferred tax asset in relation to share options of £0.9m (2023: £0.6m).

19. Interests in joint venture

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. In 2023, the activity in the Alfa iQ joint venture ceased and the company was placed into Members Voluntary Liquidation in 2024.

At 31 December 2024 and 31 December 2023 the investment is carried at £nil and the loan is carried at £nil.

Investment

£m	2024	2023
Carrying amount as at 1 January	-	0.1
Other movements	-	0.1
Share of net loss from the joint venture	-	(0.2)
Carrying amount as at 31 December	**-**	-

Loan to joint venture

£m	2024	2023
Carrying amount as at 1 January	-	0.1
Loan write off	-	(0.1)
Carrying amount as at 31 December	**-**	-

20. Trade receivables

£m	2024	2023
Trade receivables	8.6	5.6
Provision for impairment	-	-
Trade receivables - net	**8.6**	5.6

Ageing of trade receivables

Ageing of net trade receivables £m	2024	2023
Within agreed terms	8.1	5.0
Past due 1-30 days	0.5	0.6
Past due 31-90 days	-	-
Past due 91+ days	-	-
Trade receivables - net	**8.6**	5.6

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

Currency of trade receivables

£m	2024	2023
GBP	3.0	2.6

USD	4.8	2.4
Other	0.8	0.6
Trade receivables - net	**8.6**	5.6

Trade receivables due from significant customers

There were no customers with revenue accounting for more than 10% of total revenue in 2024 and 2023.

Impairment and risk exposure

Information about the impairment of trade receivables and the Group's exposure to market risk (specifically foreign currency risk) and credit risk can be found in note 3.

21. Other receivables held at amortised cost

£m	2024	2023
Accrued income	4.7	4.6
Prepayments	4.9	3.8
Corporation tax recoverable	2.8	1.9
Other receivables	0.3	0.3
Total other receivables held at amortised cost	**12.7**	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.

Prepayments include £1.0m of deferred costs in relation to costs to fulfil contracts (2023: £1.3m). During the year £0.3m (2023: £0.2m) relating to costs to fulfil contracts has been recognised within cost of sales.

Corporation tax recoverable at the reporting date of £2.8m (2023: £1.9m) represents predominately UK tax of £2.3m (2023: £1.9m), due to be refunded on the submission of (i) the R&D-related claims for 2023 and 2024 and (ii) the 2024 corporation tax return. An additional amount of £0.4m (2023: £0.5m) relates to RDEC recoverable.

22. Cash and cash equivalents

£m	2024	2023
Cash at bank and in hand	20.5	21.8
Cash and cash equivalents	**20.5**	21.8

Currency of cash and cash equivalents

£m	2024	2023
GBP	8.6	13.5
USD	6.1	3.4
AUD	2.1	1.8
EUR	2.5	2.2
Other	1.2	0.9
Cash and cash equivalents	**20.5**	21.8

Cash and cash equivalents are all held with banks and other financial instructions which must fulfil credit rating and investment criteria approved by the Board.

23. Current and non-current liabilities

£m	2024	2023
Trade payables	1.0	0.5
Other payables	10.7	9.5
Contract liabilities - deferred licence and fees	8.1	8.0
Contract liabilities - deferred maintenance	7.6	6.2
Deferred tax liability	1.0	-
Lease liabilities (note 24)	9.3	8.2
Provisions for other liabilities (note 25)	0.8	0.7
Total current and non-current liabilities	**38.5**	33.1
Less non-current portion	(11.0)	(7.5)
Total current liabilities	**27.5**	25.6

Other payables includes amounts relating to other tax and social security of £3.3m (2023: £2.0m). Of the remainder, £5.8m (2023: £5.4m) relates to amounts due as part of payroll.

24. Lease liabilities

The following table sets out the reconciliation of the lease liabilities from 1 January 2023 to the amount disclosed at 31 December 2024:

£m	Total
Lease liabilities recognised at 1 January 2023	9.3
Additions	0.2
Interest charge	0.4
Payments made on lease liabilities	(1.7)

Payments made on lease liabilities	(1.7)
At 31 December 2023	8.2
Additions	2.4
Interest charge	0.6
Payments made on lease liabilities	(1.9)
At 31 December 2024	**9.3**

Additions to lease liabilities include extensions to existing lease agreements. In 2024 there was an extension of the lease (a lease modification) to the UK office at Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK.

