

# Alfa<sup>^</sup>

**Alfa Financial Software Holdings PLC**  
Annual Report and Accounts 2022



**Leading software  
Smart people  
Unrivalled delivery  
Exceptional IP**



## About Alfa

**Alfa is a leading provider of software and services to the global auto and equipment finance industries. We deliver our leading-edge technology with smart, diverse people, making our customers future-ready.**

### Awards

- Highest rated listed company and highest rated software company in Newsweek's Most Loved Workplaces UK, 2022
- Top 20 Investors in People – gold accreditation
- Monitor Most Innovative Culture
- Living Wage Employer

### ESG memberships

- CDP
- ISS ESG

### Contents

#### Strategic report

- 1 Highlights
- 2 Leading software
- 4 Smart People
- 6 Unrivalled delivery
- 8 Exceptional IP
- 10 At a glance
- 12 Chief Executive's review
- 16 Market overview
- 18 Business model
- 20 Investment case
- 22 Our strategy
- 32 Key performance indicators
- 34 Financial review
- 38 Risk management
- 41 Principal risks and uncertainties
- 46 Viability statement
- 48 Section 172 statement
- 54 Environmental, Social & Governance

#### Corporate governance

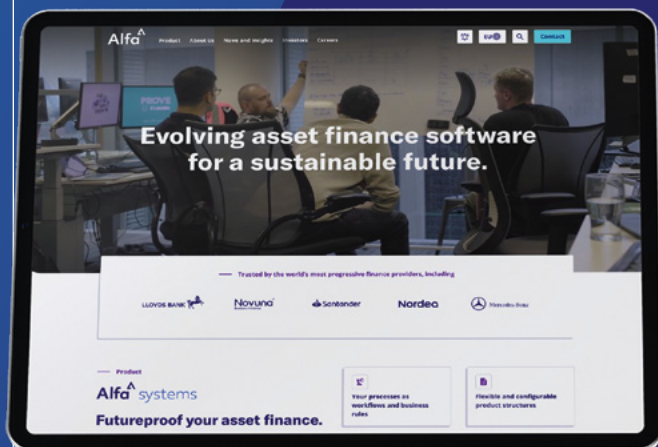
- 71 Chairman's introduction to governance
- 74 Board of Directors
- 76 Company Leadership Team
- 79 Division of responsibilities
- 81 Board leadership & Company purpose
- 84 Composition, succession & evaluation
- 87 Nomination Committee Report
- 90 Audit & Risk Committee Report
- 97 Directors' Remuneration Report
- 100 Directors' Remuneration Policy
- 108 Annual Report on Remuneration
- 121 Directors' report
- 125 Statement of Directors' responsibilities

#### Financial statements

- 127 Independent auditor's report
- 135 Consolidated statement of profit or loss and comprehensive income
- 136 Consolidated statement of financial position
- 137 Consolidated statement of changes in equity
- 138 Consolidated statement of cash flows
- 139 Notes to the consolidated financial statements
- 175 Company statement of financial position
- 176 Company statement of changes in equity
- 177 Notes to the Company financial statements

#### Other information

- 182 Glossary of terms
- 183 Shareholder information



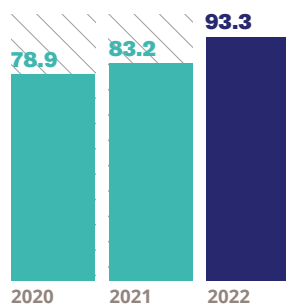
Keep up-to-date with our news at [alfasystems.com](https://alfasystems.com)

## Highlights of the year

### Financial highlights

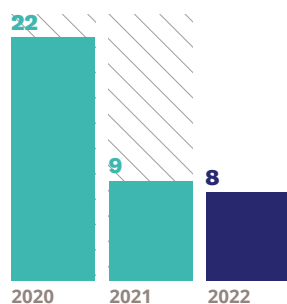
Group revenue (£m)

**£93.3m**



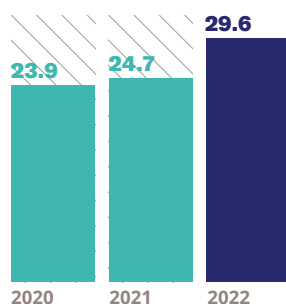
Revenue growth at constant currency (%)

**8%**



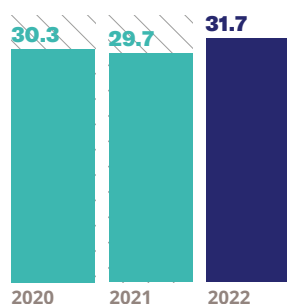
Operating profit (£m)

**£29.6m**



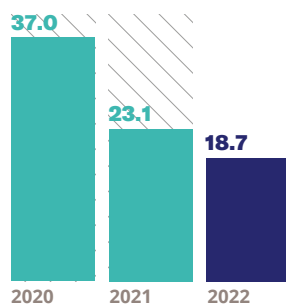
Operating profit margin (%)

**32%**



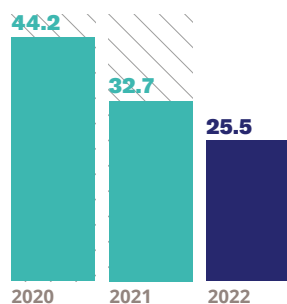
Cash (£m)

**£18.7m**



Dividends paid (£m)

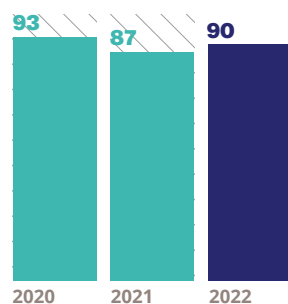
**£25.5m**



### Non-financial highlights

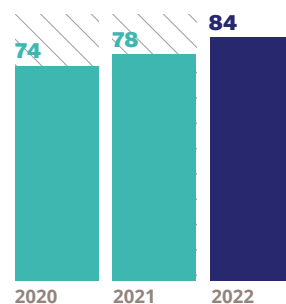
Employee retention (%)

**90%**



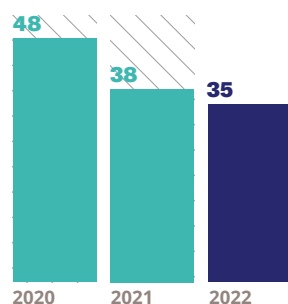
Employee engagement (%)

**84%**



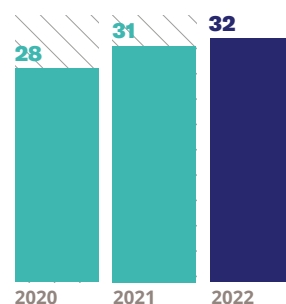
Customer concentration (top 5) (%)

**35%**



Number of subscription customers

**32**



Leading software

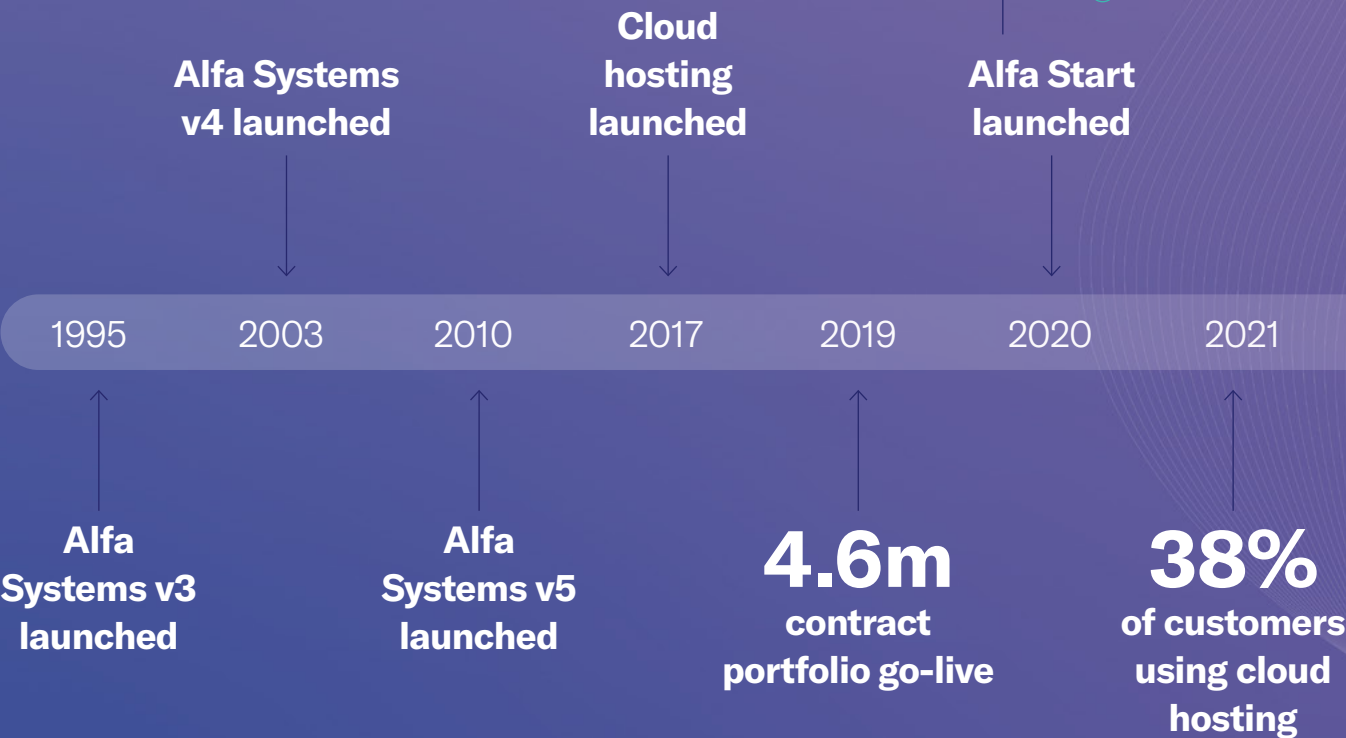
Key to the success of Alfa today is the launch, in 2010, of Alfa Systems v5. This was built with the future in mind: 100% web-based and 100% Java – making it fully digitally enabled and cloud native. It is constantly evolving to meet the needs of today’s customers.

With an excellent delivery history over three decades in the industry, Alfa’s track record is unrivalled. The release of Alfa Systems v5.7 is another step forward in our dedication to continuous improvement through the pursuit of innovation.

Alfa<sup>^</sup>start

Alfa Start enables us to deliver a subscription-based service rapidly for smaller or less complex implementations

[Read more on p31](#)







## Successful integrations deliver consistent service and speed for United Trust Bank

“By selecting Alfa Systems and using the Alfa Start methodology alongside other modern platforms, we’re increasing our capability, setting up future growth, and enabling our highly skilled people to focus on the tasks which really add value for brokers and customers when dealing with UTB”

—— Nathan Mollett, Head of Asset Finance, United Trust Bank



## Enhancing the asset finance journey for Lloyds Bank partners

“Our partnership with Alfa is a significant step forward in improving our customer experience, including digital capability, to support our product development plans and help us grow our asset finance business.”

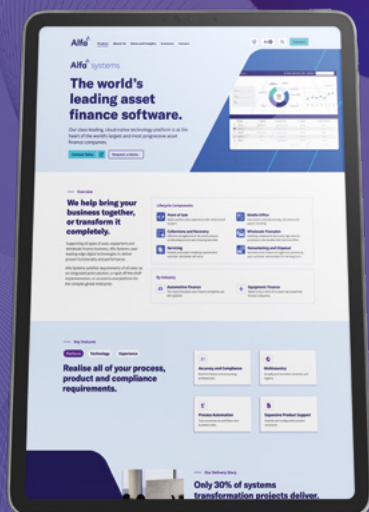
—— Chris Loring, Managing Director of Lending & Asset Finance at Lloyds Bank

➔ Read more at [alfasystems.com/news/LB](https://alfasystems.com/news/LB)

➔ Read more about Alfa systems at [alfasystems.com/product](https://alfasystems.com/product)

2022

Alfa<sup>^</sup>  
systems  
5.7



## Smart people

Investing in our people is central to our ethos at Alfa, and we're incredibly proud of the work we're doing to make work life as inclusive, diverse, flexible and enjoyable as we can for our colleagues around the world. This allows everyone to bring their best selves to their work, pushing themselves and others to continuously innovate.

**Irfan Raza**  
Solution Architect



"Having worked at a competitor and returned to Alfa, I get a lot of job satisfaction knowing that I am working on the market-leading product in the sector. I really appreciate the Company culture – we're one big community, with many talented individuals, all striving towards the common goals of designing, innovating, and implementing our solution to help our clients and their end customers."

➔ Read more about Alfa's approach to workplace engagement at [alfasystems.com/careers](https://alfasystems.com/careers)



**Rosie Carroll**  
Software Engineer

**Musawar Shahid**  
Software Engineer

**Connor Neal**  
Implementation Consultant



“Alfa hired me for my potential as well as my previous experience in different fields. This has allowed me to undergo training to become a professional software developer. All while being supported and paid throughout. Three years in, I’ve now been given an enormous opportunity to move to Australia and I’m thoroughly enjoying my secondment so far!”



“I was particularly drawn to Alfa as a company because of the fluidity they offered between their roles, and after spending about a year in Implementation, I moved over to Product Engineering as a Software Engineer.”



“When looking for an employer, collaboration and a strong sense of company culture were high on my list. On joining Alfa, these two points were evident in the training alone. As I met more and more co-workers, a strong sense of cohesion was very noticeable.”

## Unrivalled delivery

**With an excellent project delivery history over three decades, Alfa and Alfa Systems support some of the largest and most complex equipment and automotive finance portfolios in the industry.**







**“Alfa Systems is so easy to configure that we don’t need to be technical experts in it; we have the partnership with Alfa, and this enables us to be experts in our own products and our own market.”**

—— Robin Jeffrey, Head of Transformation,  
Hampshire Trust Bank



**“Throughout our engagement we have been impressed by the quality of the Alfa people and their ability to understand our business and processes. The implemented solution will significantly improve the operations of our business and the products we can offer our customers.”**

—— Geoff Maleham, Managing Director, Novuna  
Business Finance

Delivering proven functionality and performance each and every time, Alfa’s track record is unrivalled.

With more than 30 blue-chip customers, we maintain exceptional customer satisfaction and have never failed to deliver on project objectives. As demonstrated by our diverse client base, Alfa Systems handles contract volumes of all sizes, from typical operations to the largest portfolios in equipment and auto finance.

[!\[\]\(17413706fd4997a1a4bdf85c6864eee1\_img.jpg\) Read more on p26](#)

**30+**  
**blue-chip**  
**customers**

Exceptional IP

The Alfa Systems IP has been built up over 30 years of working and specialising in the auto and equipment finance industry. It is the core of our business and the heart and lungs of our customers’ operations.

Alfa Systems is designed to not only be on the leading edge of enterprise software, but also be an evolvable technology platform that can continue to iterate, building on the rich functional base that comes with decades of experience. We build solutions to be reusable across customers, allowing each implementation to add to our single, global product’s IP.

➔ Read more on p25

Alfa’s dedicated UI/UX Design team have accessibility as part of their core remit. This team carried out an accessibility audit of our Alfa Systems software, part of a major internal investment initiative which fundamentally improved the overall UI and UX of Alfa Systems. A strand of this work (codenamed Mercury) was informed by the Web Content Accessibility Guidelines (WCAG) and has gone live at many of our clients, with hugely positive feedback from users.

**3**  
additional licensable  
modules







### Continued investment in our leading-edge software to make our customers future-ready

Alfa continues to invest time and resources in developing the Alfa Systems product. The total investment in the product covers development specifically requested by and charged to customers, investment done to develop the product for future upgrades and modules and also research and development into future opportunities. Some of these costs are charged to customers, some are capitalised, and the vast majority are expensed through the profit and loss account. Taking into account the total number of days spent by our engineering teams on developing the product and the salary cost of those teams, and including an overhead allocation to account for a proportion of office and other costs, the total resource committed in 2022 was £29.1m (2021: £26.5m).

**£29m**  
investment

### Focus on investment

2022 saw an increased focus on investment in functional improvements to Alfa Systems, delivering more strategic roadmap items to continue to strengthen our market-leading product.

[Read more on p25](#)



## At a glance

**Alfa systems is at the heart of some of the world's largest and most innovative asset finance companies. Supporting all types of auto, equipment and wholesale finance business, our software platform uses leading-edge digital technologies to deliver proven functionality and performance.**

### Our purpose and identity

To deliver our leading-edge technology with smart, diverse people, making our customers future-ready. We are a software and delivery company.

### Our vision

To grow the Company size naturally, but grow our impact rapidly. Key to this is delivering more concurrent Alfa implementations, more efficiently with a world-class product. We will have a big company impact, but a small company feel.

### Our values

Our values are central to the way we work, both together and with our clients.





## What we do

### Subscriptions

29%  
£27.4m

Customers can now take a subscription service, which for a monthly fee incorporates the licence, maintenance and hosting services.

**13**

hosted clients

**28%**

growth in hosting

### Software

17%  
£16.3m

The strength of our software lies not only in the years of knowledge and experience that has been poured into it, but that it was designed for the digital environment.

**13**

new versions released

**28**

deliveries

### Services

54%  
£49.6m

The quality of our people, the knowledge sharing embedded in the organisation and the inherent IP within our software, means that our delivery record is second to none.

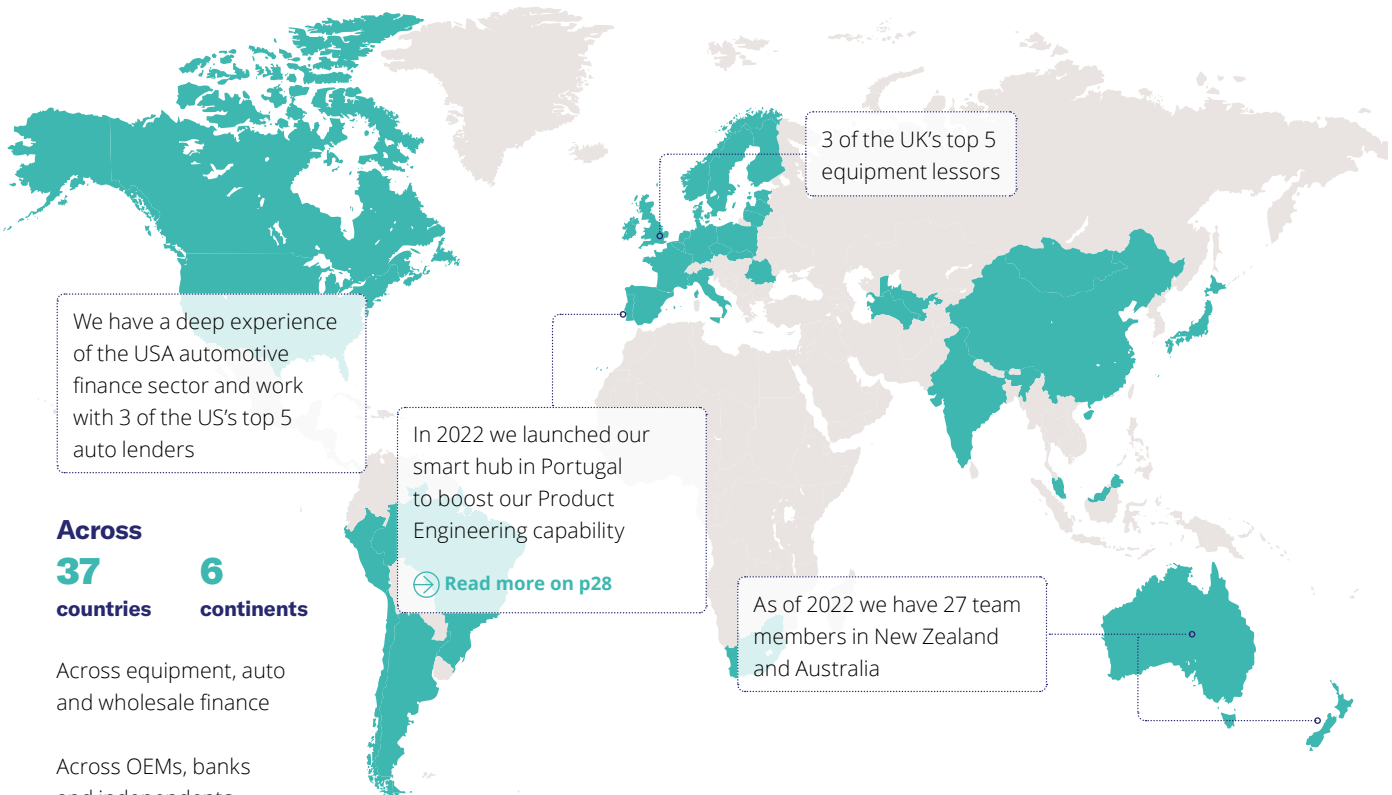
**32**

customers

**6**

new implementations of Alfa.v5

## Diversified customer base at the heart of Alfa resilience



**“The inherent robustness of our target market and our strong, cash generative financial performance along with Alfa’s inbuilt operational resilience and strong pipeline underpin our confidence in the outlook for the business. This allows us to announce another special dividend whilst maintaining a strong balance sheet.”**

——— Andrew Denton, CEO

### Strong performance

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

We saw strong financial performance, with revenue up 12% to £93.3m (2021: £83.2m) with growth across all of our revenue streams. On a constant currency basis revenue was up 8%. Operating profit growth was stronger, up 20% to £29.6m (2021: £24.7m) with net costs up 9%. Cash conversion was robust at 102%, and we finished the year with net cash of £18.7m, after paying dividends of £22.5m and spending £5.6m on purchase of own shares.

Total Contract Value (TCV) grew 7% in the year to £143m (2021: £133m) and we have a strong pipeline giving us confidence in future growth.

We have continued to make good progress in diversifying our customer base and increasing our recurring revenues. Our top five customers contributed 35% of our revenues in 2022, compared with 37% in 2021, 48% in 2020 and 61% in 2019. We had 17 customers contributing revenues of more than £2m in the period, up from 14 in 2021, 10 in 2020 and seven in 2019. 75% of our revenues is recurring in nature.

Recruitment picked up towards the end of the first half and into the second half, after a slower than planned hiring start to the year in a tight labour market. At 31 December 2022 we had a headcount of 441 (2021: 382) up 15%. Average headcount in the period of 420 (2021: 383) was a 10% increase on last year. Our strong pipeline and high level of recurring services revenue has enabled us to remain chargeable through the year. Our team retention remained high at 90% (2021: 87%) for the year. Also pleasing was our employee engagement, which is now at 84%, a record level.





**“Our vision is to grow our company size naturally, but grow our impact rapidly – always retaining our underlying culture. Key to this is delivering more concurrent implementations of our world-class Alfa Systems product more efficiently. We will have a big company impact, but a small company feel.”**

## Strategic progress

Alfa is a leading asset and automotive finance software company with global scale. Our platform, Alfa Systems, is class-leading asset and automotive finance software, supporting some of the world's largest and most innovative companies some of whom have been with us for over 30 years, migrating in recent years onto our modern v5 version of the software.

We provide market-leading software to a huge and diverse end market. Our opportunity to grow market share is enormous.

Our vision is to grow our company size naturally, but grow our impact rapidly – always retaining our underlying culture. Key to this is delivering more concurrent implementations of our world-class Alfa Systems more efficiently. We will have a big company impact, but a small company feel.

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

## Strong growth in Subscription

Subscription revenues are recurring in nature and arise from subscriptions for our software, cloud hosting and maintenance services.

Subscription revenues continued to grow strongly in the period, up 17% and now contributing 29% of our revenues.

We have a Cloud Hosting first, subscription-led approach to sales. Cloud Hosting gives us benefits in the speed of implementation for our customers as well as the reliability and flexibility of the service. Our hosting service also provides built-in tools, including automated monitoring, patching and scheduling. We anticipate that the majority of new customers will choose a hosted service with licence and maintenance added into their subscription. We have thirteen customers using Alfa Cloud Hosting.