Total lease payments in 2024 were £1.9m (2023: £1.8m).

Below is the maturity analysis of the lease liabilities:

£m	2024	2023
Non-current	9.2	6.8
Current	0.1	1.4
Total lease liabilities	**9.3**	8.2
No later than one year	0.8	1.7
Between one year and five years	6.6	6.2
Later than five years	6.0	1.4
Total future lease payments	**13.4**	9.3
Total future interest payments	(4.1)	(1.1)
Total lease liabilities	**9.3**	8.2

The movement during the year 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 year.

25. Provision for other liabilities

£m	
At 1 January 2023	0.9
Provided in the period	0.2
Utilised in the period	(0.4)
Released in the period	-
At 31 December 2023	0.7
Provided in the period	0.4
Utilised in the period	(0.3)
Released in the period	-
At 31 December 2024	**0.8**

Provisions for other liabilities comprise amounts for office dilapidations and employer taxes on share-based payments. It is expected that these will be utilised as follows: £0.3m in 2035 and £0.5m over various years.

26. Share capital

	2024		2023	
Issued and fully paid	**Shares**	**£m**	Shares	£m
Ordinary shares - 0.1 pence	300,000,000	0.3	300,000,000	0.3
Balance as at 31 December	**300,000,000**	**0.3**	300,000,000	0.3

No additional shares have been issued or cancelled in 2024 or 2023.

27. Translation reserve

£m	2024	2023
At 1 January	0.2	0.4
Currency translation of subsidiaries	(0.1)	(0.2)
At 31 December	**0.1**	0.2

28. Own shares

£m	2024	2023
Balance at 1 January	8.7	7.5
Acquired in the year	0.7	4.8
Distributed on exercise of options	(1.5)	(3.6)
Balance at 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 in the market and held by the Group's EBT to satisfy options under the Group's share options plans. The number of shares held as at 31 December 2024 was 83,904 (31 December 2023: 721,036); and
- Purchased in the market and held by the Group as a result of the share buy-back programme that was launched on 18 January 2022 and ended on 30 June 2023. The number of shares held at 31 December 2024 was 4,775,119 (31 December 2023: 4,775,119).

4,775,119).

Own shares distributed relates to shares distributed to employees from the EBT for bonus awards under share schemes. As at 31 December 2024, the Group held 1.62% (31 December 2023: 1.84%) of its own called-up share capital.

29. Share awards

The Group recognised total expenses relating to share-based payment of £1.4m (2023: £1.6m) in the current year. Of this, £1.1m (2023: £1.3m) relates to equity-settled LTIP schemes and £0.3m (2023: £0.3m) relates to Employee ShareSave schemes. See further detail below.

The outstanding share schemes are made up of the following:

Grant date	**Condition type**	**Plan**	**Vesting date**	**Exercise price**	**Share options 31 December 2024**	Share options 31 December 2023
April 2021	Service and Performance	LTIP	April 2024	0p	-	1,070,668
November 2021	Service Only	LTIP	October 2024	0p	-	60,872
November 2021	Service Only	UK Employee ShareSave	January 2025	153.6p	168,146	172,832
November 2021	Service Only	US Employee ShareSave	January 2024	167.0p	-	40,323
April 2022	Service and Performance	LTIP	April 2025	0p	741,162	741,162
April 2022	Service Only	LTIP	April 2025	0p	231,290	237,965
April 2022	Service Only	US Employee ShareSave	June 2024	141.1p	-	27,727
May 2022	Service Only	UK Employee ShareSave	June 2025	132.8p	211,673	214,383
September 2022	Service Only	LTIP	September 2025	0p	5,917	5,917
April 2023	Service and Performance	LTIP	April 2026	0p	913,963	913,963
April 2023	Service Only	LTIP	April 2026	0p	374,948	383,814
April 2023	Service Only	UK Employee ShareSave	June 2026	109.6p	841,071	857,493
April 2023	Service Only	US Employee ShareSave	June 2025	116.5p	54,960	54,960
April 2024	Service and Performance	LTIP	April 2027	0p	720,024	-
April 2024	Service Only	LTIP	April 2027	0p	342,774	-
April 2024	Service Only	US Employee ShareSave	June 2026	146.0p	30,274	-
May 2024	Service Only	UK Employee ShareSave	June 2027	137.4p	194,657	-
September 2024	Service Only	LTIP	September 2027	0p	3,164	-