At Alfa we pride ourselves on the security and rigour of our development, deployment and management processes, particularly in our Alfa Cloud Hosting service. Our customers are able to rely on our ISO 27001, ISO 27018 and SSAE18 SOC 2 Type II certifications and reports to maintain their confidence in our offerings. In 2022, we added SSAE18 SOC 1 to our audit schedule, and can now offer a SOC 1 Type I report to our hosting customers. This provides customers and their financial auditors with an even greater level of confidence in our services as well as easing their own audit burden. During the year we have continued to build skills and capacity in our Information Security team to ensure that we continue to maintain the highest standards of security.

## Developing our industry-leading Software

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

Our strategy is to continue to develop our software, to ensure that we meet and exceed customer and market needs as they evolve and as the regulatory and commercial environment continues to change. We believe we have the industry-leading software, due to the functionality, capability and usability that has been developed over many years along with the modern technology it is based on. We continue to invest to maintain that lead.

In the year we achieved a record number of deliveries, with twenty-eight upgrades or new customer go-lives.

We release an upgrade every four weeks and periodically we release a major new version of Alfa Systems with step change functional and technical advancement. In Q3 2022 we released version 5.7. This included an updated user interface with improvements to our already best-in-class user experience and enhanced credit decisioning capability. Version 5.7 also improved Alfa's ability to manage configuration for multiple jurisdictions

## CEO review continued

and white-label relationships in a single instance, consolidating our leading position in multi-country, multi-channel implementations. In addition, this release had added functionality for allocating revenues across individual assets, which is particularly important for equipment lessors, and also for billing arrangements unrelated to assets which adds to Alfa's already extensive support for financial product innovation.

We have strengthened our Markets and Products team, which uses in-house expertise as well as feedback from customers and the wider market to plan our roadmap for further investment in our software.

In 2022 we announced a partnership with Tomorrow's Journey to create the only full, end-to-end enterprise-level solution for subscription and usage-based mobility. This is the first of what we anticipate will be many ecosystem partnerships for Alfa Systems.

Overall software revenue was up 20% on last year. Development days, including those upgrading from older versions of Alfa Systems to v5, were strongly up on last year. We are particularly happy when an existing Alfa customer upgrades an older version of Alfa to Alfa Systems v5. This shows the strength of the customer belief in Alfa.

### High quality Services and growing partnerships

Services revenues arise mainly from a regular stream of non-development work we do for existing customers and also work on implementations for new customers.

Overall Services revenues were up 8% on the prior period. We have continued to deliver a very high level of work to both new and existing customers. Of the Services revenues, 68% were with existing customers adding to ongoing recurring revenues.

We had two customers successfully go live in the year, both of which were minimum viable product go-lives leveraging Alfa Start as an accelerator. We also started work on a first implementation in Mexico for an existing customer.

As we continue to execute our strategy and move towards a higher level of operational gearing and efficiency in our business, a greater proportion of our time was spent on software development which has contributed to increasing Software revenues.

Increasing our access to skilled delivery partners is a key element of our strategy for increasing the number of implementations we can deliver. In the period we have continued to make strong progress with a 58% increase in partner chargeable days over the same period last year. In Europe we added ITDS, as an augmentation partner to our already successful partner programme. We also made good progress in the year with US partnering, alongside continuing to expand our existing European partner programme. We are supporting one of our European partners in setting up in the US and we have signed a partnering agreement with a new US partner. Work commenced with them at the end of 2022.

### Alfa iQ – building products

We continue to work through a variety of use cases with new and existing clients where advanced machine learning techniques can provide value and positively impact our customers' financial performance. With our first paying customers announced in Q1 2022, we have now built the foundation of our credit scoring solutions with tooling for decisioning, training, analytics and explainability ready for deployment.

### Strong engagement with our people

We continue to focus on recruiting and retaining the best people in our industries, and so we were delighted to be awarded Investors in People Gold status. We were

also ranked the highest rated listed company and highest rated software company in Newsweek's UK Most Loved Workplaces. This reflected our own internal surveys where we achieved a record score for our own employee engagement.

Our team charters, developed collaboratively by individual teams, have been successfully implemented and new smart working patterns have been established. These have evolved as the year has progressed with an increase in in-person meetings across the business which has greatly helped to strengthen our connections, particularly with those who have been recruited since the lockdown. We see the benefits of hybrid working, balancing in-person collaboration with more flexible working patterns for our teams continuing into the future and this has enabled us to assign the lease on one floor of our London office to reduce our ongoing costs.

We have made good progress with our smart hub in Portugal. We expect to be able to extend this model to other locations in the future to give us access to talent pools outside our principal engineering centre in London which will help limit the increasing cost of acquiring development skills.

### Capital return – £100m of dividends since IPO

We remain a strongly cash generative business and continue to generate more cash than we need for our growth plans. We employ three mechanisms for returning this excess cash to shareholders. Firstly, we have a regular dividend, which we intend to grow progressively as our profits grow, in line with our stated dividend policy. We paid the 2021 final dividend of 1.1p or £3.3m in the first half. Secondly, we have a share buyback programme that we launched in January 2022. We bought 2.8m shares at an aggregate cost of £4.7m in the period. Finally, we return any excess cash after funding the regular dividend and the share buyback programme through special dividends.



In 2022 we paid total dividends of 7.6p per share or £22.5m. Even after these dividends and the share buyback programme, we finished the period with a strong balance sheet with net cash of £18.7m and we expect further strong cash generation in 2023. As a consequence, the Board is proposing a final dividend of 1.2 pence per share, 9% up on last year (2021: 1.1 pence), with an ex-dividend date of 25 May 2023, a record date of 26 May 2023 and a payment date of 26 June 2023. In addition, the Board has decided to declare a special dividend of 1.5 pence per share, with an ex-dividend date of 13 April 2023, a record date of 14 April 2023 and a payment date of 9 May 2023. Together these dividends would amount to a total payment of c£8.0m, which in aggregate will take total dividends as a public company to c£108m.

### Steady market conditions

The macroeconomic outlook is uncertain at the moment. Alfa Systems software is now operational in 37 countries; across automotive finance, equipment finance, wholesale finance and commercial lending markets; for OEMs, banks and independents and across all asset classes. The breadth and diversity of Alfa's business interests help to insulate us from uncertainty in individual geographies and sectors of our target markets.

Along with Alfa's operating diversity providing insulation against the current economic uncertainty, the market itself provides protection. The asset and automotive 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. In addition, the need for software is not associated with new business alone; large players in our market will have significant extant portfolios to manage whether they are writing new business or not and these portfolios will be subject to the same drivers of technical change as growing businesses. Regulatory change, digitalisation and the growing need for flexibility continue to drive customers to review their systems, particularly those still running on legacy platforms, and they will continue to select flexible modern systems.

The asset and automotive finance software market remains robust and demand for technology modernisation continues. With our functional, flexible, modern, cloud-native system, we are extremely well positioned to capitalise on that demand.

### Strong pipeline

With market drivers and the competitive landscape pushing customers to review their systems, we remain confident in our ability to demonstrate the strength, flexibility and modernity of our own software as well as the quality of our people. We have a strong late stage pipeline and we remain confident in our ability to convert most of these into wins. We also continue to see activity coming into the early stage pipeline which gives us the confidence that our target markets remain robust at this time. These prospects are additive to our TCV and will provide additional support for our revenues in 2023 and 2024.

### Outlook

We have delivered an excellent financial and operational performance in 2022. This performance alongside the strategic progress we have made, the confidence we have in the quality of our people, the strength of the intellectual property in our software and our late-stage pipeline give us great confidence in Alfa's prospects for 2023 and beyond.

### Andrew Denton

Chief Executive Officer

1 March 2023



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

## Market overview

**Through our Markets and Products team, Alfa is at the forefront of prominent trends and is well positioned to respond to customer needs in the current economic environment. This informs investment in our product, enabling us to retain our market-leading position by giving our customers the tools they need to succeed.**



### Global trends

The global post-pandemic recovery has lost momentum, with many countries battling inflation, disruptions to supply chains, and higher oil and gas prices following the Russian war on Ukraine. As a result, our clients face rising interest rates and concerns over reductions in origination volume and increased payment default risk. But these trends have not significantly affected their revenue or profit, with historically high prices of used vehicles holding up RVs, and smart use of technology enabling better credit decisioning.

In addition, a number of prominent trends are shaping the future of the automotive industry. Post-pandemic sentiment, uncertainty over innovation and regulation, increasing ownership costs, and a rise in demand for flexibility are boosting flexible ownership models and the rise of multi-modal business models.

### What this means for Alfa today

The asset finance industry has proven resilient to uncertainty in its economic environment. During these periods, companies need to invest in software for their asset finance operations to capitalise on their competitive edge and promote efficiencies.

Alfa's product investment process is focused on meeting the demands of an ever-changing sector. Reacting to current trends, Alfa has invested in expanding functionality to enhance credit decisioning and collections — and in making configurable workflows faster and more efficient, ever important as providers look to cut spending. In a new venture, Alfa has partnered with Tomorrow's Journey, a provider of subscription-based software, to demonstrate an integrated end-to-end solution to clients for short-term leasing subscription requirements.

### What this means for Alfa tomorrow

Alfa will continue to invest in expanding functionality to meet and anticipate clients' needs, to remain a leading asset finance software provider. We are monitoring market developments around 'Asset as a service', multi-modal business models, and enhanced credit decisioning and data collection to improve our product and ensure that our clients can keep ahead of market trends.



### USA

The US is expected to be impacted by the global economic downturn. That may lead to consolidation of asset finance market players, with the market projecting weaker demand and tighter lending standards to manage increased default risks.

Ultimately, despite the expected worsening economic environment, the US is the largest asset finance market that tends to remain resilient, with players investing in automation, and making operations and workflows more efficient. This is already apparent in the equipment industry, which has shown investment growth in some asset classes, particularly in the mining and oil industries. Similarly, although lacking the level of emission reductions and green vehicle adoption deadlines seen in Europe, major American captives are scaling up their EV production and offerings.

### What this means for Alfa today

Alfa continuously invests in its product to meet ever-changing client needs and economic cycles. Recent investment in collections and credit offering enhances Alfa functionality supporting clients' focus on risk management of their portfolios in time of economic downturn.

The ability for clients to report in real time on their portfolio allows them to track industry trends as well as portfolio and process performance, helping our clients to identify areas of concern and opportunity, such as the ability to introduce new products or streamline key processes ahead of a forecasted spike in volume.

### What this means for Alfa tomorrow

As one of the largest asset finance markets in the world, Alfa has previously invested and will continue to invest in the US, supporting various client needs. A key ongoing investment is to enable 'always on' functionality, allowing more efficient cross-US operations. In addition, Alfa's continued focus on automation, configurability, and connectivity means our customers are better prepared to face uncertain economic environments, by making their operations more efficient.





## Europe

Despite the current economic environment in Europe, Fitch Ratings reported that the 20 largest European banks, including many of the Eurozone's top asset finance providers, are in a strong position to manage an anticipated downturn in their respective national economies. The EU and major European countries are leading the world on updating regulatory ESG requirements. This is creating a dynamic market within asset finance – with a strong focus on minimising the environmental impact of an asset's whole end-to-end lifecycle. The circular economy is viewed as a necessary precondition to ensure regulations can be met now and in the future. This creates an opportunity for business change and hence technological change.

### What this means for Alfa today

Alfa's flexibility continues to ensure that clients in Europe are able to configure their system to meet their changing business needs. Enhancements to asset-level functionality being rolled out in 2022 enable clients to extend their usage of Alfa to better meet the needs of assets through a circular lifecycle.

The UK Alfa Start product has allowed us to roll out 'zero enhancement' projects, gaining subscription revenue through lower implementation costs in an increasingly buyer-led market.

### What this means for Alfa tomorrow

Alfa is working in partnership with our clients to enable product development that allows our users to stay up to date with market and regulatory developments. We expect to further invest in ESG-related functionality, as regulatory requirements evolve over the time, supporting our clients to manage the transition to new reporting standards. Alfa continues to invest in and innovate its delivery methodology, building on a proven track record of delivery.



## Australia & New Zealand

Australia is an attractive asset finance market supporting strong mining, agricultural and auto sectors. The SME sector has performed well in 2022, increasing demand for finance. As with other markets, the Australian economy is feeling the global pressure of rising inflation and higher interest rates. However, corporate activity is creating opportunities as new, smaller players start to disrupt the market. Large financial institutions have been selling existing portfolios to improve their capital ratios and ESG targets, while smaller finance companies have grown rapidly by forming joint venture partnerships and providing white labelling to manufacturers, and acquiring existing portfolios with investment from equity partners. Recent large-scale data breaches in the Australian telecommunications and health insurance industries have brought additional scrutiny of data security with regulatory changes likely in future.

### What this means for Alfa today

Alfa has a strong presence in Australia and New Zealand due to its relationships with some of the region's largest banks and captives. Alfa will continue working in partnership with our clients to add new channels and services to grow their businesses, including continued development of electronic point-of-sale features for multiple clients. Alfa continues to implement enhancements to further enrich the product for the Australian market.

### What this means for Alfa tomorrow

Alfa will work on developing new relationships in the region, leveraging our knowledge of local requirements, regulations, and service provider integrations. Our modern technology stack, which includes robust and advanced security controls, places Alfa in an excellent position should regulatory change drive finance companies to replace systems. We expect that ESG regulatory requirements will increase, and anticipate investment in this area to support our existing clients and provide a compelling offering to the market in this space. The local Alfa Support centre, based in Sydney, also provides an advantage for customers and prospects demanding local support.



## Technology trends

The trend for data-driven, innovative solutions continues as companies look for ways to thrive in a tough environment. Advanced analysis tools, incorporating artificial intelligence or machine learning, are being increasingly utilised. The use cases are as diverse as automatic customer verification to discovering creditworthy customer segments. The need for greater understanding of the customer is driving Alfa's clients to develop integrated omni-channel solutions for both origination and the full contract lifecycle. This allows them to better personalise user experience, creating more customised offers. The internal pressure for efficiency and access to innovative enhancements, focused on performance and security, is continuing to push customers into cloud-based platforms. This benefits customers with faster upgrades and outsourced maintenance, allowing them to concentrate on developing their core offering.

### What this means for Alfa today

In 2022, Alfa developed a rules-based credit engine that enables customers to make better decisions, utilising internal or external APIs to allow processing of results from AI-based tools, complex credit score cards, CRAs or in fact, Alfa's own AI-based credit decisioning model, developed with Alfa IQ. Alfa is constantly updating its suite of external web services and APIs that clients can use to develop their own customised digital services. These enable customers to offer their users a full end-to-end journey, with everything processed behind the scenes by Alfa. Alfa's cloud hosting and Docker containers enable us to deliver more efficiently, so that our customers can focus on their business strategy rather than infrastructure.

### What this means for Alfa tomorrow

Alfa is at its heart a technology company. Its employees are encouraged to explore new technologies and develop new product ideas or partnerships. Innovation events allow every employee to come together to design and deliver an idea for the product, and they are supported through this process by an experienced technical team. Externally, Alfa uses market events and consultants to ensure a full understanding of the technology landscape. This allows Alfa to monitor and invest in new technologies and innovative solutions through partnerships or investment initiatives. Iterative development of product solutions allows our customers to keep pace with market trends.

## Business model

### Our resources



#### Partnerships

Partnerships are an important growth accelerator, bringing a number of benefits to Alfa and our customers.



#### Employees

With over 400 employees worldwide, our people are our greatest asset developing organically from graduate to seniors.



#### Financial strength

Strong balance sheet with organic growth, consistent margin improvement and disciplined capital allocation drives positive cash flows.



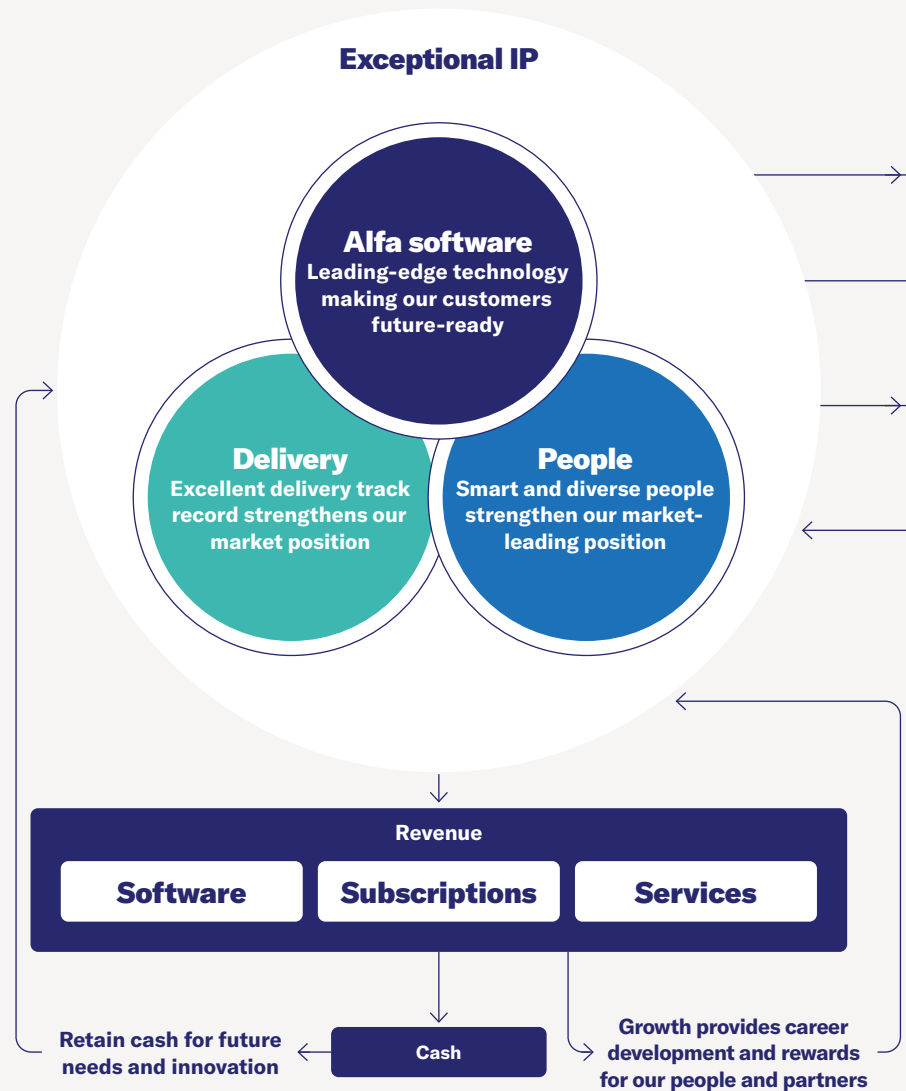
#### Innovation

Our innovative software leads the industry in functional scope, performance and user experience.

➔ [Read more about our market overview on p16-17](#)

➔ [Read more about our culture and values on p54-69](#)

### Value creation and delivery



### Our differentiators

#### Delivery track record

Our best practice methodologies and specialised knowledge of auto and equipment finance enable us to deliver large system implementations and highly complex business change projects.

#### Unify systems

Alfa Systems helps customers reduce complexity by consolidating disparate legacy systems, integrations and workarounds. Alfa Systems removes these inefficiencies by using a single platform with a single database.

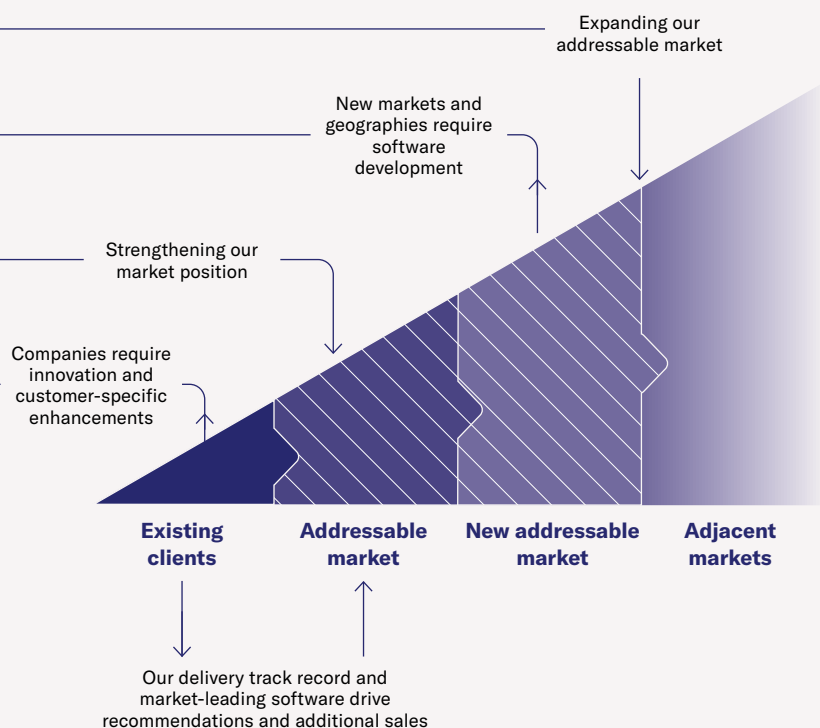
#### Innovate and challenge in multiple markets

Multi-entity, multi-regulatory, multi-currency and multilingual. We react quickly in a complex and changing market and adapt to match business requirements and customer needs as they evolve.



## Our growth

Our exceptional IP drives our growth



### Create an omnichannel experience

We empower customers, dealers and vendors through enhanced self-service and omnichannel technology.

### Perform through leading-edge tech

Alfa Systems is designed ground-up with the latest technology to allow easy integration into other systems and to work in a web environment with scalable performance, proven for a 10 million contract portfolio.

### Achieve operational agility

Streamline operations through process automation, across different functions and geographies. Achieve greater control, connected processes and a seamless flow of information.

## Value creation

### Employees

Alfa has Investors in People gold accreditation and other awards.

### Contribution to SDGs



### Shareholders

Strong cash generation and £100m of dividends since November 2020.

### Contribution to SDGs



### Suppliers and partners

We have grown our partner ecosystem, agreeing engagement terms with a notable global professional services organisation for the combined marketing and delivery of the Alfa Systems platform.

### Contribution to SDGs



### Clients

Simple deployment models enable us to deliver Alfa Systems more efficiently and earlier.

### Contribution to SDGs



### Communities and environment

In 2022, we raised over £40,000 for our regional charities.

### Contribution to SDGs



[Read more in the ESG section on p55](#)

Investment case

**Alfa Systems is a leading auto and equipment finance software platform.**

**Purpose-built for auto and equipment enterprises globally, developed to meet the current and future needs of the industry.**



## A robust balance sheet

**£19m**

of cash (2021: £23m) and no bank debt (2021: £nil)

## An impressive cash conversion rate

**102%**

2021: 114%

# A compelling investment opportunity



### Massive market

The software market serving the asset finance industry is massive (\$3.4bn\*) and relatively resilient. Global leasing potential addressable market is over \$1.3tn.



### Push and pull market drivers

Market demands are driving the need for modern specialist software. Push factors include regulatory and cyber security concerns. Pull factors include digital, mobility and cost reduction opportunities.



### Barriers to entry

Market complexity and changing regulation creates a significant barrier to entry to new software providers.



### Market-leading software

Alfa is recognised as leading software in the automotive and asset finance industry, with the best delivery record and people, but with only around 3% of the target market spend.

\* Source: A Deloitte view of the asset finance software industry, published in 2022.

Our strategy

Everything we do supports our growth and strategy. Additionally, our growth is powered by accelerators – Technology (read more on p25), Subscription (read more on p27), Partnerships (read more on p30) and Alfa Start (read more on p31). Each accelerator is embedded in the relevant “S” of our strategic framework.



Strengthen

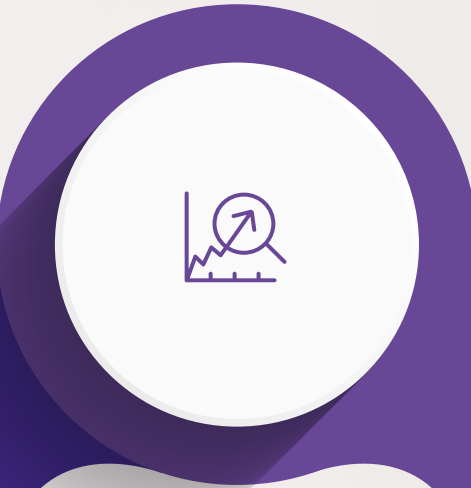
Grow our differentiation of market-leading People, Product and Delivery.

[➞ Read more on p24-26](#)

Sell

Focus on cloud-hosted, subscription sales to our target markets.

[➞ Read more on p27](#)



Scale

Increase our capacity for developing and delivering Alfa Systems.

[➞ Read more on p28](#)



## Simplify

Simplifying our product, implementations and processes to enable more concurrent Alfa Systems implementations.

[➞ Read more on p29](#)

## Start

Improve our offering for smaller asset finance providers and provide a platform for innovation for all customers, to increase our reach.

[➞ Read more on p31](#)



**Alfa<sup>^</sup>start**

## Synergise

Develop our partner ecosystem, to improve our sales opportunities and to enable more concurrent Alfa Systems implementations.

[➞ Read more on p30](#)

## Strengthen

### People

In the second quarter of 2022 in our global Pulse survey we achieved an overall engagement score of 83% which was a record at that time. This score was matched in Q3 and then beaten by the Q4 score of 84%.

#### Highlights #WeAreAlfa

This year we have focused on our transition to smart working and becoming a successful hybrid workforce. We've supported Managers and their teams with this move and some of the challenges (and benefits) that this new level of flexibility brings to Alfa.

2022 has been a year of reconnecting with colleagues after a period of uncertainty during the pandemic. We were thrilled to have been able to gather our teams in-person at our various company events – whether in New Zealand, Australia, the US or in the UK. We've had opportunities to collaborate, socialise, make new connections, deliver engaging company updates and travel to other regions, all supporting our culture and our relationships.

Developing our people continues to be a high priority and the launch of our Learning Management System introduced a new way of learning for all at Alfa. The content is co-curated by learning specialists alongside our in-house technical experts across the company. Over 150 modules and courses sit on the platform at the end of 2022, with more content being added on a regular basis.

Inclusion & Diversity has been a core focus this year and we kicked off 2022 by laying out our pledges for this area. We have undertaken a huge number of initiatives to improve Inclusion & Diversity across the business, many of which are underpinned by the efforts of our employee-led Alfa Communities.

This year we reached a significant milestone when we tipped over 400 employees globally. Our continued efforts to recruit and retain our talent have not gone unnoticed and we were proud to be recognised with various award wins and shortlistings in 2022. Particular highlights were achieving gold accreditation with Investors in People and highest ranked listed company and highest ranked software company in Newsweek's Most Loved Workplaces in the UK.

Find out more about our people, our communities, our awards and more on pages 58-61.

#### Plans

Looking ahead to 2023, we are excited to be able to continue to grow and remain committed to recruiting, retaining and developing the best talent – doing more of the things our colleagues value and pushing ourselves to make even greater strides in the area of inclusion.

# #4

**Newsweek's UK most loved workplace**

#### Alfa Work Experience programme

Alfa launched the first Alfa Work Experience (AWE) programme in 2022. Promoting Diversity & Inclusion, Alfa Work Experience programme gave students from diverse backgrounds a chance to experience a fintech work environment.

➞ [Find out more about Alfa Work Experience programme on p69](#)



## Product

### Highlights

One of the big 2022 highlights is our latest software release v5.7. The latest release follows two years of new enhancements in key areas of the product, with new offerings in the user experience, charges and billing, and configuration among the highlights. Meanwhile, changes to existing functionality include wholesale, integration and Alfa Systems' highly valued reporting solution.

**Andrew Flegg, Alfa CTO,** said: "We're committed to helping our clients achieve as much as they can, as painlessly as possible. This is because we know they don't want to worry about systems – they want to get on with doing business, and staying competitive in the market.

"Each time a customer takes Alfa Systems for the first time or upgrades to a later version, they are taking on a wealth of functionality and technical capability that helps them run their business better, build a more robust operation, save a lot of valuable time, and focus their expertise elsewhere. Our platform gives them the power and flexibility not just to respond to changing business needs, but get ahead of them too."

### Plans

Alfa's dedication to continuous improvement is underpinned by a pursuit of innovation that runs throughout the Company. Many of the features in the v5.7 release come directly as a result of market or customer needs, but plenty have come about as a result of opportunities identified by Alfa's own developers and architects to keep improving how the cloud-native Alfa Systems delivers customer needs, how it communicates with other systems, and how it can improve the day-to-day lives of our many users.



### Alfa iQ

Alfa iQ is a joint venture established in 2020 between Alfa and Bitfount. Bitfount specialises in cutting-edge, privacy-preserving techniques, which allow machine learning to be performed across multiple datasets without requiring the transfer or sharing of any raw data.

Alfa iQ's current focus is credit scoring and workflow optimisation. In 2022, Alfa iQ completed a back-testing analysis of what would have happened with our models for two clients, both showing strong improvements over existing approaches. Furthermore, a project for a client was completed where workflows were

analysed. This confirmed various ideas that the client had of where to optimise workflows. In addition, we are in the contracting phase with a client to evaluate the Alfa iQ credit decisioning system. This will involve integration with their actual live decisioning system and checking what would have happened if our system was enabled. Finally, a new 'explainer' system was implemented that explains Alfa iQ machine learning models. This is a key requirement for customers to move away from traditional scorecards.

## Strengthen continued

### Delivery

#### Highlights

2022 has been a strong year for scaling up Alfa's delivery activities, building further on the success of 2021. In the past 12 months we have seen the second go-live for one of our existing clients, a global automotive firm who were already an Alfa customer in the US, and who have now expanded their use of Alfa into their German operations, marking a second territory with this client.

We have concluded a pan-European Alfa Systems rollout, including multiple migrations, covering back office functionality. One of our Australian projects with another global giant in the automotive industry has seen significant progress, signifying growth and fortification of our operations in the Asia-Pacific region.

These examples are testament to our track record of delivering a quality product with professionalism and efficiency alongside an enduring customer rapport. As a result, we are well-positioned to attract further business with long-term customers and strengthen our market share within the asset finance industry.

As well as go-lives, we have completed an upgrade project to move a longstanding customer from Alfa Systems v4 to v5. There have also been a number of other upgrades taken across all territories, we have made significant progress with these.

**Kilian Noack**  
**Mercedes-Benz**  
**Leasing Deutschland**



# Mercedes-Benz

**"We have been looking for the best platform for financial services in order to futureproof our system landscape – and found a strong partner in Alfa. Apart from Alfa's core technical capabilities, we base our business on the same core values and with a fully integrated team, Alfa is a major part to our success."**



#### Plans

We are expecting 2023 to be a record year for new customer go-lives across all our territories along with several new prospects in discussion for onboarding in the coming months. We will continue to ramp up our delivery of successful go-lives and upgrades with new and existing clients, further expand our global footprint, and cement our positioning as a market leader in the field of asset finance technology.

**20+**  
**upgrades**



## Sell

### Highlights

Our presence at key industry events in Europe and the US continues to position us as the quality choice. Our high profile at these events has ensured increased brand exposure, advertising and media coverage. We have also secured strategic speaking and panel participation sessions, further enhancing our industry authority and voice.

In addition to contextual, market-relevant messaging, in 2022 we have produced a compelling thought leadership programme, including 'Digital Directions 3', the 'Innovation in Implementation' series and a paper on energy efficiency written jointly with Capitas Finance.

Our Sell strategy is to focus on cloud-hosted, subscription sales. This goes hand in hand with continuous improvement of our cloud-hosted proposition. Following on from the delivery of containerised deployment support in 2021, we have

migrated almost all of our customer environments to the new platform. In doing so we have also moved Alfa Digital Gateway to dedicated servers which are independently scalable and provide highly available APIs for our customers' platforms across upgrades. We have moved from an early invitation-only beta of our customer portal to general availability for all of our customers. In this first release customers are able to download audit documents, monitor real-time environment and backup status information and view availability statistics for previous periods.

### Plans

In 2023, we will continue to focus on Alfa's brand, events and thought leadership of the highest calibre. Regarding our cloud-hosted proposition, we plan to build on the work done in 2022 and roll out Aurora PostgreSQL 13 and Serverless v2 databases to all customer environments.

Over

# 80%

of prospective customers selecting Alfa Hosting

### Serverless DB

Continuous improvement of our cloud-hosted proposition is in line with our Sell strategy. Earlier in 2022 the Serverless v2 database product was launched and the Alfa Hosting team quickly introduced support into our automated deployment platform. This new product allows the database to dynamically scale according to the applied load, a perfect fit for businesses where the load varies throughout the day and is often much lower outside of business hours and allows us to offer Alfa Hosting to a wider range of customers.

In order to get a feel for the suitability of this service for Alfa Hosting, we completed a full performance test against a platform using a test portfolio of over one million live agreements and compared to a baseline for a fixed capacity database.

Our results showed that with a little additional tuning we will be able to offer batch performance which exceeds our current offering for all existing customers without any increase in infrastructure costs or complex infrastructure management.



## Scale

### Highlights

In 2022 we saw a number of upgrades, continuing a trend of positive growth that we have experienced over the past four years. This has been achieved through the deepening of our client relationships to allow us to explore new opportunities and tailor our offerings to the client's needs, by growing our staff headcount worldwide, and augmenting teams with resources from our delivery partners where required.

This, alongside the improvements we have made in simplifying our migrations, developing and improving technical documentation, and broadening the set of processes and standard integrations of our Alfa Start offerings, has augmented our delivery capacity and has been key to our year-on-year success in scaling our operations globally.

### Plans

Capitalising on our success in 2022, we expect 2023 to be a busy year for go-lives across the globe. This comes with the momentum of a 3-year period of increased go-lives, showing that there is still plenty of room for growth within the asset finance market.

We are also scaling our Alfa footprint at multiple clients with either stocking or wholesale go-lives, or by expanding into another business unit.

Our market-leading product and world-class service has proven incomparable and has driven the strengthening of our existing client relationships, creating further opportunities for us to grow alongside our clients.

**400+**  
employees globally



### Product Engineering Smart Hub

As we continue to grow as a business we recognise that talent is widely distributed and the lessons of remote working over the last two years have shown that our engineering teams continue to be productive due to our long term investments in technology for our business. Various locations were evaluated and we have chosen Lisbon to be our first Engineering Smart Hub. This will consist of two teams who can periodically co-locate to plan and build deeper team cohesion. We have seeded the teams with experienced engineers from our existing UK operation, who will be involved in all aspects of the operation, from recruitment, through

onboarding into business-as-usual team leading roles. These engineers have a goal of ensuring that the local recruits are as integrated into the Company culture and practices as any recruit working in the main office would be, with a longer-term view of self-sustaining teams without the need for the original seeds. The initiative has started successfully with a group of local engineers already onboarded and, as part of our engineering team, working on our product backlog. We will continue our recruitment into 2023 and are already improving processes in order to establish a pattern as to how we could use the model in further locations.

## Simplify

### Highlights

With the launch of Alfa Systems v5.7 we have further improved our support for containerised deployment, via Docker, and removed the need for complex, expensive application servers which often add little value. Implementations are faster as fewer decisions and less domain knowledge are required before an operations team can get started. New features in advanced configuration management help our clients more effectively manage their configuration testing and updates across multiple environments, parameter segregation allows for more streamlined use across multiple jurisdictions, whilst improvements to reschedules allow wizards to be effortlessly integrated into workflows.

The investment in seamless integrations with other leading-edge systems for asset management and know-your-customer checks, allows our clients to focus on their business differentiators. To this end we are continuing to develop integrations with credit reference agencies and other data providers.

Our investment in UI and UX has resulted in Alfa Systems v5.7 launching with our new render framework. The dashboard has been overhauled and a new simplified authorisation approach applied. Users will benefit from a workflow sidebar which has been redesigned based on extensive user research, this gives a clearer separation of workflow actions and the subject of the workflow. Better use is made of space to improve legibility and accessibility, with the sidebar being rationalised and able to be collapsed to declutter the user's space. Continuing our work next year we intend to put more control in the hands of clients, helping users focus on use-cases specific to their business context by further improving the control over the data which is presented at different workflow steps.

### Plans

As part of our continuous improvement, we are building on our Portfolio Load investment which provided a simplified and quick option for migrations or portfolio acquisitions.

In 2023 we will use this tooling for some of our planned migrations and may look to widen the scope of what products, structures and volumes it supports.

8

clients migrated to Docker



### Engineering Simplification

Investment in our product technology for the long term has meant that we have continued to improve the encapsulation of functional code areas and provide guardrails for engineers to ensure that these improvements are not accidentally eroded over time. We have further utilised and developed the Astra tool that we open-sourced to facilitate larger scale code reorganisation across our codebase. This, along with our new SDLC that has been incrementally improved, has meant that our engineers are benefiting from quicker feedback on their development cycles and fewer conflicts with other teams as areas are further de-coupled. Teams have also been taking up the code analysis dashboards that have been developed in order to highlight and work on the boundaries and interactions for their features, and our team has been developing engineer-focused tools that will help embed these activities into teams business-as-usual operation.



## Synergise

### Highlights

Partnerships are an important growth accelerator, bringing a number of benefits to Alfa and our customers. We work with a small, carefully selected partner ecosystem of like-minded organisations with geographical spread and complementary delivery capabilities.

This year we have successfully scaled our partner relationships, remotely onboarding partner intakes and embedding more partners in our project teams and sales activities as well as in client-side/SI roles. This year we have benefited from increased sales channel opportunities via our partner relationships and the extended global reach and credibility they provide.

We have grown our partner ecosystem, agreeing engagement terms with ITDS and a global professional services company, strengthening our delivery capacity in Europe and the US respectively, and with Tomorrow's Journey, a best of breed technology partnership in the subscription space. We have also continued to explore

new partnerships in various geographies that can help us in sales opportunities. We have continued to invest in partner training, further developing our training program including course material improvements and a new technical training course for certifying SI partners. Access to additional resources mean that our partners have better access to supporting information and tooling, bringing increased efficiencies. We have also progressed our planning for moving to more advanced partner sales and delivery models, identifying a timetable for enabling investment.

### Plans

In 2023, we will continue to scale our existing partnerships and evaluate other potential partners to further strengthen our partner ecosystem and core market coverage. This will include expanding our partner assisted delivery capability in North America to increase operational capacity.

As staff augmentation partnerships mature and partner resources gain expert Alfa Systems implementation knowledge and

experience, we plan to advance them towards a joint delivery model. In preparation for this, next year we will continue to make significant investment in our partner programme including:

- Improving partner onboarding, including implementation of a Learning Management System for managing training course scheduling, materials and resource certification;
- Improving partner collaboration tooling;
- Opening up more roles for partners;
- Extending our partner support team.

We will continue sales collaboration activities with our partners. This is an important aspect of our partnerships, with new sales acting as a growth accelerator, both for Alfa and for scaling our partner relationships further.

8

**partner  
relationships**

9

**ongoing partner  
assisted projects**

### Subscription Partnership

Developing a mobility solution requires more than the ability to manage an asset, contract and customer. It requires additional functionality to track assets over time, as they move between customers and locations; and to track the customer over time, as they switch between assets. JRNY, Tomorrow's Journey's SaaS platform, is purpose-built for subscription and usage-based mobility. By integrating JRNY with the Alfa Systems platform, those powerful capabilities are married with additional functionality, creating an end-to-end, enterprise-level proposition for captive and independent finance companies.

Andrew Denton, CEO of Alfa, said: "Tomorrow's Journey have been leading the way in this space for a number of years. For Alfa, partnering with them on this new way of modelling subscription contracts is the logical next step, providing customers with a truly managed service and ourselves with a strategic opportunity that could put both parties at the forefront of the industry. We already have sales opportunities that require both systems – whether that's an Alfa client looking to onboard subscription, or a TJ client looking for the back-office functions to support their operations."

Chris Kirby, CEO of Tomorrow's Journey, said: "In the last 18 months we have helped many traditional and new businesses in the automotive sector to launch and scale usage-based products, and the demand in the market is greater than ever. In the shift from traditional, transactional products like leasing and PCP to membership-based products like subscription, the asset and accounting practices are being underpinned by lease structure. We're delighted to have partnered with Alfa, who have the leading product in the sector, and we're excited about the opportunities this brings to our new and existing customers."

## Start

### Highlights

With a continued focus on Alfa Start as one of Alfa's strategic priorities, a number of 2022 innovation and investment initiatives have expanded Alfa Start's functional coverage and delivery capabilities. One such initiative has been the Portfolio Load which allows legacy portfolios to be quickly and efficiently migrated onto Alfa Systems. Another has refined the configuration of our credit extracts in the US to align with the latest simplified guidelines from the Credit Reporting Resource Guide.

We have also broadened the originations support through integration to an external credit decisioning engine as part of the new business process. In addition, the business process catalogues for Alfa Start continue to grow, introducing more core Alfa Systems functionality and out-of-the-box integration capabilities to enable clients to increase automation within their operations.

The global Alfa Start user group has expanded, empowering customers to continuously improve and develop their business. This continuous improvement of the product sees our project teams feed back their learnings from the field on a regular basis and is complemented by targeted internal investment initiatives aimed at driving forward the Start strategic initiative. Similarly, dedicated teams ensure the Alfa Start product remains feature rich via regular upgrades to the latest version of Alfa Systems.

**Alfa Start implementations can reach live production in as little as**

# 20 weeks

### Plans

In 2023 and beyond we will continue to explore use cases for expanding the ways in which Alfa Start can be utilised in all stages of the project lifecycle. Investigating the potential opportunities in further markets, such as Europe, Canada, and Australia, will be a focus.

In order to optimise implementation timelines, Alfa Start's pre-configuration and documentation is complemented with several out of the box integrations reducing the need for clients or system integrators to build them from scratch. In 2023, Alfa will continue to develop partnerships with software vendors to increase the number of integrations offered as part of the Start package.

Furthermore, Alfa continues to monitor market trends and work with clients to help develop and support new products and services within the industry, with a view to incorporating these into our Start offerings. Recent trends include mobility and pay-per-use, subscription products, bifurcation of assets such as EV and battery, as well as other forms of sustainable financing.

## Portfolio Load

Simplification is one of Alfa's key corporate strategies for 2022. We had an objective to review Alfa's migration solutions determining where improvements and simplifications could occur.

An area of focus was for our Alfa Start customers, who require an out-of-the-box, quick to implement self-sufficient solution.

Additionally, several existing customers have considered purchasing new portfolios which require loading into Alfa Systems. This often requires a quick turnaround from acquiring the portfolio to loading and maintaining it in Alfa Systems.

Alfa has various migration solutions, including the Alfa Migration Suite, which has been used to migrate a range of portfolios across the globe. However, we wished to explore an alternative solution capable of migrating portfolios quickly for Alfa Start customers and for portfolio acquisitions.

A new tool was developed called the Portfolio Load; an end-to-end, out-of-the-box solution that uploads third party information (i.e. customers, suppliers etc.), agreements and assets via Microsoft Excel files. The Portfolio Load stages and loads these entities into Alfa Systems and pre-configured reports are available to reconcile all the information. Utilising Alfa Systems' rich workflow functionality, the loaded proposals are activated along with finalising key cutover processes. This is supported by detailed documentation to enable self-sufficiency for customers.

An Alfa Start customer due to go-live in Q1 2023 will be the first customer to migrate their existing portfolio into Alfa Systems using the Portfolio Load. Some of our existing customers have also expressed interest in this new offering.

KPIs

Alfa measures a range of financial and operational metrics to help manage business performance.

Our strategic priorities

- 1

Strengthen
- 2

Sell
- 3

Scale
- 4

Simplify
- 5

Synergise
- 6

Start

Definition and KPI calculation method

In considering the financial performance of the business, the Directors and management use key performance indicators (KPIs), some of which are defined by IFRS and some of which are not specifically defined by IFRS.

We believe that operating free cash flow conversion is a key measure required to assess our financial performance. It is used by management to measure liquidity. This measure is not defined by IFRS.

The most directly comparable IFRS measure for operating free cash flow conversion is cash flows from operations. The measure is not necessarily comparable to similarly referenced measures used by other companies. As a result, investors should not consider this performance measure in isolation from, or as a substitute analysis for, our results of operations as determined in accordance with IFRS.

- (1)

**Headcount** Represents the number of Alfa employees under contracts of employment as at 31 December of each year.
- (2)

**Retention rate** Represents the retention of Alfa employees over the previous 12-month period, excluding any managed staff attrition.
- (3)

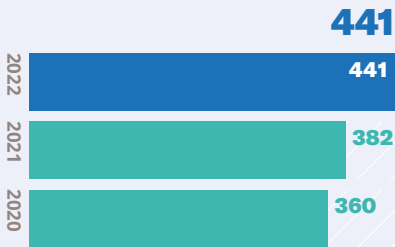
**Total contract value (TCV)** TCV is calculated by analysing future contract revenue.
- (4)

**Employee engagement** The overall Employee engagement score is derived from quarterly employee Pulse survey ratings based on the questions “I am happy in my role” and “I would recommend Alfa to a friend as an employer”.
- (5)

**Operating free cash flow 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.

Operational

Headcount



2022 performance

Headcount has increased due to planned recruitment and an improved employee retention rate throughout 2022.

Why do we measure this?

Our revenue growth and ability to win new business is heavily dependent on the number and deep expertise of our people and therefore growing our team for the future is key to this goal.

Linked to remuneration:

No

Links to strategic priorities:

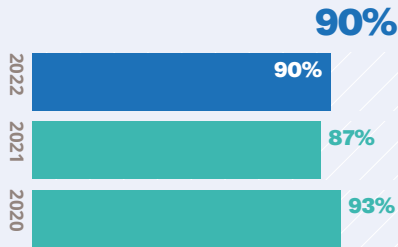
- 1
- 3

Greenhouse gas emissions

As part of our drive to continuously improve our emissions reporting, we have voluntarily disclosed new emissions categories in both 2021 and 2022 (refer to page 67) and expect to disclose additional categories in the future. These improvements mean that year-on-year comparison would be misleading (as the prior year numbers would not include emissions for the new categories) and we have therefore not disclosed Greenhouse Gas Emissions as a KPI this year. This is consistent with our management reporting.

➔ Refer to page 67 for more information on our emissions data, and page 64-66 for our related TCFD disclosures.

Retention rate (%)



2022 performance

The retention rate has improved reflecting the investment made in learning and development initiatives and improved employee engagement scores this year, as well as a return towards pre-pandemic levels of attrition.

Why do we measure this?

Our deep expertise in the industry and our ability to service our customer relationships is driven by the quality of our people. A higher retention rate demonstrates sustained engagement and maintenance of key skills and knowledge.

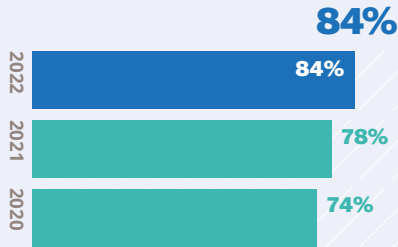
Linked to remuneration:

No

Links to strategic priorities:

- 1
- 3

Employee engagement (%)



2022 performance

Employee engagement improved this year with continued focus on internal communications and face-to-face engagement, creating opportunities for teams to come together post pandemic, and supporting our communities.

Why do we measure this?

Measures levels of employee satisfaction and connection to the business. There is a positive correlation between employee engagement and business performance and the metric should be a lead indicator for retention rate performance.

Linked to remuneration:

No

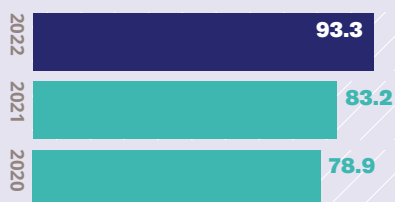
Links to strategic priorities:

- 1
- 3



## Group revenue (£m)

**£93.3m**



### 2022 performance

Group revenue grew by 12%, with strong growth in our Software and Subscription streams driven by more enhancement development work as well as increases in post go-live support.

### Why do we measure this?

Growing revenue is a measure of customer and business success. It is central to our objective of growing by maintaining our leading competitive position through differentiation of market-leading People, Product and Delivery.

### Linked to remuneration:

Yes

### Links to strategic priorities:



## Operating profit (£m)

**£29.6m**



### 2022 performance

Operating profit increased as a result of growth in revenues, partially offset by increased employment costs, with a boost from one off gains on lease assignment as well as favourable foreign exchange movements.