The weighted average share price at the date of exercise for share options exercised during the period was 177.4 pence (2023: 161.7 pence). The options outstanding at 31 December 2024 had a weighted average exercise price of 38.0 pence (2023: 34.7 pence), and a weighted average remaining contractual life of 1.5 years (2023: 1.5 years).

The opening weighted average exercise price at 1 January 2024 was 34.7 pence (1 January 2023: 27.1 pence). The weighted average exercise price of options forfeited and exercised during the year was 146.5 pence (31 December 2023: 161.2 pence). The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information.

The weighted average exercise price of options granted in the period is 24.1 pence (2023: 45.4 pence).

The total share-based payment charge relating to Alfa Financial Software Holdings PLC shares for the year is split as follows:

£m	**2024**	2023
Employee share schemes - value of services	1.1	1.5
Expense in relation to fair value of social security liability on employee share schemes	0.3	0.1
Total cost of employee share schemes	**1.4**	1.6

Details of the share options outstanding during the year are as follows:

	2024	2023
Outstanding at 1 January	4,782,079	5,473,851
Conditionally awarded in year	1,290,893	2,210,230
Exercised	(977,712)	(2,322,473)
Forfeited or expired in year	(261,237)	(579,529)
Outstanding at 31 December	**4,834,023**	4,782,079

Exercisable at the end of the year	-	-

29.1 LTIPs

The 2021 April and 2021 November LTIP awards vested during the year. The exercise of these awards had a net impact of £0.8m on own shares and £1.5m on retained earnings.

The 2022 April and 2023 April LTIP awards (service and performance conditions) are conditional on performance conditions, 50% based on EPS performance (non-market condition) and 50% on TSR (market condition) as well as a three-year employment fulfilment. The fair value of these awards has been determined using the Monte Carlo model. An estimate is made for the awards which are linked to EPS based on the expectation of achievement of EPS conditions at the end of each accounting period.

The 2022 April LTIP awards, the 2022 September LTIP awards and the 2023 April LTIP awards (service conditions) are conditional on employment only. The fair value of these awards is equal to the closing share price on the date of grant, discounted by the expected 12-month dividend yield to reflect the lack of dividend accrual over the vesting period. The expected price volatility is based on the historical volatility (based on the remaining life of the scheme), adjusted for any expected changes to future volatility due to publicly available information.

The 2024 April LTIP awards (service and performance conditions plan) are granted conditional on performance conditions, 50% based on EPS performance (non-market condition) and 50% on TSR (market condition) as well as a three-year employment fulfilment. For those awards with market-related vesting conditions, the fair value has been determined using the Monte Carlo valuation model at the grant date. For awards issued with EPS (non-market) performance vesting conditions, the fair value of the underlying option is equal to the grant date share price discounted by the expected dividend yield to reflect the lack of dividend accrual over the vesting period. An estimate is made for the awards which are linked to EPS based on the expectation of achievement of EPS conditions at the end of each accounting period. The following table lists the inputs to the model used for the awards granted in the year ended 31 December 2024 based on information at the date of grant:

LTIP awards (granted in April)	TSR element	EPS element
Share price at date of grant	171.2p	171.2p
Award price	0p	0p
Volatility	44.0%	-
Embedded TSR	12.5%	-
Average correlation	15.1%	-
Life of award	3 years	3 years
Risk-free rate	4.00%	-
Fair value per award	100.7p	151.6p

In April 2024, the Group awarded to certain employees an LTIP conditional on employment only. The fair value of these awards on the date of grant is 151.6 pence, discounted by the expected 12-month dividend yield to reflect the lack of dividend accrual over the vesting period (three years).