### Why do we measure this?

Operating profit is an indicator of the Group's profitability. It can be used to analyse the Group's core operational performance without the costs of capital structure and tax expenses impacting profit.

### Linked to remuneration:

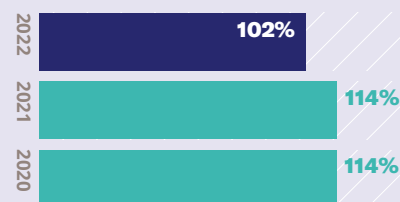
Yes

### Links to strategic priorities:



## Operating free cash flow conversion (%)

**102%**



### 2022 performance

Operating free cash flow conversion declined year on year although remaining over 100%, due to a lower level of one-off licence fees received, our planned move towards a subscription model and increased capital expenditure.

### Why do we measure this?

A strong balance sheet position is key to growing the business in the future. Our business has always been cash generative and this KPI allows us to monitor cash flows before investment in capital projects.

### Linked to remuneration:

Yes

### Links to strategic priorities:



## Operating profit margin (%)

**32%**



### 2022 performance

Operating profit margin improved over last year due to favourable foreign exchange and one-off gain on lease assignment noted above.

### Why do we measure this?

Operating profit margin is a measure of how effectively we sell Alfa Systems and manage our cost base. It also allows comparison across different companies and sectors.

### Linked to remuneration:

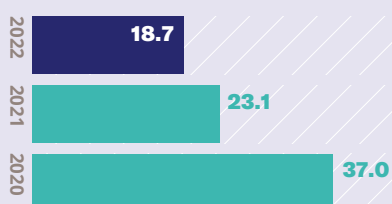
Yes

### Links to strategic priorities:



## Cash (£m)

**£18.7m**



### 2022 performance

Cash generated from operations remained strong in 2022 with over 100% cash conversion, allowing for the payment of further special dividends totalling £19.2m which reduced the Group's cash balance.

### Why do we measure this?

Cash is critical to allow the Group to cover its expenses, provide funds for investment, growth and to meet its long-term needs. Cash generation is a good indicator of the underlying health of the business.

### Linked to remuneration:

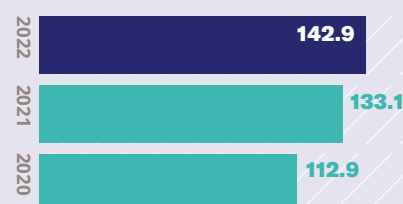
Yes

### Links to strategic priorities:



## Total contract value (TCV) (£m)

**£142.9m**



### 2022 performance

TCV has seen strong growth particularly within our software and subscription streams. Services TCV has declined year on year as a result of the loss of one implementation customer during 2022.

### Why do we measure this?

Helps to predict revenue and the value of a contract over its lifetime, which will generally extend beyond the current financial year.

➔ See p35 for more details.

### Linked to remuneration:

No

### Links to strategic priorities:



## Financial review

**“We delivered a very strong financial performance in 2022, with revenue up 12%, operating profit up 20% and EPS up 27%, and paid dividends of £22.5m.”**

—— Duncan Magrath, Chief Financial Officer

### Financial results

	2022	2021	Movement %
Revenue	93.3	83.2	12%
Operating profit	29.6	24.7	20%
Profit before tax	28.9	23.8	21%
Taxation	(4.4)	(4.6)	(4)%
Profit for the period	24.5	19.2	28%
Basic EPS	8.24p	6.49p	27%
Diluted EPS	8.09p	6.39p	27%

Revenues increased by 12% or £10.1m to £93.3m in the 12 months ending 31 December 2022 (2021: £83.2m). Growth at constant currency was 8%.

Operating profit increased by £4.9m to £29.6m (2021: £24.7m), due to the £10.1m increase in revenues, partially offset by £5.2m increase in net expenses, principally due to a £5.7m increase in staff and partner employment costs. This included salary costs up 11% with average headcount up 10% along with £1.0m increase in partner costs. This was partially offset by a one-off gain on a lease assignment of £0.6m and transaction FX gains of £1.1m.

Net finance costs which relate to leases expense of £0.6m (2021: £0.8m) resulted in profit before tax of £28.9m (2021: £23.8m). The Effective Tax Rate (ETR) for 2022 is 15.2% (2021: 19.3%) due to some favourable prior year items, including R&D tax credits. The resulting profit for the period was £24.5m (2021: £19.2m).

## Revenue

Revenue – by type £m	2022	2021	Movement %
<b>Subscription</b>	<b>27.4</b>	23.5	17%
<b>Software</b>	<b>16.3</b>	13.6	20%
<b>Services</b>	<b>49.6</b>	46.1	8%
<b>Total revenue</b>	<b>93.3</b>	83.2	12%

## Subscription revenues

Overall subscription revenues increased 17% to £27.4m (2021: £23.5m). The increase was driven by a 15% increase in maintenance revenues boosted by a 28% increase in hosting revenues, principally due to v4 customers moving onto hosting for their v5 implementations, along with two new customers, one which has gone live and one which is in the implementation phase.

## Software revenues

Software revenues of £16.3m were up £2.7m or 20% on last year (2021: £13.6m) on the back of strong development revenues for both existing and new customers, which were up 64% on last year. In 2022 we saw a continuation of upgrades to v5 from older versions of the software, which generally do not attract additional licence payments, except where customers purchase additional modules. Customised licence revenues were up 13% on last year due to the extra development days. One-off licence fees in the year were £0.4m down £1.7m on the £2.1m in 2021.

## Services revenues

Services revenue increased overall by 8% to £49.6m (2021: £46.1m) at actual exchange rates. Implementation revenues for new customers were down 16%, as more of our team was focused on work for v5 upgrades. As a consequence we saw services work for existing customers increase by 25%. The ongoing services work for existing customers, including v5 upgrades, was 66% of services revenue in the year.

## Total contract value (TCV)

TCV – by stream £m	2022	2021	Movement %
<b>Subscription</b>	<b>93.3</b>	85.8	9%
<b>Software</b>	<b>20.1</b>	14.9	35%
<b>Services</b>	<b>29.5</b>	32.4	(9)%
<b>Total TCV</b>	<b>142.9</b>	133.1	8%

Total contract value (TCV) increased over last year by 7% to £142.9m reflecting net new contracts signed in the year, along with the impact of increasing our own prices. Subscription TCV has increased 9% driven by an increase in the number of customers and the significant growth in our hosting business. There was also a 35% increase in Software, principally from an increase in contracted development work. Services TCV of £29.5m was down 9% versus this time last year due to the timing of the signing of statements of work.

TCV – by stream for next 2 months £m	2022	2021	Movement %
<b>Subscription</b>	<b>30.1</b>	26.9	12%
<b>Software</b>	<b>10.2</b>	6.7	52%
<b>Services</b>	<b>24.7</b>	26.2	(6)%
<b>Total TCV</b>	<b>65.0</b>	59.8	9%

Of the TCV at 31 December 2022, £65.0m (31 Dec 2021: £59.8m) is anticipated to convert into revenue within the next 12 months, assuming contracts continue as expected and are not cancelled or delayed. This includes £10.2m (2021: £6.7m) of Software revenues, £30.1m (2021: £26.9m) of Subscription revenues and £24.7m (2021: £26.2m) of Services revenues.

## Operating profit

The Group's operating profit increased strongly, up by 20% or £4.9m, to £29.6m (2021: £24.7m) primarily reflecting the £10.1m increase in revenues, partially offset by an increase in the Group's cost base as we continued to invest in the business, and through increased headcount and partner costs.

Headcount numbers were up 16% at 31 December 2022 at 441 (31 Dec 2021: 382), however following the slower recruitment at the start of the year average headcount was up only 10% to 420 (2021: 383). Our staff retention rate in 2022 was strong at 90% (2021: 87%).

Expenses – net £m	2022	2021	Movement %
<b>Cost of sales</b>	<b>33.4</b>	29.0	15%
<b>Sales, general and admin expenses</b>	<b>31.0</b>	30.0	3%
<b>Other income</b>	<b>(0.7)</b>	(0.5)	40%
<b>Total expenses – net</b>	<b>63.7</b>	58.5	9%

## Financial review continued

**Cost of sales** increased by £4.4m to £33.4m (2021: £29.0m) due to higher salary costs from the increase in customer facing headcount along with increased hosting costs, and partner costs where days were up 58% over last year.

**Sales, general and administrative (SG&A)** expenses increased by £1.0m to £31.0m in the year (2021: £30.0m). This included increased salary costs through higher headcount. In addition Profit Share Pay increased to £3.5m (2021: £3.1m) and share-based payment charges increased to £1.8m (2021: £1.5m). Travel and conference costs were up versus prior year, due to a pick-up in travel in the second half as activity started to return back post-COVID lockdowns.

Two gains, totalling £1.7m offset the increases noted above. Firstly a gain of £0.6m on a lease assignment. A lasting impact of COVID has been the introduction of our smart working policy which prompted a review of the space that we need in our London office. We concluded that we did not need all the space, and so we assigned the remaining part of the lease on one floor, which crystallised a book gain as the related lease liability was in excess of the right to use asset value. There was also a gain of £1.1m in foreign currency differences (2021: loss (£0.2m)).

### Finance costs

Net finance costs which relate to leases of £0.6m (2021: £0.8m) reduced slightly due to the assignment of part of the London office space noted above. The Group had no external bank borrowings in either 2022 or 2021.

### Profit for the period

Profit after taxation increased by £5.3m, or 28%, to £24.5m in 2022 (2021: £19.2m).

The Effective Tax Rate (ETR) for 2022 is 15.2% (2021: 19.3%), which benefited from £1.3m of prior year items, with the major component of this being due to R&D tax credits.

### Earnings per share

Basic earnings per share increased by 27% to 8.24 pence in 2022 (2021: 6.49 pence). Diluted earnings per share increased by 27% to 8.09 pence (2021: 6.39 pence).

### Cash flow

Cash (including the effect of exchange rate changes) decreased by £4.4m to £18.7m at 31 December 2022, from £23.1m at 31 December 2021. This decrease has been driven by strong cash generation from operations, offset by the payment of special and regular dividends of £22.5m (2021: £32.7m) and purchases of own shares for the Employee Benefit Trust and through the Share buyback programme of £5.6m (2021: £4.6m).

Operating free cash flow conversion £m	2022	2021
<b>Cash generated from operations</b>	<b>34.0</b>	31.3
<b>Adjusted for:</b>		
<b>Capital expenditure</b>	<b>(2.3)</b>	(1.3)
<b>Principal element of the lease payments in respect of IFRS 16</b>	<b>(1.6)</b>	(1.9)
<b>Operating free cash flow</b>	<b>30.1</b>	28.1
<b>Operating profit</b>	<b>29.6</b>	24.7
<b>Operating free cash flow conversion</b>	<b>102%</b>	114%

The Group's Operating Free Cash Flow Conversion (FCF) of 102% (2021: 114%) was below the very strong performance last year and closer to our 100% conversion expectation as we move to a subscription model.

In addition to the cash generated from operations of £34.0m, the Group incurred £2.3m on capital expenditure (2021: £1.3m) and made net tax payments of £6.2m (2021: £3.8m). Tax payments increased on last year as we moved into the HMRC large company tax category, with all estimated tax paid within the year.

In the year, net cash outflows of £29.7m (2021: £39.2m) from financing activities related to the principal element of lease payments of £1.6m (2021: £1.9m) and purchase of own shares of £5.6m (2021: £4.6m). The biggest cash outflow related to dividends, with ordinary dividends of £3.3m (2021: £3.0m) paid in year along with Special Dividends of £19.2m (2021: £29.7m). Since November 2020, total dividends of £100m have been paid.

### Balance sheet

In the year, the two significant movements in the balance sheet have been the movement in cash explained above, and a reduction in the right-of-use assets of £7.3m and lease liabilities of £7.8m principally due to assigning a lease on one floor of the London office.

Other balance sheet movements were as follows:

Current assets at year end were £39.0m (2021: £39.6m). Trade receivables grew on the back of the growth in the business to £8.9m (2021: £6.0m) however they continue to remain well controlled with total receivables of only £0.1m (2021: £0.7m) more than 30 days overdue. Provision for impairment remains nil (2021: £nil).

Accrued income increased slightly in the year to £6.5m (2021: £6.3m) with prepayments increasing to £4.5m (2021: £3.2m) due to deferred costs (offset by a related increase in deferred licence contract liabilities).





**“Average headcount in the period of 420 (2021: 383) was a 10% increase on last year. Our strong pipeline enabled us to remain chargeable through the year. Our team retention improved during the year resulting in retention of 90% (2021: 87%) for the year as a whole. Also pleasing was our employee engagement, which is now at 84%, a record level.”**



Current liabilities of £25.6m (2021: £24.0m) were up £1.6m. Trade payables and other payables were largely unchanged at £9.5m (2021: £9.3m). There was no Corporation Tax liability at year end (2021: £1.8m) due to Alfa moving into the UK HMRC large company regime so that all estimated tax is paid within the year. Contract liabilities increased by £3.8m to £14.8m (2021: £11.0m) with deferred licence liabilities increasing £3.3m to £8.6m (2021: £5.3m) due to an increase in the material right related to customised licence implementations, along with an increase in deferred maintenance liabilities up £0.5m to £6.2m (2021: £5.7m) from growth in the business.

Non-current liabilities reduced significantly, down £7.7m to £8.9m (2021: £16.6m) due to a reduction in lease liabilities to £8.0m (2021: £15.0m) with provisions decreasing to £0.9m (2021: £1.4m).

### Capital allocation and distributions

The Group has had strong cash generation over a number of years and we expect this to continue. The Group's capital allocation policy takes into consideration the need to continue to invest in our people and technology whilst maintaining strong liquidity at the same time.

The first post IPO dividends were paid in November 2020 and in January 2022 we also announced a share buyback programme of up to £18m over the next 18 months.

The Board intends to progressively increase the ordinary dividend as the Group grows, whilst ensuring that we retain a strong balance sheet.

For 2022 we are proposing an ordinary dividend of 1.2 pence per share, amounting to c£3.6m with an ex-dividend date of 25 May 2023. In addition we have declared a Special dividend of 1.5 pence per share, amounting to c£4.4m with an ex-dividend date of 13 April 2023.

### Subsequent events

There have been no reportable subsequent events since the balance sheet date, other than the continuation of the share buyback programme.

### Related parties

Details about related party transactions are disclosed in note 32.

### 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 approval 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, without the need for substantive mitigating actions. On this basis, whilst it is acknowledged that there is continued uncertainty over future economic conditions, the Directors consider it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements.

### Viability statement

The Viability statement containing a broader assessment by the Board of the Company's ongoing viability is set out in the Strategic report on pages 46 to 47.

**Duncan Magrath**  
Chief Financial Officer

1 March 2023

Risk management

**Our aim is to foster a culture of effective risk management where innovation is encouraged, and is backed up by appropriate assessment and monitoring of risks.**

Introduction

2022 saw a variety of significant risks and uncertainties develop over the year, most notably the global economic uncertainty influenced by the lingering impacts of the COVID-19 pandemic, the start of the war in Ukraine, and the period of political upheaval in the UK. Cyber security and information security have also continued to be high priority topics at the heart of our proactive risk management approach.

We continue to apply our risk management framework to monitor, mitigate and adapt to continuing and emergent risks and uncertainties that we face, such as the above. By integrating risk management into our strategic thinking, we prepare ourselves to be as resilient as possible in the face of uncertainty, and to remain focused on our long-term objectives.

We are very conscious of our responsibility towards society, and as such ESG-related risks are included in our risk management activities. We consider how topics such as climate change will impact our industry, but also consider our responsibilities and the sustainability of our activities.

**Risk management is integral to our strategic objectives**

In order to deliver our strategy and achieve excellence through our business model, both operationally and financially, we must make sure that we maintain the right balance between safeguarding against potential risks, and taking advantage of potential opportunities as they arise. Our aim is to foster a culture of effective risk management where innovation is encouraged, and is backed up by appropriate assessment and monitoring of risks, in order to achieve the Group's strategic priorities.

Our strategic priorities as set out on pages 22 to 31, are to:

- **Strengthen** – Grow our differentiation of market-leading People, Product and Delivery.
- **Sell** – Focus on cloud-hosted, subscription sales to our target markets.
- **Scale** – Increase our capacity for developing and delivering Alfa Systems.
- **Simplify** – Simplifying our product, implementations and processes to enable more concurrent Alfa Systems implementations.
- **Synergise** – Develop our partner ecosystem, to improve our sales opportunities and to enable more concurrent Alfa Systems implementations.
- **Start** – Improve our offering for smaller asset finance providers as a platform for innovation and to increase our reach.

How we monitor risk



## Our risk management framework

Our risk management framework is designed to be flexible and proactive, and links tightly into our operations and decision-making, allowing us to react with speed and agility to new and evolving risks as they arise across all of our business areas. This has helped us in 2022 to continue to progress our strategic objectives, and to identify and pursue opportunities as they arose.

We recognise that managing risk effectively is integral to executing our strategy. We have therefore implemented a five-step process for monitoring and managing risk throughout our business, allowing the Directors to conduct a robust assessment of the principal risks facing the Group. Risk is not something that should be eliminated but, instead, identified, assessed and managed in a timely manner.

Whilst overall responsibility for risk lies at the Board level, the Directors have delegated authority for risk identification to the Company Leadership Team (CLT).

A bottom-up approach has primarily been undertaken to provide a detailed review of risks by relevant business owners and this is led by the Risk Officer, twice a year. The output is then reassessed by the CLT to provide assurance over completeness of the risk register.

Our systems and processes are designed to manage our exposure to risk rather than eliminate the risk completely. Therefore the Audit and Risk Committee, with the CLT, will reassess the Group's risk appetite each year with this in mind. The Audit and Risk Committee will consider the risks associated with the conduct of our business and the delivery of our strategy, assessing the risks we are exposed to and evaluating whether this exposure is acceptable given the likelihood and severity of the risk.

Risks are assessed to understand the likelihood and the impact of the risk crystallising. We assess risk across all of our business areas, and we analyse their impact across these categories:

- Financial
- Operational
- Reputational
- Legal and regulatory

Each risk is reviewed at least annually, bi-annually for the higher priority risks. At each review date, the existing controls are reviewed for adequacy and effectiveness. Due to the ever-changing business landscape and the industry we work in, it is quite possible for the control requirements to change and for processes and policies to require updating. If this is the case, then the business owner is responsible for implementing changes.

Management monitors progress against the principal risks. This is shared with our internal auditor, BDO, to assist with forming the internal audit plan for 2023. The Board reviews the summary risk register and assesses the adequacy of the principal risks identified, as well as the mitigating controls and procedures which are in place.

## Risk management continued

### Creating the right corporate culture for effective risk management

Our organisation has an open and accountable culture, led by our experienced CLT, whose members have many years of experience in their areas. The Board and the CLT set the tone for our risk management activities, embedding risk consideration and assessment into the culture within the organisation. Ownership and accountability for risks is an integral part of our risk management framework.

The Board has overall responsibility for the governance of risks, ensuring we have adequate and effective systems in place and setting the tone for our risk culture. It does this in various ways:

- Risks are considered by the Board as an intrinsic part of our strategic planning, and in the consideration of new opportunities – risk is recognised as an inherent part of each opportunity, and is assessed together with the opportunity.
- There is a twice-yearly review by the Audit and Risk Committee of principal risks, their evolution, and consideration of emerging risks.
- The CLT members, or their delegates, are the owners for each risk in the Corporate Risk Register, and they, and their teams, are responsible for the identification, assessment and treatment of the risks in their own areas. Risk management is thus embedded into each area of the business, as they are best placed to progress the actions and mitigations.
- The Risk Officer coordinates risk management activities and collates the risks into the Corporate Risk Register. The Risk Officer is an advocate for best practice across the organisation.
- Risk assurance is achieved through our external and internal audits as well as through our attainment of ISO27001 and ISO27018 certifications, and through our SOC1 and SOC2 audits.

### Responsibilities

Board	
<ul style="list-style-type: none"> <li>• Defines the risk governance framework, risk culture and principles</li> <li>• Responsible for an effective system of internal controls</li> </ul>	<ul style="list-style-type: none"> <li>• Sets the tone for risk management including risk appetite</li> <li>• Approves risk decisions that are beyond delegated authorities</li> </ul>
Audit and Risk Committee	CEO and CLT
<ul style="list-style-type: none"> <li>• Reviews the risk management framework and the effectiveness of internal controls, risk management systems and major risk initiatives</li> <li>• Reviews and challenges the principal risks in the risk register, and risk scores</li> <li>• Reviews the internal audit programme and reports</li> </ul>	<ul style="list-style-type: none"> <li>• Review the risk management framework and the effectiveness of internal controls, risk management systems and major risk initiatives across the Group</li> <li>• Review the risk profile against risk appetite and make recommendations to the Board in relation to risk profile, strategy and key controls</li> <li>• Review and challenge the risk register and risk scores</li> <li>• Review the sustainability of risk methodologies, metrics and policies</li> <li>• Assess major risk-related projects</li> <li>• Assess new commercial arrangements through participation in the Deal Committee</li> </ul>
Risk Officer and CFO	Operational management
<ul style="list-style-type: none"> <li>• Responsible for collating updates, managing the risk register and presenting principal risks and uncertainties to the Company Leadership Meeting and Audit and Risk Committee</li> <li>• The Risk Officer acts as an advocate for risk management across all levels of the business</li> <li>• The Risk Officer reports to the CFO in relation to risk management matters</li> <li>• The CFO has responsibility for governance and risk management review</li> </ul>	<ul style="list-style-type: none"> <li>• Assesses for new risks, updates on current risks assessment and implements mitigation strategies and actions</li> </ul>
All employees	
<ul style="list-style-type: none"> <li>• Be alert to risks associated with the activities that they perform</li> </ul>	<ul style="list-style-type: none"> <li>• Report inefficient, unnecessary or unworkable controls</li> </ul>



## Principal risks and uncertainties

### Our risk appetite

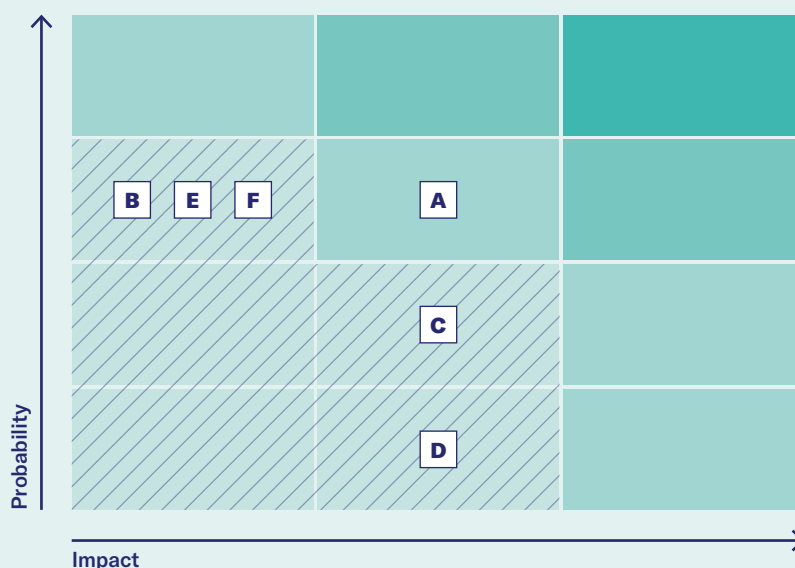
Our risk appetite provides us with guidance on the levels of risk we are prepared to take in pursuit of our objectives, and is considered a fundamental part of the planning and execution of our strategy. In June 2022, the Board, assisted by the Risk and Audit Committee and the CLT, assessed and updated our risk appetite in light of the developing in-year and emerging risks.

We take a cautious approach to risk, aiming to operate in a manner that would not be expected to put the business at risk of significant financial, operational or reputational damage. It is recognised that an element of risk taking is necessary in order to seek out and pursue opportunities, including progressing our strategic objectives. Nevertheless, the risks associated with the pursuit of such opportunities should be commensurate with the level of reward expected from the opportunities. At the current time of heightened geo-political risk, we recognise that this risk is currently showing outside of our acceptable risk appetite range. We consider this heightened risk to be temporary and somewhat outside of our control, but we continue to monitor whether there are further actions we can take to mitigate this risk whilst it remains at an elevated level.

### Focus for 2023

- Continuous improvement of risk management procedures, including raising awareness within the Company of our risk management best practices.
- Risk identification and assessment – bi-annual risk reviews including assessing actions and control reviews.
- Cyber security and data protection – maintain SOC2 Type 2 and ISO programme compliance, progress SOC1 Type 2 certification, and continue to assess and strengthen our cyber security defences.
- Business continuity and disaster recovery scenario testing exercises.
- Internal audits – reviews of the strength and effectiveness of our financial and IT controls.

### Principal risk analysis (including mitigating activities)



#### Risks

**A** Socio-economic and geo-political risk


**B** Risk to people, teams and skills

**C** IT security and cyber risks

**D** Business interruption or continuity

**E** Foreign exchange rate uncertainty

**F** Pressure on margin due to increased cost base, or through increased competition

 Acceptable risk appetite

### Environment, Social and Governance (ESG) risk assessment

As part of our detailed risk review in mid 2022, and subsequent updates at the end of 2022, we included specific focus on ESG related risks, which are tracked within our Corporate Risk Register. We do not currently have any ESG related risks that are sufficiently high to be considered principal risks or uncertainties.

Refer to pages 64 to 66 (Task Force on Climate-Related Financial Disclosures) which discusses specific risks related to our climate change responsibilities.

We will continue to risk assess this area as we progress our ESG objectives in 2023.

## Principal risks and uncertainties continued

### Principal risks and uncertainties in more detail

The Group faces a number of risks that may adversely affect our strategic and business objectives, operations, liquidity, financial position, reputation or future performance, not all of which are wholly within our control or known to us. Some such risks may currently be regarded as immaterial and could turn out to be material. We accept that risk is an inherent part of doing business.

The Board consider the following matters to be the principal risks and uncertainties (in no specific order) affecting our business at this time.

#### Risk A – Socio-economic and geo-political risk

##### Link to strategic priorities

1 2 3  
5 6

##### Movement

Same level of risk

##### Potential impact

Major

##### Probability

Likely

##### How does it impact us?

We continue to face uncertainty in the global economic outlook, which may impact demand for our services in one or more of our regions. The current major components of this risk are:

- There is a risk of recession (global or local) in the aftermath of the COVID-19 pandemic, coupled with the impacts of the war in Ukraine. Alfa does not have customers nor staff in Ukraine or Russia, and so our business is not directly impacted. However, potential economic impacts on our customers and their markets may reduce their spend on our services.
- Inflation has increased in each of our regions, due to the above factors, and is leading to increased costs to our business. These increases may outpace our revenue increases, if we are unable to increase our fees in line with costs.
- Reduced consumer confidence in a period of recession and higher inflation may lead to reduced demand for consumer asset finance, and therefore a knock-on reduced demand for our services.

The above external factors have led to us assessing this risk as remaining at its previous level. The following elements of this risk have reduced, however:

- The impacts of Brexit on our business have been minimal. There is some residual risk due to more difficult trading relationships between the EU and the UK, which may impact our ability to service customers in the EU. We have not experienced significant impacts to date, and our established EU presence mitigates against this.

##### What are we doing to manage the risk?

This risk goes hand-in-hand with opportunity, as our customers may seek to adapt to the changing economic environment, seeking operational efficiency, introducing new products or reacting to regulatory changes. Alfa is well placed to help with the system and process changes needed for such adaptation, either where Alfa Systems is the incumbent system or where a new system is needed.

Our strategy includes continuing to build a diverse customer base, both geographically and by asset type (i.e. automotive, equipment) but also by type of customer (i.e. banking, OEM or independent) which therefore have different and often contrasting risk characteristics. This mitigates some of this risk as there is often a degree of cyclicity in trends affecting the auto and equipment finance industry.

The percentage of our revenue concentrated in our largest customers has reduced significantly in 2022, as a result of our strategy to diversify. This has led to the High Customer Concentration risk from the 2021 annual report being reduced, to the level where it is no longer a principal risk in this report.

We ensure that the Group is financially robust and resilient to economic downturns, or project pauses, by retaining cash reserves and invoicing and collecting promptly for services.

We take proactive steps to maintain strong relationships with our customers in each market, with close collaboration on strategic aims and growth opportunities. This helps us to be resilient and adapt to changing market conditions.

Our fees for services are generally increased annually, taking consideration of the increases experienced in our cost base.

#### Our strategic priorities

**1 Strengthen** – Grow our differentiation of market-leading People, Product and Delivery.

**4 Simplify** – Simplifying our product, implementations and processes to enable more concurrent Alfa Systems implementations.

**2 Sell** – Focus on cloud-hosted, subscription sales to our target markets.

**5 Synergise** – Develop our partner ecosystem, to improve our sales opportunities and to enable more concurrent Alfa Systems implementations.

**3 Scale** – Increase our capacity for developing and delivering Alfa Systems.

**6 Start** – Improve our offering for smaller auto and equipment finance providers as a platform for innovation and to increase our reach.

## Risk B – Risk to people, teams and skills

### Link to strategic priorities

1 3 5

### Movement

Same level of risk

### Potential impact

Moderate

### Probability

Likely

### How does it impact us?

We are a people-centric organisation, with our success heavily dependent on keeping the right culture, skills and teams in place to execute our strategy.

A failure to attract, train and retain high quality individuals in our key operating regions may limit our ability to deliver implementations, maintain product quality and leading-edge functionality, and to manage customer relations. This would impact our ability to deliver on our strategic plan.

We continue to see high competition in recruitment markets, particularly in the technology sector, although this has reduced somewhat from peak levels.

As such, this risk remains at the same level as previously, but there are elements of it that have receded:

- As our global reach expands and opportunities arise in new regions, we may find it difficult to provide employees across geographically diverse customer sites. This element of the risk has receded somewhat, as we have significant experience in operating projects with both a remote component, and with partners fulfilling certain on-site roles.
- The risk posed to the health and wellbeing of our staff by COVID-19 has significantly reduced. We remain vigilant against the possibility of surges in the infection rates, but the risk posed by this is no longer at the level of our principal risks.

### What are we doing to manage the risk?

Recruitment of graduates and experienced hires is continuing across all of our regions, with dedicated HR staff using a diverse number of sources, searching for candidates from varied backgrounds and ethnicity and with varied core skills.

Alfa Partnering provides a strong and growing network of professional services partner organisations, with extensive and established geographical presence. This provides us with resourcing flexibility, and wider geographical coverage, and is key to our strategy to decouple our growth from our own headcount.

Our diligent onboarding process, with role-specific training, gives our new joiners the knowledge to help them to succeed. This important training regime is a significant time commitment, and does increase onboarding time for our employees, but the benefits justify this. We have rolled out a new learning and development software platform in 2022, further strengthening our toolset for employee growth.

We endeavour to maintain a culture centred around our principles and values, and we have a strong focus on employee satisfaction, wellbeing and engagement. This has been recognised by our fourth place ranking in Newsweek's UK Top 100 Most Loved Workplaces list.

Employee engagement surveys are carried out every quarter, and allow areas for improvement to be identified and acted upon.

We have continued to show success in having high employee retention figures in 2022.

We benchmark our remuneration levels against relevant roles in the industry and aim to be competitive.

Principal risks and uncertainties continued

Risk C – IT security and cyber risks		
<b>Link to strategic priorities</b> <div><b>1</b><b>2</b><b>3</b></div> <b>Movement</b> Same level of risk <b>Potential impact</b> Major <b>Probability</b> Possible	<b>How does it impact us?</b> <p>Our systems, networks and products may be subject to cyber attacks, specifically designed to disrupt our business, obtain our intellectual property or data, or harm our reputation. Such a security breach could impinge upon our ability to operate our business, including our ability to continue providing support to our customers.</p> <p>Our Alfa Hosting offering stores our customers' data on third party cloud hosting platforms. A security breach in our Alfa Hosting offering could result in compliance violations, identify theft, malware infections, diminished customer trust and loss of revenue.</p> <p>There is a continuing global trend of cyber attacks against IT companies, including large-scale, sophisticated and coordinated attacks.</p> <p>Insurance providers are reducing their cyber insurance coverage in general, in response to the increased risk of attacks on organisations. This reduces the mitigation that can be achieved through insurance, in the event of an attack.</p>	<b>What are we doing to manage the risk?</b> <p>Our internal IT and cyber security team monitors key security and cyber risks, assesses and monitors the control framework of our key technology suppliers and undertakes day-to-day monitoring of IT security incidents. We have strengthened our security team in 2022 with recruitment of additional qualified specialists.</p> <p>We implement continual improvements in our IT security environment and maintain an annual education and training programme for all staff.</p> <p>We have maintained our SOC2 Type 2, ISO27001 and ISO27018 compliance in 2022. We have also achieved SOC1 Type 1 accreditation, and have plans for SOC1 Type 2 accreditation in coming years, providing additional assurance around our controls.</p> <p>We have continuity plans for our Alfa Hosting services, where we use third party cloud hosting suppliers, including transferring our customers' data to a similar supported environment should the services be unavailable.</p> <p>Our customers perform thorough assessments of the security of the Alfa Hosting platform during their system selection and implementation process, measuring our IT security and data protection processes and controls against their own, typically stringent, internal policies. These compliance checks sit alongside our own policies and procedures, and provide independent assurance for our customers that appropriate security controls are in place.</p>

Our strategic priorities

- 1**

**Strengthen** – Grow our differentiation of market-leading People, Product and Delivery.
- 2**

**Sell** – Focus on cloud-hosted, subscription sales to our target markets.
- 3**

**Scale** – Increase our capacity for developing and delivering Alfa Systems.
- 4**

**Simplify** – Simplifying our product, implementations and processes to enable more concurrent Alfa Systems implementations.
- 5**

**Synergise** – Develop our partner ecosystem, to improve our sales opportunities and to enable more concurrent Alfa Systems implementations.
- 6**

**Start** – Improve our offering for smaller auto and equipment finance providers as a platform for innovation and to increase our reach.



## Risk D – Business interruption or continuity

### Link to strategic priorities

1 2 3

### Movement

Same level of risk

### Potential impact

Major

### Probability

Unlikely

### How does it impact us?

We are at risk of disruption to our day-to-day operations if there is a disaster incident which causes our internal IT systems to fail, we do not have access to our office space, or if significant numbers of our personnel are unavailable.

A failure to be able to use key IT systems or access our infrastructure could lead to a failure to deliver our services (particularly urgent maintenance services in the event of a disaster) to our customers and therefore have a negative reputational impact.

This risk includes consideration of future pandemics, or a significant resurgence of the COVID-19 case rates. This element of the risk has receded significantly, however, and is not at the level to be considered a principal risk.

An emergent risk in this area is of power outages, due to shortages in energy supply chains, for example in the UK. We have assessed the impact of this on our business operations, and consider it to be a low risk, since the power outages would likely be short, and regional, with limited impact on our operations.

### What are we doing to manage the risk?

We have an established, detailed and tested incident management procedure and escalation process.

We have a disaster recovery and business continuity plan which is reviewed and tested annually. This includes an impact analysis exercise, which identifies key systems, and assigns clear ownership of each of those systems and their business continuity plans.

Our SOC2 Type 2 reporting and complete failover testing has identified no significant required remedial actions. In addition, an audit was performed by our internal auditors (BDO) in early 2022, of our business continuity procedures, providing additional assurance.

Where we provide Alfa Hosting services, using third party cloud hosting suppliers, we have a continuity plan in place to transfer our customers' data to a similar supported environment should the services not be available.

We have a geographically distributed workforce, and the majority of our key systems are cloud hosted, providing resilience against an event impacting one particular location.

## Risk E – Currency exchange rate uncertainty

### Link to strategic priorities

1 2 3

### Movement

Increased probability

### Potential impact

Moderate

### Probability

Likely

### How does it impact us?

There has been considerable fluctuation and volatility in currency exchange rates throughout 2022, notably the weakening of the British Pound relative to the US Dollar and Euro until September, as a result of factors such as those listed in Risk A – Socio-economic and geo-political risk. Whilst the British Pound has regained some of its value since then, there is a risk of continued volatility in 2023.

As we expand our operations, for example in the EU, our exposure to currency volatility increases.

### What are we doing to manage the risk?

Our spread of revenue and costs across different regions, and currencies, provides a degree of natural hedging against volatility.

We closely monitor exchange rates, and take appropriate action, such as converting excess funds to Sterling, and entering into forward contracts to hedge against short-term risk. Such monitoring is also incorporated into our budget forecasting process.

## Risk F – Pressure on margin due to increased cost base, or through increased competition

### Link to strategic priorities

1 2 3

### Movement

Increased probability

### Potential impact

Moderate

### Probability

Likely

### How does it impact us?

The current high inflation environment, coupled with the competition we have seen reflected in benchmarked salaries in the technology industry, lead to an increased cost base across all of our regions.

We may also see competitors offer similar services at lower rates, forcing us to reduce revenue in order to remain competitive.

Without appropriate mitigation these would reduce our margins.

### What are we doing to manage the risk?

Our fees for services are generally increased annually, taking consideration of the increases experienced in our cost base.

Our Deal Committee has oversight of our pricing policy, making sure that our pricing is correctly targeted.

Our strategy is to maintain and grow our differentiation of market-leading people, product and delivery, and these set us aside from our competitors, making us a compelling choice to ensure success in the kind of complex technology transformation projects where we operate.

Our Start and Simplification objectives are targeting more efficient implementations, further strengthening our competitiveness.

## Viability statement

### Assessment of prospects

Alfa is one of the leading providers of software to the asset finance industry and it is the Group's clear focus to increase its relatively small market share in this space by:

- Growing differentiation of market leading People, Product, Delivery;
- Focusing on cloud-hosted subscription sales to our target markets;
- Increasing our capacity for developing and delivering Alfa Systems
- Simplifying our product, implementations and processes to enable more concurrent Alfa implementations, more efficiently, with a higher margin;
- Developing partner ecosystem, to improve sales opportunities and enable more concurrent Alfa implementations; and
- Improving our offering for smaller asset finance providers as a platform for innovation and to increase reach.

During the year ended 31 December 2022, the Group generated profit before tax of £28.9m and, excluding the payment of £19.2m Special Dividends in the year, was cash-generative with net cash generated from operating activities amounting to £34.0m.

Taking into account the Group's current position and its principal risks and uncertainties as described on pages 41 to 45 of this Annual Report, the Directors have assessed the Group's prospects and viability.

### Assessment period and process

The strategy and business model as set out on pages 20 to 31 and 18 to 19 are central to an understanding of its prospects. These inputs provide a framework for assessing the Group's prospects and viability.

The three-year timeframe for assessing both prospects and viability is considered to be appropriate because:

- It reflects reasonable expectations in terms of the reliability and accuracy of operational forecasting models; and
- Projections looking out beyond three years become significantly less meaningful in the context of the fast-moving nature of the asset finance industry and the software and technology landscape.

The Group's prospects are assessed primarily through its annual planning process, led by the CEO with the CLT. All relevant functions are involved, including finance, sales, recruitment and resourcing, and commercial.

The Board participates fully in the annual process and has the task of considering whether the plan appropriately takes into account the external environment, including technological, social and macroeconomic changes, as well as the risks and uncertainties of the business.

The output of the annual review process includes the annual financial budget and an analysis of the risks which could prevent the plan from being delivered.

Detailed financial forecasts which include profit, cash flow and key financial ratios have been prepared for the three-year period to December 2025.

The first year of the financial forecasts forms the Group's 2023 budget and is subject to a reforecast process each quarter. The second and third years are prepared in detail based on the Group's three-year strategic planning process and are flexed based on the actual results in the first year.

### Assessment of viability

The Board's assessment of the Group's prospects, as described on this page, has been made with reference to current market conditions and known risk factors, as described in principal risks and uncertainties on pages 41 to 45.

The Board has considered the Group's financial performance in 2022, and the risk factors noted above, and considers that the key risks which could have a major impact the delivery of the Group's financial objectives are as follows:

- Socio-economic or geopolitical risks impacting conversion of the sales pipeline and/or spending by existing customers;
- Risks to people, teams and skills impacting our capacity to deliver services to customers;
- Currency exchange rate uncertainty; and
- Pressure on margins due to increased cost base, or through increased competition.

### Conclusion

It was determined that none of the individual risks would, in isolation, compromise the Group's viability. The Directors therefore reviewed the outputs of the alternative forecasts which were produced to model the effect on the Group's liquidity and solvency of severe but plausible combinations of the principal risks and uncertainties affecting the business.

Scenario 2 reflects the combination of all risk factors identified and is considered a 'worst case scenario'. The Directors consider that this scenario addresses the key risk factors outlined above.

Based on the current commercial outlook, Scenario 2 is considered extremely severe and has been prepared for the purpose of creating outcomes that have the ability to threaten the viability of the Group.

In the case of the crystallisation of such a scenario, the Group would be required to take some mitigating actions largely related to the level of headcount in the business, the level of partner usage and discretionary spending. In addition there are many other actions that could be taken to further minimise the financial impact and maintain liquidity to continue in operation.

Revenue and profitability are clearly affected in this alternative scenario. However, based on the Group's existing cash reserves, combined with incremental cost reduction measures, the business would retain sufficient cash reserves to continue in operation throughout the three-year forecast period, with the lowest cash balance modelled in this period of £15.6m (in Scenario 2).

Additionally, further downside stress testing has been performed which demonstrates that even in the most extreme downside conditions considered reasonably possible, given the existing level of cash held and the variable nature of the majority of the Group's costs, the Group would continue to be able to meet its obligations as they fall due over the period of assessment.

Whilst it is acknowledged that there is continued uncertainty over future economic conditions, based on the assessment of prospects and viability, the Directors confirm that they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2025.

### Scenario 1:

This scenario assumes significant reductions in conversion of sales pipeline and work for existing customers, with no growth in partner utilisation during the forecast period, resulting in a 31% reduction from base case revenues by 2025.

Employee retention rates reduced by 10% p.a. resulting in a 24% reduction in headcount from base case by 2025.

Direct costs relating to partner usage and cloud hosting services are significantly reduced in line with customer activity, and the level of salary inflation, bonuses and profit share are also reduced.

No other mitigating actions are required in this scenario, with other costs remaining in line with the base case and continued payment of annual ordinary dividends and share-buy backs as planned.

### Scenario 2:

This scenario assumes no conversion of sales pipeline as well as a substantial loss of customers including cancellation of two major ongoing implementation projects during 2022 and termination by a number of existing customers. This scenario results in a 47% reduction from base case revenues by 2025.

Employee retention declines by 20% from base case in this scenario but recruitment continues and no redundancies would be required; this results in a 41% reduction in headcount from base case by 2025.

Direct costs are reduced further than in Scenario 1 as well as additional reductions in operating and capital expenditure, in line with reduced headcount. Continued payment of annual ordinary dividends and share-buy backs as planned.

## Section 172 statement

### The Board of Directors of Alfa has always taken decisions for the long term, and collectively and individually our aim is to uphold the highest standards of conduct.

The needs of our stakeholders and the consequences of any decision in the long term are taken into consideration by the Board when making decisions. The differing interests of stakeholders are considered in the business decisions we make across Alfa, at all levels, and are reinforced by the Board setting the right tone from the top. In performing their duties during the year, the Directors have had regard for the matters set out in Section 172(1) of the Companies Act 2006.

This Annual Report includes examples of how the Directors have oversight of stakeholder matters and had regard for these when making decisions. This may be locally, regionally or functionally, by the Board or senior management, depending on the stakeholder. Where the Board does not engage directly with our stakeholders, it is kept updated so Directors maintain an effective understanding of what matters to our stakeholders and can draw on these perspectives in Board decision-making and strategy development. As the Board receives presentations and makes decisions, we ensure that the long-term impact on any of these groups is considered.

We periodically review which are our key stakeholder relationships and examine how we engage with them. We also consider ways to ensure that we maintain open lines of communication with those stakeholder groups and whether there are ways that the Board's engagement can be improved to help us operate more effectively.

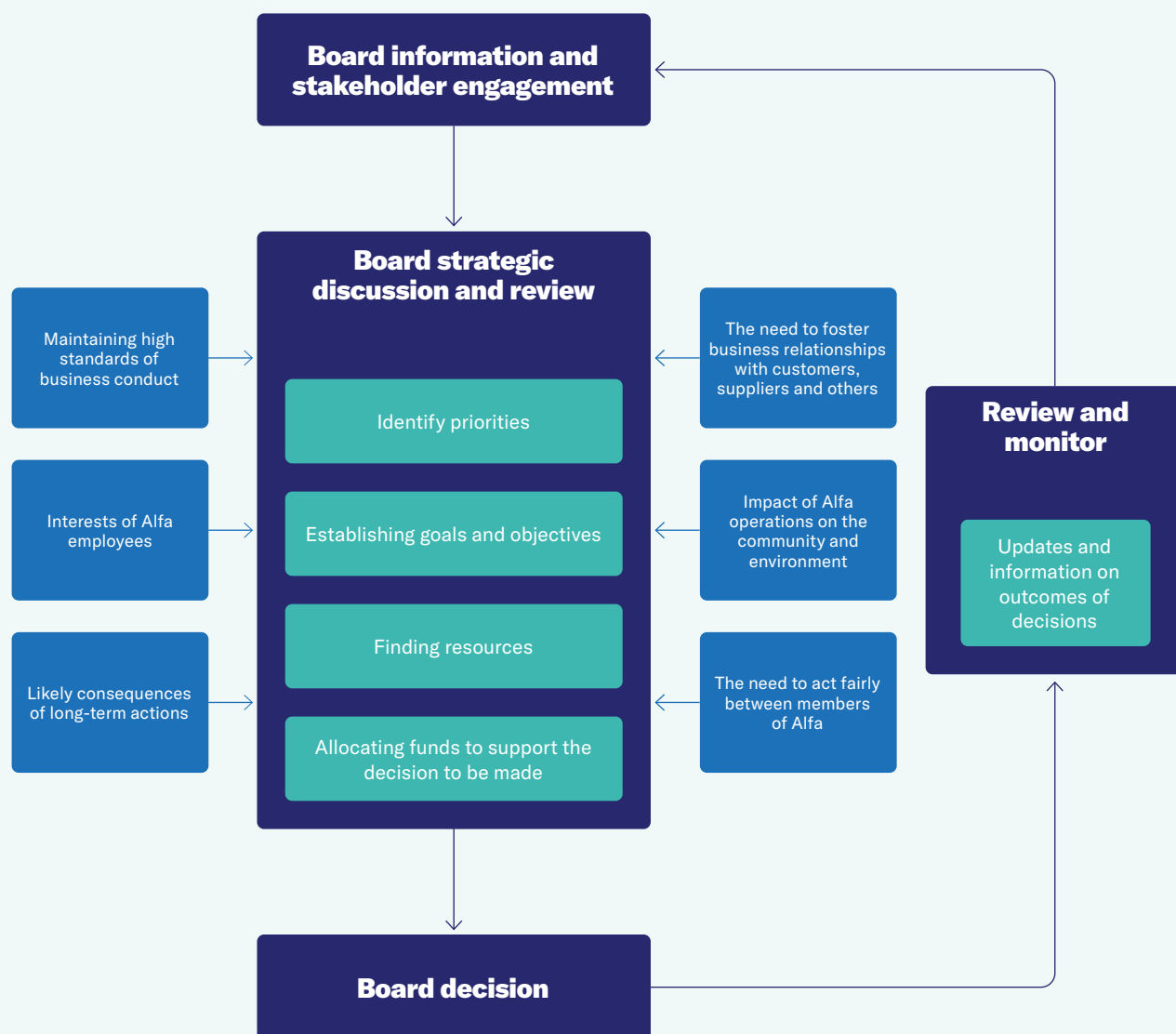
### Relevant considerations in Board decisions

In performing their duties during the year, the Directors have had regard for the matters set out in Section 172(1) of the Companies Act 2006. Examples of how the Directors have oversight of stakeholder matters and had regard for these matters when making decisions is included throughout this Annual Report.