In September 2024, the Group awarded to certain employees an LTIP conditional on employment only. Given the small number of share options awarded in these awards, the fair value of these awards on the date of grant was assumed to be the same as that for the April 2024 awards mentioned above, i.e. 151.6 pence.

All of these Company schemes, as well as any non-cyclical awards, are equity-settled by award of ordinary shares.

29.2 Employee ShareSave Scheme

The Group has in place an Employee ShareSave Scheme - the Save As You Earn (SAYE) scheme in the UK and Employee Stock Purchase Plan (ESPP) scheme in the USA. Under these schemes, eligible employees can save up to a set limit each month. At the end of the savings period (three years for SAYE and two years for ESPP), employees can choose whether or not they wish to buy the shares at the option price or take back their savings as cash. The option price is the share price at the start of the plan with a 20% discount for the UK scheme and 15% discount for the US scheme. The fair value of these awards has been determined using the Black Scholes model at the grant date.

	31 December 2024			
	SAYE		ESPP	
	Number of share options	Exercise price	Number of share options	Exercise price
Outstanding at beginning of year	1,244,708	119.7p	123,010	138.6p
Conditionally awarded in year	194,657	137.4p	30,274	146.0p
Exercised during the year	-	-	(25,118)	141.1p
Forfeited or expired in year	(23,818)	120.9p	(42,932)	142.7p
Outstanding at the end of the year*	**1,415,547**	**122.1p**	**85,234**	**127.0p**
Exercisable at the end of the year	-	-	-	-

* The exercise price is a weighted average.

The inputs used in the calculation of the fair value of options granted in the year were as follows:

	SAYE 31 December 2024	ESPP 31 December 2024
Share price	171.2p	171.2p
Exercise price	137.4p	146.0p
Expected volatility	44.5%	42.6%
Expected life	36 months	24 months
Risk-free rate	4.13%	4.10%
Expected dividend yields	4.0%	4.0%
Fair value per award	57.3p	48.5p

Full value per award	[illegible]	[illegible]

30. Unrecognised items

30.1 Contingencies and commitments

The Group has no capital commitments, no material contingent liabilities and no contingent assets.

30.2 Events occurring after the reporting period

There have been no reportable subsequent events.

31. Dividends

A special dividend of 2.0 pence per share was paid on 30 May 2024 amounting to £5.9m (2023: £4.4m at 1.5 pence per share).

A ordinary dividend of 1.3 pence per share was paid on 27 June 2024 amounting to £3.8m (2023: £3.5m at 1.2 pence per share).

A special dividend of 4.2 pence per share was paid on 8 November 2024 amounting to £12.4m (2023: £11.8m at 4.0 pence per share).

Subject to approval at the AGM on 30 April 2025, a 2024 final dividend of 1.4 pence per share will be paid on 27 June 2025 to holders on the register on 30 May 2025. The ordinary shares will be quoted ex-dividend on 29 May 2025. In addition, the Board has decided to declare a special dividend of 2.4 pence per share, with an ex-dividend date of 1 May 2025, a record date of 2 May 2025 and a payment date of 30 May 2025.

32. Related parties

32.1 Controlling shareholder

The ultimate parent undertaking as at 31 December 2024 was CHP Software and Consulting Holdings Limited (the 'ultimate parent'), being the parent undertaking of the smallest and largest group in relation to these consolidated financial statements. At 31 December 2023 the immediate and ultimate parent undertaking was CHP Software and Consulting Limited. The change in the year was due to an internal reorganisation within the CHP group. The ultimate controlling party is Andrew Page.

32.2 Basis of consolidation

The principal subsidiaries and joint ventures of the Group and the Group percentage of equity capital are set out below. All these are consolidated within the Group's financial statements with the exception of Alfa iQ which is accounted for using the equity method.