Key	s172 consideration	Relevant disclosure	Pages
	The likely consequences of any decision in the long term	CEO review	12 to 15
		Business model	18 to 19
		Key performance indicators	32 to 33
		Financial review	34 to 37
		Principal risks and uncertainties	41 to 45
		Viability statement	46 to 47
		Engaging with our stakeholders	52 to 53
		Chairman's governance letter	71 to 73
		Board leadership and Company purpose	81 to 82
	The interests of the Company's employees	Board leadership: Board activities	83
		Directors' Remuneration Report	97 to 120
		CEO review	12 to 15
		Business model	18 to 19
		Key performance indicators	32 to 33
		Principal risks and uncertainties	41 to 45
		People	58 to 61
		Board leadership: Board activities	83
		Directors' Remuneration Report	97 to 120
	The need to foster business relationships with suppliers, customers and others	CEO review	12 to 15
		Company strategy	22 to 31
		Partnering	30
		Key performance indicators	32 to 33
		Engaging with our stakeholders	52 to 53
		Board leadership: Board activities	83
	The impact of the Company's operations on the community and environment	CEO review	12 to 15
		Principal risks and uncertainties	41 to 45
		Environmental, Social and Governance	54 to 69
		Task Force on Climate-Related Financial Disclosures	64 to 66
		Board leadership: Board activities	83
	The desirability of the Company maintaining a reputation for high standards of business conduct	CEO review	12 to 15
		Business model	18 to 19
		Key performance indicators	32 to 33
		Financial review	34 to 37
		Principal risks and uncertainties	41 to 45
		Engaging with our stakeholders	52 to 53
		Chairman's governance letter	71 to 73
		Board leadership and Company purpose	81 to 82
		Board leadership: Board activities	83
	Acting fairly between members	Engaging with our stakeholders	52 to 53
		Board leadership: Board activities	83
		Audit and Risk Committee	90 to 96








Our approach below sets out how the Board is supported in considering relevant factors that lead to the best course of action and long-term success of the Company.



Section 172 statement continued

The Board operates with consideration for the duties of the Directors, including the relevant matters set out in section 172(1)(a)-(f) of the Companies Act 2006. Specific examples of key areas of focus and considerations affecting the Board’s decision-making process during 2022 are set out below.

Key stakeholder groups considered

-  Customers
-  Employees
-  Communities
-  Partners
-  Shareholders

Approving a new Smart Hub in Portugal

s. 172 consideration



Stakeholder



What was the decision?

During 2022, the Board was asked to consider the establishment of a new Software Engineering Hub due to recruitment demands. As the business continues to grow, expanding and diversifying our recruitment reach is critical to the ambitions of our strategic objectives. A review took place to consider jurisdictions in which we currently reside as well as alternative locations outside of our existing footprint. Each location was evaluated in line with specific criteria, such as integration to the Alfa culture and ability to work collaboratively with the existing employees and customers. Following this evaluation, the Board approved the decision that the new Smart Hub would be established in Lisbon, Portugal.

How the Board’s engagement with stakeholders influenced the decision

Customers

The establishment of a Smart Hub in Portugal will complement the existing Software Engineering teams and ensure that customers see the increased speed of implementation and a significant benefit in the reliability of the service.

Employees and communities

Inclusion and diversity remains integral to Alfa. As such, an important consideration was the political ideology and human rights practices of each location. Existing employees are responsible for establishing the Alfa culture and developing the team appropriately.

Outcomes and impacts

The establishment of the new Smart Hub in Lisbon, Portugal. This provides access to a diverse population of experienced developers, with characteristics consistent with Alfa’s culture and values. This repeatable model gives us access to additional talent pools outside our principal engineering centre in London.

## Share buyback programme

### s. 172 consideration



### Stakeholder



### What was the decision?

During 2022, we reviewed the capital allocation of the Company, taking into consideration the need to continue to invest in our people and technology whilst maintaining strong liquidity. The Board discussed the appropriate alignment with the Group strategy and the consideration of our stakeholders. With this in mind, we announced an 18-month share buyback programme in January 2022.

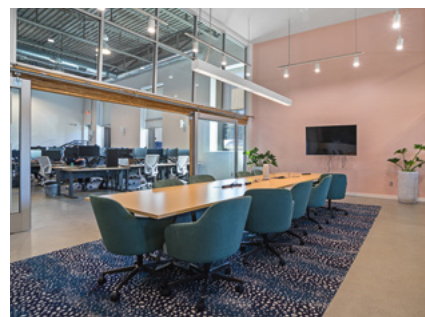
### How the Board's engagement with stakeholders influenced the decision

#### Shareholders

Due to the strong financial position and positive cash balance, the Board considered the return of capital to shareholders through the commencement of a share buyback programme. The future cash projections were considered to ensure that the Company continued to generate enough cash for future growth plans and excess cash be returned to shareholders.

### Outcomes and impacts

The ability of the business to manage its cash position in an effective way is clearly in the interests of all shareholders. The share buyback programme is in line with our strategy for long-term sustainable growth and delivering value for our shareholders, and the execution of this strategy will benefit all members. We have received positive feedback from shareholders in relation to the share buyback programme and the continued capital distribution, through special and year-end dividends.



## Engaging with our stakeholders

**The Board is responsible for leading stakeholder engagement, ensuring that we fulfil our obligations.**

**Our key stakeholders are those who influence or are affected by our day-to-day activities, these stakeholders groups have varying needs and expectations; our aim at Alfa is to engage effectively with all stakeholders, to develop and maintain positives and productive relations.**

**Engagement with our shareholders and wider stakeholder groups plays a vital role in Alfa's business. Alfa's key stakeholders are set out below:**

We believe that considering our stakeholders in key business decisions is not only the right thing to do, but is fundamental to our ability to drive value creation over the longer term.

In this section we identify our five key stakeholder groups and have provided an overview of their interests, their concerns and the ways in which the Board acted with regard to these groups when taking its key strategic decisions throughout the year, having regard (among other matters) to the factors set out in section 172(1)(a) to (f) of the Companies Act 2006. The Board will sometimes engage directly with certain stakeholders on particular issues, but the size and distribution of our stakeholders and of Alfa means that stakeholder engagement often takes place at an operational level, within the context of the Board's agreed strategy.

### Customers

**Our customers are central to our business and without them we would not exist. We aim to deliver our leading-edge technology making our customers future-ready.**

#### How the Board engaged

The CEO is actively engaged with many of our key customers and potential customers. He provides updates to the Board on key trends and emerging issues throughout the year. As part of the Board strategy session, the Board reviewed the customer needs and the extension of Alfa Systems into adjacent markets that could provide a broader offering to our existing and future customers.

Identifying our customers' needs, alongside changing market dynamics and regulations, allows us to identify opportunities for Company growth and to focus our product research and development such that it will produce innovative and functional solutions for the auto and equipment finance industry.

#### Outcome of engagement

Our customers have direct channels to engage with all levels of the organisation. Our customers have realised the importance of a truly digital environment and the flexibility that this provides for remote working. This has driven increased enquiries for new Alfa Systems and also for further development and hosting services from existing customers. This has led to discussions in the Board as to how use of partners can help provide a more flexible quicker response to customer needs.

We continued to build on our long-term relationships with our customers. This is key to developing our leading-edge technology and hosting services, increasing customer loyalty, which in turn enables us to win new business. The approval of the new Smart Hub in Portugal will complement the existing Software Engineering teams and ensure that customers see the increased speed of implementation and a significant benefit in the reliability of the service.

#### Engagement in 2023

Looking ahead, the Board will oversee that our systems continue to evolve to meet the needs of our customers, and that we take advantage of our leading-edge technology and hosting services. We will continue to explore new business methods and how we can innovate new technologies to improve the customer journey and develop our ongoing relationships with customers.

### Employees

**Listening to our talented employees, being flexible, supportive and inclusive, are our routes to growing and retaining Alfa's talent pool, enabling us to deliver against our strategic priorities and develop our people.**

#### How the Board engaged

Employee engagement remains a key priority for the Board. During the year, Vicky Edwards, the Chief People Officer, attends Board and Remuneration Committee meetings to provide updates on people and talent initiatives. Matthew White, the COO, updates the Board with a HR dashboard, highlighting key statistics and reviewing employee survey results at each Board meeting.

In 2022 we continued to hold online events for employees to provide feedback, hear plans and make suggestions to the Company Leadership Team (CLT) and the Board. Outside these forums, feedback is always encouraged and communication is welcomed by all.

#### Outcome of engagement

We have a strong culture at Alfa and we are proud that our people are highly engaged, supportive of each other and of the organisation's aims. We have focused on keeping colleagues connected with events and communications, enhanced some of our family-friendly policies and rolled out various wellbeing and career development initiatives in response to need and the world around us, balancing changing rules and periods of working from home with offices re-opening. We continued to support all employees through 2022, and have been able to successfully on-board new employees remotely, supporting them with funds for their home set-up.

#### Engagement in 2023

We will maintain our commitment to diversity and inclusion, keeping this front of mind when making decisions. Internal communications will be enhanced to consistently align with Alfa's strategy and core themes, providing clarity and focus. We will continue to listen, learn and respond as we move to smart working.



## Communities

**We have a responsibility to use our expertise and resources to add value to the communities in which we operate. Our intention is to reduce our impact on the environment wherever possible. We also have active internal communities – employee-led groups that are safe spaces for colleagues to promote issues, support each other and contribute to organisational change.**

### How the Board engaged

The Board supports employees and endorses contributions to wider communities with time and expertise. Fundraising is matched by the Company and paid volunteering days are encouraged. Our internal communities are supported and given resources for events and initiatives which are managed by our communities. Each community is sponsored by a member of the CLT and events are promoted Company-wide.

### Outcome of engagement

Our ESG Steering Group, made up of members from across the business globally and including our CFO and CPO, meets monthly to focus on goals, report and record progress and to support the direction of Alfa's employee-led Communities. The CEO has ultimate responsibility to the Board for all ESG matters. Support has been given to carbon-offsetting projects and investment has been made into external consultancy for ESG measurement and guidance. We continue to fundraise for charities and support causes close to our colleagues' hearts.

### Engagement in 2023

Looking ahead, the Board is committed to driving ESG initiatives further forward. We will review goals and a formal strategy will be embedded in 2023. Roles and responsibilities for the ESG Steering Group and ESG work will be defined and communicated. Action will be taken to accurately measure Alfa's carbon footprint and strengthen reporting in this area. We will continue to support our internal and external communities and use our corporate voice responsibly wherever we can.

## Partners & suppliers

**Building trusted partnerships and developing relationships with suppliers through ongoing dialogue helps us to better understand the needs of our partners and to develop and improve our offering.**

### How the Board engaged

The Board receives reports on how we have worked with our partners throughout the year, with a focus on key commercial events. These have evolved as the year has progressed with an increase in in-person internal conferences across the business. The Board considered how we can build and improve on our existing commercial partnerships when discussing strategic opportunities during the Board Strategy sessions in July 2022.

### Outcome of engagement

Executive Directors are involved directly with partner senior management and provide regular updates to the Board on key partner developments and issues. The Board supports the continuing development of our partner training and learning programme, which aims to deliver a comprehensive training schedule including Alfa Systems training, our delivery methodology and simulation based implementation workshops. The Board supports continued scaling of our existing partnerships as well as extending our partner ecosystem to strengthen our coverage in core markets.

### Engagement in 2023

We will continue our engagement with our commercial partners, ensuring we are adapting to their needs in this changing environment.

Our partnership programme is an important part of Alfa's long-term growth strategy. We aim to develop our partner ecosystem to increase Alfa's operational capacity and sales opportunities.

Alfa will launch its Supplier On-Boarding process as well as its Procurement Policy & Procedures to be effective from early 2023. This will ensure the suppliers we choose to work with share our values, in particular those in relation to ESG, as well as meeting our compliance and due diligence requirements. These procedures will help to provide clarity and guidance when engaging with potential new suppliers.

## Shareholders

**The Board places great importance on having positive relationships with all shareholders and seeks to ensure there is an appropriate and constructive dialogue with investors.**

### How the Board engaged

We conduct extensive engagement with our institutional investors throughout the year. Shareholder engagement primarily is the responsibility of the CEO and CFO, who develop and manage Alfa's external relationships with investors and analysts.

The Board receives regular updates on investor communication activity, changes to the shareholder register, analysis of share price performance and particular investment themes such as environmental, social and corporate governance. During the year, the Board received an in-person presentation from our joint corporate brokers.

We were delighted that we were able to hold an in-person AGM, with shareholders invited to attend physically and remotely in 2022. An invitation was included in the Notice of Meeting for shareholders to ask questions in advance of the meeting. At Alfa's AGM, all Board Directors are present, which provides a key opportunity for the Board to engage with shareholders and for shareholders to vote on the resolutions put to them.

### Outcome of engagement

The Board considers information from across the Company to help it understand the impact of its decisions, and to consider the interests and views of our key investors. We have built constructive relationships with our top shareholders at multiple levels within the organisation, including the Chairman, CEO and CFO. Our Investors understand the strategy that underpins our future growth plans and are keen to engage with regard to financial and operating performance of the business.

### Engagement in 2023

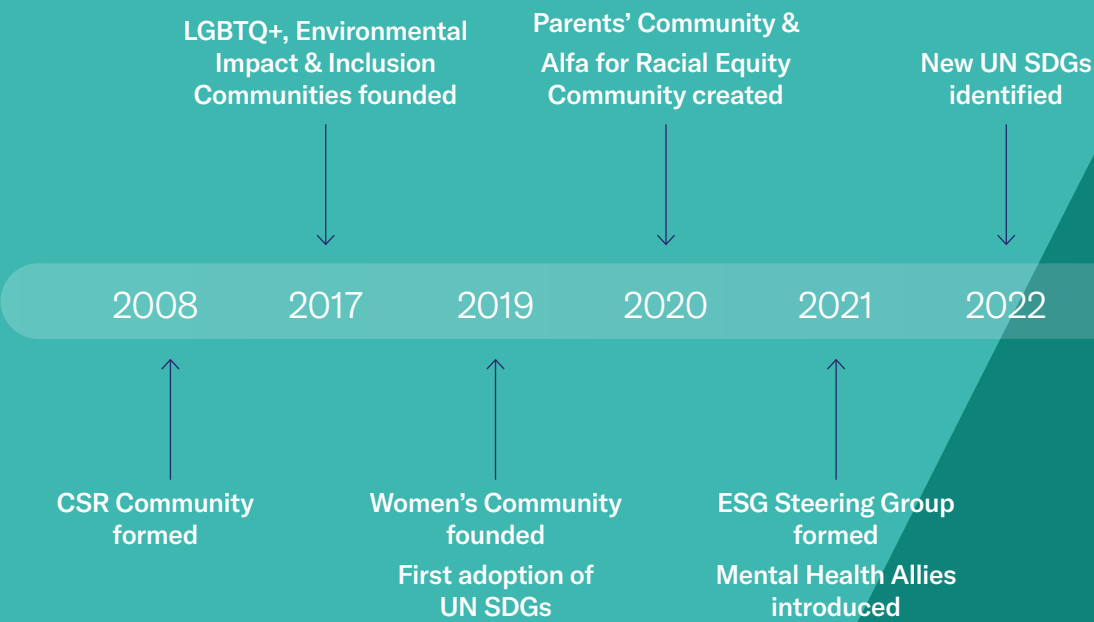
We will continue to engage with our shareholders throughout 2023. We are provisionally planning to hold another investor day in 2023.

## Environmental, Social and Governance

The Environmental, Social and Governance pages of our report are filled with the good things we do for our People, our Planet and our Product. ESG activities are part of daily life at Alfa – colleagues get involved because they want to. Alfa offers support and time for everyone to engage in these passions and initiatives.

In this section we'll share details of our celebrated Employee Resource Groups (Alfa's Communities), delve into the huge number of People projects that we undertake, look at our impact on the environment and what we're doing to reduce carbon emissions, provide reports and insight from various areas, and reflect on a year of ESG activities – all under the umbrella of the United Nations' Sustainable Development Goals we have chosen to align with.

### Alfa's ESG timeline



### Alfa gender balance

	Male	Female	Non-binary
Board of Directors	87.5%	12.5%	0.0%
Senior managers	81.0%	19.0%	0.0%
Employees	68.0%	31.5%	0.5%

Alfa gender balance is captured through voluntary and confidential self-disclosure.



## Alfa and the UN Sustainable Development Goals

Our ESG Steering Group, made up of members from across the business globally and including our Chief Financial Officer and Chief People Officer, meets monthly to focus on goals, report and record progress and to support the direction of Alfa's employee-led Communities. Terms of Reference were established for this group in 2022.

In the summer of 2022, we carried out a comprehensive review of how we can continue to align with and support the UN Sustainable Development Goals, having originally adopted the goals back in 2019.

We held workshops and assessed how relevant each SDG was to Alfa in terms of our current business objectives, the challenges we face, and our ability to have an impact. Aligning with the UN SDGs helps us focus our efforts and work towards common successes.

We decided to align with five core SDGs. Although these are five separate goals, there is a lot of crossover between them and we aim to foster initiatives which support multiple goals.



### Achieve gender equality and empower all women and girls.

What are we doing to shake up the gender split in a traditionally male-dominated sector?

➔ Find out more about our efforts in this area and see our Gender Pay Gap reporting on page 60



### Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

How can we open our doors more widely to more diverse groups, and encourage creativity and brilliant ideas in our work?

➔ Find out about Alfa Work Experience on page 69



### Reduce inequality within and among countries.

What are we doing to share our expertise and use our privilege to help others?

➔ Find out more about initiatives we're undertaking to reduce inequalities on pages 58-61



### Ensure sustainable consumption and production patterns.

How are we reducing waste and being more mindful about the way we dispose of our equipment?

➔ Find out more about our responsible consumption choices on pages 62-69



### Take urgent action to combat climate change and its impacts.

How are we reducing our negative impact on the planet and tackling the climate crisis?

➔ Find out all about our efforts towards fighting climate change on pages 62-67

## Materiality

In addition to the SDGs outlined above, our ESG Steering Group also decided to focus on the key areas identified by SASB as materially impacting the software industry: Energy Management, Customer Privacy, Data Security, Employee Engagement, Diversity & Inclusion, Competitive Behaviour and Systemic Risk Management. By combining these areas of materiality with our chosen SDGs we ensure our ESG efforts have the correct focus.



## Environmental, Social and Governance continued

### Alfa's Communities

**We call our Employee Resource Groups 'Communities' at Alfa and we've got eight of these vibrant affinity groups leading the way in raising awareness, educating colleagues, supporting each other and making a positive impact on life at Alfa. Alfa Communities are people-powered – full of passion and energy!**

#### Alfa for Racial Equity Community

Known to friends as 'AFREC', this community group was created to foster an environment conducive to racial diversity at Alfa through recruitment, retention and development of racial minority colleagues, working with allies to instigate positive change, internally and externally.

During Black History Month, social talks took place on subjects including 'The hidden cost of Black hair – a one trillion USD industry'. The community also ran a raffle which raised £2,840 for the Stephen Lawrence Day Foundation. Hispanic Heritage Month was used as an opportunity to share interesting blogposts. 'Come Dine With Me...' office lunches have been organised during the year, featuring world cuisines such as Caribbean, Greek and Filipino dishes, and are always popular!

AFREC were also behind the launch of Alfa's first Work Experience programme this summer at Alfa HQ. The community also hosted a workshop with Codebar. The charity facilitates the growth of a diverse tech community by running free regular programming workshops for minority groups.

In 2023 AFREC will continue its amazing work with celebrations for Chinese New Year, replication of various UK initiatives in our US and AsiaPac offices, Insight Days with Cambridge Brown Girl Link Up and produce some internal podcasts.

#### LGBTQ+ Community

Aiming to represent the collective voice of LGBTQ+ colleagues, encourage a safe and inclusive working environment, and collaborate with our allies to inspire positive change amongst our wider communities, Alfa's LGBTQ+ community lays on great events for colleagues. This active group drove the creation and implementation of Alfa's 'Transitioning at Work' policy.

The community has contributed to the Stonewall Workplace Equality Index to identify gaps in our LGBTQ+ inclusivity, and is working with Stonewall to fill these. We have also enjoyed a partnership with Minus18 (an LGBTQIA+ Charity in Melbourne, Australia) this year.

Members of the group have featured in Alfa's new internal podcast, in special episodes including one sharing information on the history of Pride month.

During Pride month, our offices were adorned with rainbows and events were held including hosting The Leasing Foundation's first in a series of LGBTQ+ Company Showcase events. This event was followed by our annual 'Pimm's my Pride' social with drinks, pizza and games, which are always popular.

Next year the community will record more podcasts, attend the Student Pride Careers Fair and arrange social talks for LGBTQ+ History Month and other occasions.

#### Women's Community

The Alfa Women's Community membership is not just made up of women – gender diversity affects us all. This group is striving to build an environment with equal representation of women by providing a support network of allies to encourage gender diversity in Alfa and across the industry.

On International Women's Day, we launched our first 'employee stories' – insight into individuals across the business – focusing first on some of our female talent.

During Breast Cancer Awareness month, our Women's Community turned our intranet pink and raised awareness of the importance of early detection of breast cancer with pink cupcake events in all our offices. We were proud to make donations to breast cancer charities too.

Alfa's Women's Community provides support with our presence at events such as Bright Network's Women in TEC and STEM Women Technology Careers events and they have launched an exciting new mentor programme.

In 2023 the community will focus on International Women's Day and Ovarian Cancer Awareness, as well as continuing to support the mentor scheme and many more initiatives.

#### Parents' Community

Originally formed in the depths of the pandemic lockdowns, the Alfa Parents' Community is a safe space for parents and carers to support and advise each other, share tips and even some of the frustrations and challenges that come with parenthood.

This group has contributed to enhanced family-friendly policies at Alfa and shares materials that cover subjects such as achieving a healthy work-life balance, fun learning resources, events and personal experiences that might help out a fellow parent. One of our podcast episodes this year involved collaboration with our LGBTQ+ Community, with members from both groups sharing stories of coming out and

➞ Find out more about Alfa Work Experience on page 69



how to support young people that might have questions around gender and sexuality.

Next year they will arrange more social talks and are planning to create a Parenting space on our intranet to ensure all family friendly policies are easily accessible.

## Inclusion Community

Alfa's Inclusion Community champions inclusion, diversity and belonging across the whole Company. We have ambitious goals to work on diversity and inclusion as an organisation and this community supports all our initiatives and challenges our thinking.

Members of this group played an important role in the development of our first Inclusion & Diversity Charter – in which we lay out all the ways in which we can make sure we respect, celebrate and draw on each other's different perspectives, skills, knowledge and backgrounds. We're launching the first of a new annual Diversity, Equity & Inclusion global survey imminently, and the feedback we receive will be invaluable in informing our next steps when it comes to bolstering our sense of community and belonging at Alfa.

This group continues to lead the 'Reading for Change' initiative: a company-wide book club encouraging a culture of learning and positive change at Alfa, surrounding diverse and intersectional identities, abilities, cultures, and ethnicities.

## Environmental Impact Team

The main goal of Alfa's Environmental Impact group is to promote environmentally friendly practices in the workplace, with a longer-term goal of ensuring Alfa complies with the Paris Agreement to keep the global temperature rise to well below 2 degrees Celsius above pre-industrial levels. This team drives real change with our carbon emissions measurement and policy enhancements to encourage greener living.

This group, along with our Social Impact team, was the driving force behind this year's review and selection of five new UN Sustainable Development Goals, for us to align our ESG activities with. They're the creators of 'The Greenhouse' – an intranet

group sharing green ideas and resources for colleagues to get involved with.

Most recently they have launched a refill station for household cleaning and hygiene products, which colleagues can use in our London office. We're hoping to roll this out to our offices worldwide soon.

This energetic team also organised and encouraged involvement in volunteering opportunities such as canal clean-ups and 'plogging' – litter-picking whilst jogging in local green spaces!

➔ [Find out more on pages 62-69](#)

## Social Impact Teams

Our Social Impact Teams do great things to partner with charities and raise awareness of volunteering opportunities and other things we can all do for good.

They lead the way with establishing our great relationships with charities – this year linking with our new EMEA charity partner The Food Foundation, having supported The Climate Coalition until September 2022. In the US and AsiaPac they are working to launch new charity partnerships in early 2023, having supported Feeding America (US) and Indigenous Literary Foundation (AsiaPac) throughout 2022.

Globally they actively seek out local opportunities to make a difference. In the US we are proud to be working with Adopt a Family to donate, wrap and deliver gifts to families in need over the holiday season.

A focus for next year will be to establish defined roles and add new members to the Social Impact Teams in efforts to increase the amount of initiatives that can be undertaken throughout the year.

## Mental Health Allies

Our Mental Health Allies share regular updates and resources with colleagues, supporting everyone with all aspects of mental wellbeing.

We have a network of trained Mental Health First Aiders that cover all our regions and are a point of contact for colleagues who are experiencing a difficult time or emotional distress. Mental Health First Aiders are trained to listen in confidence and are able to confidently signpost to appropriate support, both internal and external. No matter their time zone or location, Alfa has a Mental Health First Aider to help our colleagues.

Social Talks with external professionals have been arranged to mark occasions such as World Mental Health Day. The useful advice and resources shared by our Mental Health Allies sensitively cover topical themes that support us all.

Next year this group will focus on collaboration with other communities, linking the impacts of mental health to the concerns of those groups. They will continue their efforts to reduce mental health stigma in the workplace.



## Environmental, Social and Governance continued

### People

**This year Alfa grew to a combined workforce of 441, with 104 appointments made during 2022.**

**Diversity is encouraged and valued in Alfa's global workforce. We aim to employ, retain and develop employees for the long term, offering professional development alongside that of our culture and values.**

**Throughout 2022 we worked hard on various initiatives to support our people and our working environment.**

### Inclusion & Diversity

We are passionate about providing an inclusive workplace that promotes and values diversity. All our employees should be able to bring their best and most true selves to work.

This year we ramped up our Inclusion & Diversity efforts with the creation of a new intranet hub, laying out our pledges and tracking progress against various elements of our I&D charter.

- We launched Flexible Cultural Days – allowing our people to swap in and out of national public holidays that might not match their particular values, beliefs or heritage. This will be expanded in 2023.
- We added a 'Belonging' question to Pulse surveys, for direct feedback on how we're doing.
- We held social talks, took part in panel discussions and published blog posts on the subjects of inclusion and diversity.
- We launched 'Inclusive Leadership Training' for CLT members and made shared objectives for the CLT to sponsor communities.
- We launched 'Inclusive Recruitment Training' to support our graduate recruitment, including Unconscious Bias training for everyone involved in interviewing.
- We officially launched smart working with accompanying support for individuals, teams and managers.

- We created a 'Transitioning at Work' policy and updated our HR systems to include an 'Mx' option. Parental leave policies also now reflect same sex relationships.
- We launched an initiative to encourage sharing of ethnicity in our HR system to enable us to proactively report Diversity Pay Gap data.
- We purchased Textio, a workplace language guidance tool, to scan recruitment text for advice on social bias.

We have seen improvements in the racial diversity of candidates who apply for our graduate programme. Of all applications submitted to our 2021 programme, 50% were submitted by candidates from an Asian, Black or mixed background. This increased to 54% for our 2022 programme.

We have seen greater gender diversity at more senior levels of the organisation. 24% of senior management (Grades F+) positions are held by women as at December 2022, an increase from 12% in July 2022.

We are also seeing improved race/ethnicity diversity in joiners to the Company. Of new joiners between Jan-Dec 2022 (of those who have declared their race/ethnicity) 59% were from a non-white background, an increase from 51% in 2021.

### Wellbeing

We continue to invest in wellbeing and regularly review our benefits offerings and work-life balance of our teams and offer up a host of resources and tools to support wellbeing – with an increased focus now that we operate a hybrid 'smart working' model.

Along with enhanced paid carer leave allowance, access to physical, mental and financial advice and assistance via our Employee Benefits platform, and working from home contributions, we have continued to grow our internal network of trained Mental Health First Aiders.

In 2021 we launched Gympass and Peppy health (in the UK), providing support for menopause, fertility and new parents. 2022 saw us also launch Peppy's new Peppy Men service.

### Culture & Events

Our culture remains one of the things we're most proud of at Alfa. Our vision is to grow our company size naturally but grow our impact rapidly – retaining the underlying culture that makes Alfa such a great workplace.

In the final quarter of 2022 we achieved our highest ever overall engagement score in our global Pulse survey: 84% engagement. We also reached 84% in September 2015. The Q4 2022 survey also saw 63% participation, the highest in three years.

In this final employee survey of the year we saw an increase in the 'I feel valued for my contribution' score, at 66%, up from 63% in Q3 2022. We tracked an increase in the 'Alfa has strong leadership and top-level direction' score, at 72% in Q4 2022, up from 69% in the previous quarter's survey.

A programme of events throughout the year has kept colleagues engaged and feeling included, with the move to smart working and some of the challenges hybrid and remote working can present.

Our 'In Conversation With...' series has continued – with global colleagues dialling into video conferences with guests including some of Alfa's valued clients.

These events give us a great opportunity to ask questions and get insight from different angles.

The 2022 US Company Conference was held in San Francisco in June. A great opportunity to get the whole team together, following business content, attendees enjoyed exploring the city with a range of activities on offer.

The AsiaPac September 2022 Conference was held separately in Queenstown and the Gold Coast in New Zealand and Australia respectively. A single meeting via Zoom was held across both regions to connect the teams.

Also in September, our EMEA conference took place in Windsor, UK. This was another fantastic event with workshops and networking opportunities galore.

Our Summer Festival gave a chance for colleagues to bring family and friends together to enjoy activities in the sun in one of London's parks.

As ever, our events teams continue their inclusive calendar of enriching events including fascinating social talks on a range of topics and organise well-received giveaways such as advent calendars and branded goodies.

We also continue our focus on innovation at Alfa. We see huge value in hosting a regular schedule of innovation days and Hackathon events several times a year, for employees to work on any aspect of Alfa, from product to people.

## Feedback

We take feedback seriously at Alfa and in line with our continued desire to promote inclusion and diversity, and our commitment to improve and communicate channels for providing anonymous feedback in all areas,

this year we have lined up and shared our feedback routes with all colleagues.

- Direct support from HR, managers, CLT members and Board members is actively encouraged as a first step.
- Our quarterly Pulse Surveys give a completely anonymous channel for rating how we are doing, as well as the freedom to write questions and suggestions. We use an external tool, CultureAmp, to guarantee anonymity and help crunch the data. We publish the scores and highlights soon after response deadlines, then the Pulse Review Group discusses questions raised at length – to ensure we have considered and understood all perspectives and involved the right people – before we share our answers on those too.
- Town halls are held every few months and are a chance to speak directly to the CLT. These take place online and in-person.
- Anonymous support is also available to those not comfortable communicating directly or using the above routes.

## Learning & Development

Investing in a new Learning Management System (LMS), this year we launched our new tool, packed with support and resources for self-learning, formal training and a host of other development opportunities. Everyone at Alfa gets five days a year to use on learning and development.

At the end of 2022 we have a total of 103 course offerings on our LMS. 41 of these are digital courses. 10 of these are downloadable lessons. Content has been co-curated by learning specialists and Alfa's in-house experts in various fields.

- We have focused on Management Development resources and approaches.
- Our Women's Community launched a Mentoring Scheme. We have also partnered with upReach to provide mentors to their students through their mentoring programme.
- We have redesigned and improved our Onboarding & Induction processes.
- We continue to focus on talent development across the business, providing more opportunities for progression and personal growth ownership.

## Using our Corporate Voice for Good



Alfa's annual Pimm's My Pride event.

Alfa's Chief Executive Officer, Andrew Denton, takes ESG, inclusion and diversity seriously inside and outside Alfa.

He is Director and joint founder of the Leasing Foundation, supporting the leasing and auto and equipment finance industry through charitable activities, research and development.

Andrew is an Advisor to The Women's Association, boosting gender equality in the corporate world, and he is a proud member of the Board of Trustees for Professors Without Borders, bringing top-level educators and global experts to the doorsteps of students worldwide.

## Recruitment & Retention

We ended 2022 with retention at 90% across the business. Smart (hybrid) Working came into full operation in 2022 and we've supported teams all year with this new way of working, with a particular focus on supporting managers with hybrid team management.

A complex project to launch Workday Recruitment, streamlining recruitment processes via our existing HR platform, came to fruition this year. The new applicant tracking system (ATS) supports the entire recruiting lifecycle in one seamless system. From configurable job requisitions, to candidate management and real-time communication and feedback, Workday Recruiting helped us with true visibility and collaboration across the entire talent acquisition process.

A significant moment for the business was the launch of a new Software Engineering Smart Hub in Lisbon, Portugal. The initiative has started successfully with a group of local engineers already onboarded and, as part of our engineering team, working on our product backlog. We will continue our recruitment into 2023.

The launch of Alfa's new website in 2022 provided the opportunity to revamp our Careers pages with great new content featuring more of our people and our culture. We commissioned an employer brand film which contains footage from all our offices and helps our personality to shine.

Throughout the year we shared Employee Stories – interesting snippets from individuals in different roles and varied locations – both internally and externally, helping to give more insight into our roles and our diverse talent.

In 2023 we will continue to raise the profile of Alfa as an attractive employer, with campaigns planned around the opportunities we have for secondments and other content such as our suite of supportive benefits.

## Vicky Edwards Chief People Officer, Alfa Financial Software



**“2022 has seen Alfa grow in many ways – we have delivered a number of exciting People projects with many more underway as we look ahead to 2023. We continue to work hard on things that really matter to our colleagues, such as inclusion, diversity, equity, development and all things ESG. These are the priorities that really underpin our special culture.”**

## Gender Equality

The gender pay gap analysis provided here is based on UK data as at 5 April of each year and this report reflects the data collected and analysed as of 5 April 2022.

### Statutory Gender Pay Gap (GPG) Reporting

#### Gender Pay Gap %

	2022	2021
Median Pay Gap	<b>26.0%</b>	15.3%
Mean Pay Gap	<b>17.8%</b>	15.1%

#### Gender Split in pay quartiles

	2022		2021	
	Female	Male	Female	Male
1st Quartile (Lowest)	<b>47%</b>	<b>53%</b>	49%	51%
2nd Quartile	<b>32%</b>	<b>68%</b>	24%	76%
3rd Quartile	<b>19%</b>	<b>81%</b>	22%	78%
4th Quartile (highest)	<b>19%</b>	<b>81%</b>	23%	77%
<b>Total</b>	<b>30%</b>	<b>70%</b>	29%	71%

#### Bonus Gap %

	Median Bonus Gap		Mean Bonus Gap	
	2022	2021	2022	2021
Bonus Gap	<b>31.0%</b>	29.3%	<b>38.1%</b>	37.7%

#### % men and women receiving a bonus

	2022		2021	
	Female	Male	Female	Male
Alfa	<b>73%</b>	<b>80%</b>	71%	75%



Our gender pay and bonus gap data is influenced by the composition of our workforce, as a result of being a technology organisation, as well as changes to our employee population which is impacted by new joiners, leavers, organisational change and global secondment opportunities. As a result, we have seen year-on-year fluctuations in our pay gap figures.

Our analysis shows that we have more men than women at all levels of the Company, which is reflective of the overall challenge faced by the wider UK industry where typically fewer women are drawn to technology and STEM related disciplines. In particular, the Company continues to recognise that there is a higher proportion of women in business and support function roles in comparison with technology roles, a reflection of the ongoing challenge faced by the technology and STEM industry in general.

Our mean gender pay gap has increased from 15.1% in 2021 to 17.8% in 2022. We have also observed an increase in the median pay gap from 15.3% in 2021 to 26.0% in 2022. As has been observed and reported in previous years, the ratio of females to males at more senior grades and the number of women excluded from the pay data set (i.e. due to maternity leave, sabbatical) are key factors contributing to Alfa's gender pay gap.

Whilst we are actively hiring more women into the business year-on-year, these new joiners are often hired into positions at lower grades (e.g. graduates), which therefore makes the gender pay gap more difficult to influence in the shorter term.

## Award Winning

We were proud to be recognised with various awards and shortlistings this year. Our work is always ongoing, but it's important to take stock and celebrate our successes along the way.

- UK Most Loved Workplace – ranked #4 in Newsweek's Top 100 Most Loved Workplaces in the UK.
- Investors in People – Gold accreditation.
- Investors in People – shortlisted for the Award for Diversity & Inclusion.

- Reward Gateway – finalists for an Engagement Excellence Award in the category: "Change Leaders – Best Diversity, Equality and Inclusion Strategy".

## Giving Back & Volunteering

Part of our people power at Alfa is channelled into helping in local communities and with charity partners that can use our expertise. Everyone receives three days a year towards volunteering.

### Change Please baristas

Change Please operates in eight countries, have trained 500 baristas with over 85% going on to find ongoing employment, and provided 5,000 nights of accommodation through fundraising. 100% of Change Please profits fight homelessness. After their initial academy training, baristas are given three months' work experience, traditionally in one of Change Please's cafés in London.

Moor, our London office cafe, is now one of the cafés adding to their safe spaces for baristas to gain more experience, build up their CVs and hopefully open up more future job opportunities. We have worked with trainee baristas on rotation in order to provide as many people as possible with experience.

### Code Your Future volunteering

Alfa's volunteering scheme has provided our colleagues with the opportunity to volunteer with Code Your Future, an organisation dedicated to helping refugees and those on low-incomes start great careers in tech.

### Partnership with UpReach

Alfa has an established partnership with UpReach. They work to facilitate programmes for those from less-advantaged backgrounds to access and sustain top graduate jobs. So far, Alfa employees have provided direct support to students in terms of career coaching, mock interviews and more.

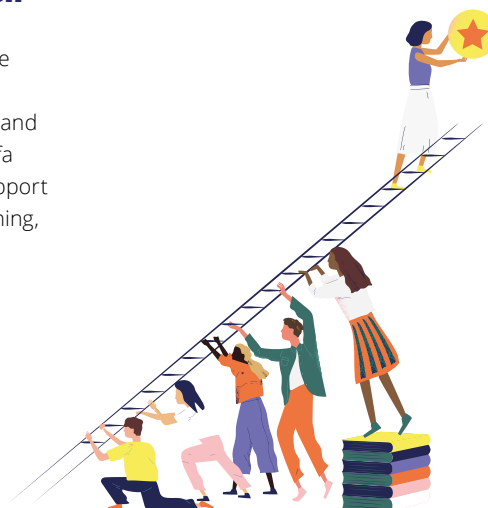
## Charity support

Across Alfa, the total charitable donations from all regions (from both the Company and colleagues) amounted to £40,187.

We took advantage of the opportunity to donate Apprentice Levy funds this year – choosing to partner with an organisation that aligns with our UN SDGs. The Growth Company generates investment, helps to upskill and place hundreds of thousands of people in work or progress their careers, and has worked with tens of thousands of businesses to start, grow, internationalise and become more environmentally sustainable. We donated 25% of our Apprentice Levy fund to The Growth Company in 2022.

The festive period is always a busy time for ESG activities and our people got behind campaigns to donate to Hackney Foodbank in the UK, donate to Save the Children alongside Christmas Jumper Day and several families were 'adopted' over the holiday season by our US teams, who pulled together to buy presents and treats for the deserving households.

Around the world our colleagues get involved in a plethora of other volunteering opportunities, including canal cleanups, helping at the National Trust, training for Essex Search & Rescue volunteering, supporting school PTA events, wildlife conservation in the Greater Kruger, serving at soup kitchens and doing jobs at Spitalfields City Farm.



**Alfa's Environmental Policy includes a commitment to continue to engage and educate employees and other stakeholders on the importance of sustainability, and encourage sustainable activities.**

**Alfa's Chief Financial Officer, Duncan Magrath, is ultimately responsible for our Environmental Policy and climate change issues. One of the aims of our Environmental Policy is to carry out our business in a manner that minimises our impact on the environment. The Chair of the ESG Steering Group, Grahame Williams, oversees all initiatives which derive from this policy as they are put into action. The Environmental Impact Team, a group of volunteers from all levels of the Company, is responsible for the execution of organised activities and the monitoring of standards established to ensure adherence to our environmental goals.**

### **Electricity**

Alfa sources our electricity from renewable energy providers. During 2022, 100% of Alfa's UK electricity was sourced from renewable sources.

In owned data centres, our provider has noted that 94% of our energy utilisation was from renewable energy sources. Alfa also uses data centres operated by a third party, AWS Cloud Computing. AWS is committed to powering operations with 100% renewable energy by 2025.

Our office in Australia has an energy contract that includes a 'Renewable Matching Promise'. Every unit of electricity bought is matched by the generation of a unit of electricity from a renewable source.

### **Charity Partnership with Climate Coalition**

The Climate Coalition was our official charity partner in EMEA for 2021/22 and we engaged in a wide range of events and fundraising activities with them. The Climate Coalition aims to bring people from all walks of life and organisations with different goals together to collectively call for climate action. We plan to continue to engage with the Climate Coalition in the future, even though our official charity partnership has come to an end.

### **Alfa's Carbon Footprint**

We are working with EcoAct to produce a plan to reach net zero using a Science-Based Targets approach. Once we have reduced our carbon emissions, we will then offset any emissions that we're unable to eliminate completely from our operations.

### **Engaging Ecologi**

One of our Company objectives for 2021 was to reach carbon neutrality as an organisation (an interim solution while we work on the net zero plan referred to above). We looked at various options and eventually worked with Ecologi for credible, impactful offsetting projects to support. Carbon offsetting is only a credible tool when used alongside emissions reduction strategies, which we are beginning to implement where possible.

### **Office environment**

2022 saw the introduction of a 'refill station' in our London office, helping to reduce consumption of single-use plastics. Colleagues can bring containers to refill with commonly used household products including hand soap and washing up liquid. We're looking to introduce a similar scheme in the US.

We partner with bio-bean, to renew our used coffee grounds, we have installed organic food waste compost bins, and office cleaners use eco-friendly cleaning products. Alfa's London office has achieved an 'excellent' rating under the BREEAM In-Use certification for 2022/23.

### **Laptop recycling and donations**

Our Technical Operations team helped us to donate some of our old laptops to local schools during the pandemic. At Alfa, we generally refresh laptops on a three-year cycle. This year we had a number of high-spec laptops of around three years old that were fully depreciated and awaiting disposal. Recycled and fitted with a new hard drive, we were delighted to donate these to local schools.

We also partner with KOCycle to support the repurposing of IT assets globally, to help reduce landfill and support a circular economy.

In 2022 KOCycle collected 495 mixed assets (a variety of devices and equipment) from Alfa offices across three locations: London, Dallas and Michigan. 135 of those were reused and 360 were recycled.

1,200 trees were also planted in partnership with Tree Nation via our carbon sequestering activities with KOCycle.

### Cycle-to-Work scheme

Alfa continues to offer a cycle-to-work scheme, encouraging employees to buy a bicycle (and accessories) to replace their usual modes of transport to work, such as the train. Now that we're back to more regular commuting, the Environmental Impact Team are working towards encouraging more people to cycle – for example, we are now providing free bi-annual bike services at our London office.

Looking ahead we're going to continue to work on ensuring that our event giveaways are recyclable or biodegradable wherever possible. We want to encourage colleagues to live more sustainably whilst raising vital funds for our charity partners.

### Carbon Emissions

Towards the end of 2022 we launched our first global commuting carbon emissions survey. We asked colleagues to share details with us on their travel in order to help expand our Scope 3 reporting from business travel to include commuting data, to give us a more accurate picture of our emissions. We have worked with EcoAct to crunch the numbers and establish more accurate carbon emissions data than we've ever had before.

### Emissions reporting Methodology

Alfa Financial Software Holdings Plc is required to report its energy use and carbon emissions in accordance with the Companies (Directors' report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. The data detailed in the tables below represents emissions and energy use for which Alfa Financial Software Holdings Plc is responsible, including energy use on its sites and fuel used in the Company fleet. We have used the main requirements of the Greenhouse Gas Protocol Corporate Standard to calculate our emissions, along with the UK Government GHG Conversion Factors for Company Reporting 2022. Part of our Scope 3 emissions inventory was also calculated. This process included the use of UK Government GHG Conversion Factors for Company Reporting 2022, IEA Emission Factors 2022 and CEDA Global Emission Factors. Any estimates included in the totals are derived from actual data extrapolated to cover missing periods or from benchmarks.

Emissions relating to natural gas consumption in the UK and US for the comparison year 2021 have been updated to reflect an updated calculation methodology, which was used to increase emission calculation accuracy.

### Energy Efficiency Statement

We are committed to responsible carbon management and will practise energy efficiency throughout our organisation, wherever it is cost effective. We recognise that climate change is one of the most serious environmental challenges currently threatening the global community and we understand we have a role to play in reducing greenhouse gas emissions.

We have implemented the following policies for the purpose of increasing the business's energy efficiency each year:

- Changed energy suppliers for the UK office, ensuring continued renewable electricity provision.
- Changed the traditional company car scheme to one that has a green focus, ensuring the increased use of electric and hybrid vehicles over petrol and diesel vehicles.



# Task Force on Climate-Related Financial Disclosures (TCFD)

We set out below our climate-related financial disclosures that are based on the TCFD recommendations and recommended disclosures. By this we mean the four TCFD recommendations and the 11 recommended disclosures set out in Figure 6 of Section B of the report entitled “Recommendations of the Task Force on Climate-Related Financial Disclosures” published in October 2021 by the TCFD. We have based our disclosures on the TCFD ‘Guidance for All Sectors’ and note that we do not operate in an industry for which the additional supplemental guidance applies. Where we have not adopted TCFD recommendations in full, we have explained the reasons below. For our TCFD disclosures, ‘materiality’ is considered to be the threshold at which ESG issues become sufficiently important to our investors and other stakeholders that they should be disclosed. We believe that the audit materiality (as disclosed on Page 127) meets this criteria and is therefore the materiality we have applied to our TCFD reporting. We are also informed by stock exchange listing and disclosure rules. We understand that what is important to our stakeholders evolves over time and we will continue to assess our approach to ensure we remain relevant in what we measure and disclose.