	Registered address and country of incorporation	Principal activity	Held by Company 2024	Held by Group 2024	Held by Company 2023	Held by Group 2023
Alfa Financial Software Group Limited	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Holding company	100%	100%	100%	100%
Alfa Financial Software Limited	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Software and services	-	100%	-	100%
Alfa Financial Software Inc	124 E Hudson Ave, Royal Oak, MI 48067, United States	Software and services	-	100%	-	100%
Alfa Financial Software Australia Pty Limited	Lisgar House, Level 3, 32 Carrington Street, Sydney, NSW, 2000, Australia	Services	-	100%	-	100%
Alfa Financial Software NZ Limited	Level 1 Building B, 600 Great South Road, Greenlane, Auckland 1051, New Zealand	Services	-	100%	-	100%
Alfa Financial Software GmbH	Bockenheimer Landstraße. 20, 60323 Frankfurt am Main, Germany	Software and services	-	100%	-	100%
Alfa Financial Software International Limited	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Software and services	-	100%	-	100%
Alfa AI Limited	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Services	-	100%	-	100%
Alfa iQ Limited*	30 Finsbury Square, London, EC2A 1AG, UK	Software and services	-	51%	-	51%

* The activity in the Alfa iQ joint venture ceased in late 2023 and the company was placed into Members Voluntary Liquidation in 2024. The registered address prior to the liquidation was Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK.

32.3 Transactions with related parties

Full details of the Directors' compensation and interests are set out in the Directors' Remuneration Report. See note 8 for further detail on remuneration of key management (including Directors).

Dividends to the amount of £12.4m were paid to the ultimate parent (2023: £11.8m).

Dividends of 2.0 pence, 1.3 pence and 4.2 pence per share were paid to all shareholders in 2024 (2023: 1.5 pence, 1.2 pence and

4.0 pence per share). Directors and other key management received dividends based on their beneficial interest in the shares of the Company. Directors' beneficial interests in the shares of the Company are disclosed in the Remuneration Report.

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. In 2023, the activity in the Alfa IQ joint venture ceased and the company was placed into Members Voluntary Liquidation in 2024. Therefore, at 31 December 2024 the investment is carried at £nil (2023: £nil) and the loan is carried at £nil (2023: £nil).

In 2024 Alfa Financial Software Limited paid expenses of £0.1m on behalf of Alfa iQ Limited. In 2023, Alfa Financial Software Limited paid expenses of £0.1m on behalf of Alfa iQ Limited and these were fully recharged back to Alfa iQ Limited at no mark up.

In 2024, expenses relating to property of £0.02m (2023: £0.04m) were paid on behalf of the ultimate parent and these were fully recharged back to the ultimate parent at no mark up.

In 2023, two debentures were sold to the ultimate parent for £0.2m. The transaction was at arm's length. No such transaction took place in 2024.

The balances outstanding from the ultimate parent at 31 December 2024 and 2023 were £nil and £nil respectively.

There were no other outstanding balances from related parties at the end of the reporting period.

33. Offsetting assets and liabilities

Assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position where Alfa currently has a legally enforceable right to offset the recognised amounts, and there is an intention to realise the asset and settle the liability simultaneously.

The following table presents the recognised assets and liabilities that are offset as at 31 December 2024 and 31 December 2023 in the consolidated statement of financial position.

31 December 2024 **£m**	**Gross amounts**	**Amounts offset**	**Net amounts presented**
Accrued income	5.1	(0.4)	**4.7**
Contract liabilities - deferred licence	(8.5)	0.4	**(8.1)**

31 December 2023 £m	Gross amounts	Amounts offset	Net amounts presented
Accrued income	5.5	(0.9)	4.6
Contract liabilities - deferred licence	(8.9)	0.9	(8.0)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The responsibility statement below has been prepared in connection with the annual report and financial statements for the year ended 31 December 2024. Certain parts thereof are not included within this Preliminary Announcement. The Directors confirm that to the best of their knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and

- the strategic report, contained within the annual report and financial statements for the year ended 31 December 2024, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Alfa Financial Software Holdings PLC websites. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

This responsibility statement was approved by the Board of Directors and is signed on its behalf by:

Andrew Denton

Chief Executive Officer

12 March 2025

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