Area	Recommended Disclosure	Alfa Disclosure
Governance	a) Describe the board's oversight of climate-related risks and opportunities.	<p>The CEO has ultimate responsibility to the Board for all ESG matters.</p> <p>Climate-related risks and opportunities are presented to the Audit &amp; Risk Committee (made up of Board members) twice a year following detailed risk reviews (see the Risk Section on Page 40). These risks and opportunities are discussed and debated in the Audit &amp; Risk Committee meetings, where the Committee is also updated on progress against goals and targets discussed in earlier meetings.</p> <p>Over the year the Board has received briefing from an external provider on certain ESG related matters and was also given an update on reporting legislation by Management in June 2022. In 2022 the Committee debated the need for thoughtful travel and the impact on the environment in the context of the 2023 budget.</p>
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	<p>The CFO is responsible (at Company Leadership Team level) for the Group's Environmental Policy and climate change issues. Senior management are informed about climate-related issues by a number of ESG publications and also by regular discussions with our external ESG advisor.</p> <p>As part of the twice-a-year detailed risk management process carried out by management, the CLT reviews and discusses the latest view of all opportunities and risks including those related to climate.</p> <p>The ESG Steering Group is made up of key individuals from different areas of the business globally, and it supports the CFO in the development and delivery of ESG strategy, key policies and material commitments. It does this by providing oversight, coordination and management of ESG commitments and activities. The Steering Group discussed climate-related issues in 11 meetings in 2022, which also included monitoring climate-related risks and measuring progress of initiatives against targets. Both the CFO and CPO sit on the Steering Group and brief the CEO and wider CLT on the status and progress of projects. Members of the Steering Group have kept up to date on ESG matters in a number of ways – these are tailored by individual and in 2022 have included attending webinars (such those specific to our industry) and courses for professional development (such as the CFA certificate in ESG investing). Initiatives led by the Steering Committee in 2022 include embedding ESG into our supplier onboarding process (to be rolled out in 2023).</p> <p>The Environmental Impact Team, a group of volunteers from all levels of the Company, is responsible for the execution of organised activities and the monitoring of standards established to ensure adherence to our environmental goals. Initiatives recommended (and subsequently implemented at Alfa) by this team in 2022 include:</p> <ul style="list-style-type: none"> <li>• Initiatives to reduce single use plastics (such as a lunch box scheme and a refill station for detergent bottles);</li> <li>• A 30-day wildlife trust campaign;</li> <li>• Arranging various social talks and workshops; and</li> <li>• Arranging volunteering activities (such as a canal clean up in London).</li> </ul> <p>Management also supported several other initiatives, such as the ‘Cycle to Work’ scheme and transitioning to a new ‘green’ salary sacrifice car scheme.</p>



Area	Recommended Disclosure	Alfa Disclosure
<b>Strategy</b>	a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	<p>Management have considered the risks outlined in Table A1.1 of the TCFD Implementation Guidance as part of carrying out their TCFD disclosure review. In addition, we also referred to the SASB (Sustainability Accounting Standards Board) sector specific materiality assessment guidance for the Software and IT Services Industry – this showed that, from an environment perspective, the key issue for our industry is Energy Management (which is in line with our current focus). When concluding on which risks and opportunities could be material, we considered the financial impact that these could have on the Group. As part of this exercise, we looked at the actual costs (e.g. energy costs) in the year that could be impacted, and held discussions with internal teams to quantify the impact (for example, our risk management process as mentioned below and on Page 41 requires us to consider the ‘impact’ and ‘probability’ of the ESG risks).</p> <p>In the short term (2023-2025, which is consistent with our viability assessment period – see Page 46 for why we believe a three-year assessment period is appropriate) we see little impact of climate-related risks and opportunities on our business. This is reflective of our product which is not significantly impacted by climate, and the fact that we already actively seek to manage and mitigate climate-related risks. We identified a short-term risk of not keeping up to date with enhanced emissions-reporting obligations – we have mitigated this risk by working closely with external ESG advisors to support us in our reporting requirements.</p> <p>In the medium to longer term (2026 onwards) we see more positives for Alfa than negatives. A move towards new lower carbon technologies is likely to result in increasing requirements for asset backed finance solutions (as they are generally more expensive), which will drive growth in our underlying markets. In addition, increasing reporting requirements through the supply chain will require agile systems that can respond to the new reporting requirements which will increasingly demonstrate the greater flexibility of Alfa Systems over competitor products.</p> <p>We are acutely aware of our responsibility to contribute towards the global efforts to mitigate against climate change and are therefore actively looking to reduce our carbon footprint, including reducing travel to client sites, using renewable energy options in many of our offices, looking at our supply chain emissions, and considering travel distances for the location of conferences. On page 17 and page 41 of the Strategic Report we discuss how climate-related risks and opportunities are impacting our business, strategy and financial planning.</p>
	b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	<p>As most of our operations are in the UK and USA, these geographies are the ones that would have the most impact on our global climate-related material risks and opportunities. Given that both geographies have a similar nature of operations, we do not expect one of these to be differently impacted as compared to the other.</p> <p>To enable our systems to respond to increasing demands for multi-modal solutions and emissions reporting and for Alfa to be viewed as a leader in sustainable financing solutions, we have spent time understanding the ESG related needs of our customers and investment required in the product. We hope to recoup this investment through a combination of increased market share, as clients focus more on Scope 3 reporting and turn to ESG compliant solutions, and increased licence revenue for more value-added, market-leading products.</p> <p>In 2022 we updated the policies relating to our supply chain, with more focus to be given under the new policies to the emissions and ESG policies of our suppliers.</p> <p>In 2022, the Group has worked towards setting validated carbon reduction targets through the Science-Based Targets initiative (SBTi). Working with external advisers, the Group has worked on calculating its emissions across its entire value chain, in preparation for setting targets to reduce its Scope 1-3 emissions. Our 2022 EMEA conference was held in the UK rather than overseas which was a conscious decision based on reducing emissions. Similarly, emissions have been an important consideration when planning for Company events taking place in 2023; such decisions were taken as part of the budgeting process during Q4 2022.</p> <p>As part of our planning for internal travel (i.e. all travel not being for client project or sales purposes) we have planned to optimise our use of travel especially in the US (where our teams are spread across the country) by aligning the purpose of visits to Alfa offices. Additionally, we have implemented a requirement for CLT oversight of planned internal travel so that we can ensure we are prioritizing the most necessary travel regardless of it being within approved budget amounts.</p> <p>Energy Management continues to be important to us – see page 62 for considerations given to renewable energy for our offices. The ESG section (page 55) outlines how we align with five core UN SDGs – one of which is ‘Climate Action’.</p>
<b>Strategy continued</b>	c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	<p>We have not done detailed quantitative scenario analysis in 2022, but did do a qualitative analysis and high-level quantitative analysis (which included looking at our energy-related costs for 2022). Given the nature of our operations and offering, and considering the output from our analysis, we do not believe there are material risks to our organisation, other than the overall risk to the world economy.</p> <p>We have considered the impact of a 2°C scenario and believe that the Group's strategy and financial performance will be resilient to such an impact, and we note this is consistent with our overall view that climate-related scenarios are not expected to have a material impact on our business.</p>

## Task Force on Climate-Related Financial Disclosures (TCFD) continued

Area	Recommended Disclosure	Alfa Disclosure
<b>Risk Management</b>	a) Describe the organisation's processes for identifying and assessing climate-related risks.	<p>As explained in the Risk Management section on Page 40, we have a comprehensive risk management process which includes a detailed assessment of risks twice a year. Included within this process is explicit consideration of climate-related risks.</p> <p>For climate-related risks, the risk management team works closely with the CFO and the ESG Steering Group to ensure that all climate-related risks relevant to the Group are included. At the same time, the potential impact to the Group is also considered for these risks.</p> <p>As stated above, we do not believe that the climate-related risks have a significant impact on the Group (and so these have not been disclosed as part of our principal risks). However, given the increasing importance of climate-related risks, we still discussed these at our Audit and Risk Committee meetings, including the December 2022 meeting (where we typically only focus on the principal risks).</p>
	b) Describe the organisation's processes for managing climate-related risks.	As above, in the short term we do not see significant climate-related risks for the organisation. As a consequence, we keep the risks under review, but are not actively managing any at this point in time. One exception is the risk related to enhanced emissions-reporting obligations, for which we believe that working closely with external ESG advisors for our reporting requirements does mitigate the risk.
	c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	<p>Climate-related risks are an integral part of our overall risk management, and, in particular, are discussed when considering the corporate level risks.</p> <p>As above, an increased focus was given to climate-related risks in the 2022 risk management process, where we have worked closely with the ESG Steering Group and other senior management to ensure that all climate-related risks are sufficiently covered in our risk register. Going forwards, the risk register will continue to be reviewed twice a year and updated for any changes to climate-related risks.</p>
<b>Metrics and targets</b>	a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	<p>During the year we looked at our energy costs and usage. As seen in our SECR reporting on page 67, we looked at a number of other data sources as well, including our emissions relating to employee commuting, business travel and cloud storage services.</p> <p>We disclose our Carbon Intensity Ratio on page 67, which is a metric used by the Group to assess climate-related risks and opportunities in line with its strategy and risk management process. It can be seen that our ratio has stayed similar to 2021, which reflects our efforts towards reducing emissions being offset by more employees choosing to physically work in the office as compared to the previous year when there were restrictions.</p> <p>During 2022 we worked towards better understanding our emissions to allow us to consider further metrics for monitoring our emissions.</p> <p>Separately, we are also aware of the growth projections in the underlying auto and equipment finance market.</p>
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>See page 67 for our SECR disclosure and page 63 for the methodology used. In addition to the mandatory disclosures for Scope 1 and Scope 2 emissions, we voluntarily disclosed emissions related to business travel as part of our Scope 3 emissions in 2021. In 2022, we have taken this further by voluntarily expanding our disclosed Scope 3 emissions to now include emissions relating to employee commuting and purchased services (AWS).</p> <p>As we continue our journey to net zero, we will consider if more categories can be included in our Scope 3 disclosures.</p>
	c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	<p>No climate-related targets were set for 2022 as we wanted to better understand our emissions before setting the targets. As above, we spent time in 2022 working with our advisors to better understand our emissions.</p> <p>In 2023 we are working towards setting validated carbon reduction targets through the Science-Based Targets initiative and will then use these targets to measure and reduce our Scope 1-3 emissions.</p>

## Streamlined Energy and Carbon Reporting

The table below discloses the Group's Streamlined Energy and Carbon Reporting for 2022 and 2021. As part of our commitment towards continuous improvement of our reporting, we have voluntarily added three new categories to our Scope 3 emissions reporting – Category 1 (Purchased goods and services), Category 3 (Fuel & Energy Related Activities) and Category 7 (Commuting and work from home).

	2022		2021****			
	Global (inc. UK)	UK Only	Global (not inc. UK)	Global (inc. UK)	UK Only	Global (not inc. UK)
<b>Energy Consumption (kWh)</b>						
Total Natural Gas Use	154,733	33,184	121,549	75,448	47,017	28,431
Total Company Fleet Use	92,708	86,969	5,739	131,651	130,993	658
Total Electricity Use	248,554	193,415	55,139	112,333	100,016	12,317
<b>Total Energy Use**</b>	<b>495,995</b>	<b>313,568</b>	<b>182,427</b>	319,432	278,026	41,406
<b>Scope 1 Carbon Emissions (tCO<sub>2</sub>e)</b>						
Natural Gas	28	6	22	14	9	5
Car Fleet (petrol/diesel/hybrid)	23	21	1	37	37	0
<b>Total Scope 1 Emissions</b>	<b>51</b>	<b>28</b>	<b>24</b>	51	46	5
<b>Scope 2 Carbon Emissions (tCO<sub>2</sub>e)</b>						
Purchased Electricity – Buildings (Location Based)	44	23	21	34	29	5
Purchased Electricity – Buildings (Market Based)	9	0	9	*	*	*
Purchased Electricity – Electric Vehicles (Location Based)	14	14	–	12	12	–
<b>Total Scope 2 Emissions</b>	<b>58</b>	<b>37</b>	<b>21</b>	46	41	5
<b>Scope 3 Carbon Emissions (tCO<sub>2</sub>e)</b>						
Category 1 – Purchases Goods & Services – Cloud Storage Services***	681	–	681	*	*	*
Category 3 – Fuel & Energy Related Activities	36	27	9	*	*	*
Category 6 – Business Travel (Flights, rail, grey fleet, hotels and taxis)	410	147	263	50	3	47
Category 7 – Commuting and Work From Home	428	232	196	*	*	*
<b>Total Scope 3 Emissions</b>	<b>1,556</b>	<b>406</b>	<b>1,150</b>	50	3	47
<b>Total Emissions (tCO<sub>2</sub>e)</b>						
Scope 1	51	28	24	51	46	5
Scope 2 (Location Based)	58	37	21	46	41	5
Scope 2 (Market Based)	9	0	9	–	*	*
Scope 3	1,556	406	1,150	50	3	47
<b>Total Carbon Emissions (tCO<sub>2</sub>e)</b>	<b>1,674</b>	<b>471</b>	<b>1,203</b>	147	90	57
Total Revenue (£m)	93.3			83.2		
<b>Carbon Intensity Ratio (tCO<sub>2</sub>e per £million)*****</b>	<b>1.2</b>	<b>*</b>		1.2	*	

\* Not calculated last year.

\*\* Total Scope 1&2 Energy Consumption.

\*\*\* Cloud storage services are used across global operations, unable to split across countries due to data availability. This figure currently only accounts for partial coverage of Scope 3 Category 1 emissions.

\*\*\*\* 2021 consumption and emissions data has been updated to reflect new calculation methodology.

\*\*\*\*\* Carbon Intensity figure includes only global Scope 1&2 emissions. The prior year ratio has been updated to only include Scope 1&2 emissions for comparison purposes. Alfa Financial Software Plc is still in the process of calculating its full Scope 3 value chain emissions.

The methodology used for our SECR reporting has been disclosed on page 63.

**Environmental, Social and Governance continued**  
**Product**

**Responsible Development**

**We are increasingly focused on the sustainable aspects of our core software product, and the processes we follow to build it.**

**Harnessing a sustainable process for our core software**

We are committed to adopting and applying the latest technology to ensure that our own and our customers' energy consumption is kept to a minimum. Our efforts in this area are in line with the Sustainable Production and Consumption Sustainable Development Goal.

We recycle or donate as much of our old IT kit as we possibly can, working with dedicated recycling providers who are as focused on sustainability as we are. We recently created a recycling scheme for employees, allowing them to recycle personal electronic items they no longer have a need for.

**Sustainable practices within our core software Cloud First**

We have transitioned to a 'cloud first' approach to Alfa Systems implementations. An environmental benefit comes from our use of AWS Cloud Computing for our hosted service as AWS is committed to powering operations with 100% renewable energy by 2025.

We see real benefits in the speed of implementation for customers, and they in turn see significant benefits in the reliability of the service. Our cloud-native hosting service provides geographical flexibility and rapid deployment while removing the responsibility of application support, monitoring and availability from our customers.

**Accessibility**

We are committed to ensuring Alfa Systems is accessible as possible and have a dedicated UI/UX Design team with accessibility as part of their core remit. This year the team carried out accessibility audits of the Alfa Systems software, part of a major internal investment initiative which fundamentally improves the overall UI and UX of Alfa Systems. A strand of this work (codenamed Mercury) was informed by the Web Content Accessibility Guidelines (WCAG). We have now introduced a UI framework to the product and all components added to this framework will be WCAG AA-compliant.

**Data Security**

Each customer's Alfa Systems environment is deployed in a Virtual Private Cloud, completely isolated from all other customers using Alfa's hosting services. Our Security-as-a-Service provider monitors security event logs 24 hours a day, with high-severity incidents reported to Alfa within 15 minutes.

Alfa is compliant with ISO27001, ISO27018 and the SOC2 controls for availability, integrity and confidentiality. We can deploy Alfa Systems in geographical proximity to users while meeting data residency regulations, ensuring that performance and compliance requirements can be met in the same solution.

The following are just some of the techniques that we employ to ensure that we remain ISO27001, ISO27018 and SOC2 compliant in security:

- Encryption at rest and in transit
- Cloud authentication of end-user credentials
- Continuous monitoring for vulnerabilities
- Routine penetration and disaster recovery testing



## Alfa Work Experience case study

This summer, Alfa launched the first Alfa Work Experience programme.

The employee-led Alfa for Racial Equity community developed the idea from its inception at one of our Hackathon innovation events.

Promoting Diversity & Inclusion, Alfa Work Experience gives students who would not normally get the opportunity, a chance to experience a fintech work environment.

With support from upReach, a charity that works to create the conditions for undergraduates from less-advantaged backgrounds to access and sustain top graduate jobs, we were matched with nine first and second year university students.

A week of immersive learning commenced, with the enthusiastic students gaining insight into different career roles and key business functions. They learned skills employers are looking

for, such as: client interaction, pitching ideas, teamwork, presentation skills, problem analysis and solving, organisation and time management, as well as communication skills.

Without a big budget or vast resources, we were able to deliver a rewarding week for all those involved. Alfa colleagues used their Volunteering days and support was provided by all business areas.

The feedback was wonderful!

"Thank you so much for providing this opportunity! It was definitely one of the most rewarding experiences I've had so far and I hope to see everyone again soon!"

"I'm just messaging to say that I've finished my work experience week with Alfa and it honestly couldn't have been any better than it was! It has definitely clarified what career path I'd like to take and I'm very glad that I had this opportunity."

Based on the success of our first Alfa Work Experience week we intend to expand a version of this programme to other Alfa regions next year.



## Supply Chain

We have an ethical procurement policy and our key procurement personnel have been trained in relation to the relevant requirements and regulations. 2022 saw the introduction of Alfa's new Supplier Code of Conduct. In EMEA, we aim to ensure that our contractor and subcontractor community pay London Living Wage to those employees based in Greater London and UK Living Wage to those employees based outside Greater London.

We do not support any form of slavery, human trafficking or child labour and we only work with suppliers that have been assessed through our internal processes to be ethical providers.

In early 2023 we will launch our improved supplier approval process, embedding more ESG factors into supplier selection across Alfa.

## Engineering Principles

Towards the end of 2021 we launched our Purpose and Principles for Building Alfa Software. These are intended to help guide our engineers as they build and improve our core software platform. Example principles include Keep It Simple, Collaborate to Illuminate and Start With Why.

2022 saw an increased focus on these principles, with efforts to link the principles to our engineering job descriptions and thus ensure they feed into end of year appraisals.

## Alfa Environmental Accounting Module

2022 saw further work to confirm the requirements for an Environmental Accounting module within Alfa Systems, including various discussions at our user group and partner forums. This module will allow our clients to accurately report on the greenhouse gas emissions of their portfolio at the level of individual assets, thus enabling them to address their own ESG reporting requirements. Development work on the new module will commence in 2023 as part of our ongoing programme of strategic product investment.

The Strategic Report and the Financial Review are approved by the Board of Directors and signed on its behalf by:

**Andrew Denton**  
Chief Executive Officer

# Corporate governance

71	Chairman's introduction to governance
74	Board of Directors
76	Company Leadership Team
79	Division of responsibilities
81	Board leadership & Company purpose
84	Composition, succession & evaluation
87	Nomination Committee Report
90	Audit & Risk Committee Report
97	Directors' Remuneration Report
121	Directors' report
125	Statement of Directors' responsibilities



## Chairman's introduction

**“Our performance alongside the strategic progress we have made gives us great confidence in Alfa's prospects for 2023.”**

——— Andrew Page, Executive Chairman



### Board focus areas in 2022

- Two special dividends totalling 6.5 pence per ordinary share.
- Share buyback programme.
- Performance of the business, financially and operationally.
- 2023 budget and long-term strategic plan.
- Sales pipeline and business development.
- Enhanced ESG governance.
- Establishment of Portugal smart hub.

### Dear shareholders,

On behalf of the Board, I am pleased to present the Group's corporate governance report for the year ended 31 December 2022.

This report outlines how Alfa's governance has continued to serve the Group and how robust and appropriate procedures are in place to ensure effective and prudent management of the Company that will deliver long-term sustainable success for the benefit of our shareholders and broader stakeholders.

In this report, we set out our approach to corporate governance and provide detail on the role of the Board of Directors, followed by more detailed sections on the work of each of the three Board Committees: Audit & Risk Committee, Nomination Committee and Remuneration Committee. Together, these give a clear insight into how we manage corporate governance principles and processes within the Group.

### 2022 performance

Our vision is to grow our company size naturally, but grow our impact rapidly. Key to this is delivering more concurrent Alfa implementations, more efficiently, with a world-class product. We will have a big company impact, but a small company feel. During 2022, we continued to deliver successful implementations, supported by our scalable and reliable cloud-native hosting solution, at the same time as releasing significant enhancements to our software.



## Chairman's introduction continued

The macroeconomic outlook remains dynamic. The breadth and diversity of Alfa's operations help to insulate us from economic uncertainty in individual geographies and sectors of our business.

### Share buyback and dividend programme

During 2022 we reviewed the capital allocation of the Company, taking into consideration the need to continue to invest in our people and technology whilst maintaining strong liquidity. The Board discussed the appropriate alignment with the Group strategy and considered our stakeholders. With this in mind, we initiated an 18-month share buyback programme in January 2022. During the year, the Company successfully bought back 2,832,073 shares for £4.65m under the programme, which equates to approximately 1% of the issued share capital. We have continued to pay regular dividends, and the Board intends to increase the dividend progressively as the Group grows, whilst ensuring that we retain a strong balance sheet. We are pleased to announce that we are proposing a final dividend of 1.2p per share and a special dividend of 1.5p per share.

### Portugal smart hub

With our continued sales success, strong pipeline and growth ambitions we understand that we must expand our recruitment reach. In 2022, following a thorough evaluation we set up a new smart hub in Lisbon, Portugal. This provides access to a diverse population of experienced developers. This repeatable model gives us access to additional talent pools outside our principal engineering centre in London.

### Culture

The Board is responsible for setting the tone from the top and promoting a culture which creates a positive work environment where everyone feels respected, motivated and able to thrive. Our employees are essential for the delivery of our strategic objectives and our continued success. Their feedback is critical to the Board and we continue to monitor our culture through surveys and town-hall sessions, as well as formal and informal engagement activities. With this in mind, we have introduced a new measure to the Annual Bonus for members of the Company Leadership Team, which will measure our employees' overall engagement and retention given that our success as a business is closely tied to our ability to recruit, retain and engage a highly talented workforce.

### Purpose, people and strategy

Effective leadership is dependent on an empowered and positive business culture. Alfa has demonstrated a strong and long-established purpose, culture and set of values which collectively anchor our objectives and priorities, even in recent challenging years. The importance of culture has been of particular importance over the past few years. As our workforce adapts to new ways of working, we as a Board must ensure that our colleagues are supported to accelerate the growth of Alfa.

The Board's work programme allows the Directors to maintain oversight and governance of all aspects of Alfa's business and to play an active role in debating and examining forward-looking strategy and overseeing the management of the business. Directors work closely with the executive management team, offering support and robust challenge as appropriate. The challenges raised by the ongoing global pandemic continued to be a focus as the Board considered the necessary steps needed to protect the business, stakeholders and in particular our employees. You can read more about this in our section on People on pages 58 to 61.

Our values have been in place for many years and are firmly embedded in the DNA of the Company and all that we do, fostering a strong culture which, combined with our effective governance, ensures that everyone stays focused on delivering our strategy, whilst staying true to who we are.

### Environmental, Social and Governance

The Board is committed to our ESG agenda. At the beginning of the year, we undertook a review to establish whether oversight of the Company's ESG initiatives should extend the remit of the Nomination Committee. Following this review, it was agreed that the Board should remain as the overseeing body to ensure appropriate focus on Alfa's ESG initiatives and objectives. The Board is adapting its review process and governance procedures to ensure that ESG considerations are fully embedded into our decisions for sustainable and long-term growth.



### The UK Corporate Governance Code 2018: Our compliance

Effective corporate governance provides an essential foundation for the long-term sustainable success of the Company. This report sets out the key elements of Alfa's corporate governance arrangements, including how we have sought to apply the principles and provisions of the 2018 UK Corporate Governance Code (the '2018 Code') during the year.

A copy of the 2018 Code, issued by the Financial Reporting Council can be found at [www.frc.org.uk](http://www.frc.org.uk). This Corporate Governance Statement, including the Nomination Committee, Audit & Risk Committee and Remuneration Committee Reports, explains how we have applied the principles and complied with the provisions of the 2018 Code.

### Non-compliance with Code provisions

The Group has complied with the Code provisions during the financial year with the exception of Code provision 9: The Chairman of the Board was not independent on appointment as he previously held the position of Chief Executive Officer and is the controlling shareholder of the Company. On listing, the Board unanimously supported, and continues to support, the appointment of the Chairman to retain his skills and experience, and ensure continuity of service for Alfa's customers and commercial partners.

### Looking forward

The Board is delighted that we have overseen the delivery of exceptional financial and operational performance during 2022. Our performance alongside the strategic progress we have made and the strength of the intellectual property in our software gives us great confidence in Alfa's prospects for 2023.

Alfa continues to excel in its performance and develop its strategy for the benefit of all of our stakeholders. There are many people to thank for the success Alfa has achieved so far. In particular, Andrew Denton and his leadership team, for all they have achieved, and how they have achieved it, and all our employees for all their dedication and hard work in 2022.

All members of the Board will stand for re-election at the Annual General Meeting (AGM) in April 2023. All Board members have received a formal performance evaluation which demonstrates that each Director continues to be effective and committed to the role.

### Andrew Page Chairman

Board of Directors



**Andrew Page**   
**Executive Chairman**  
**Appointment to the Board:**  
**May 2017**

**Skills and experience**  
Andrew is one of the founding Directors of Alfa. Andrew became the Chief Executive Officer in 2010 and the Executive Chairman in September 2016. Andrew provides commercial oversight and with the Board sets the strategic direction and goals of the Company. Andrew has considerable senior management experience and a deep understanding of the auto and equipment finance industry.

**Other appointments**  
Director of CHP Software and Consulting Ltd



**Andrew Denton**  
**Chief Executive Officer**  
**Appointment to the Board:**  
**April 2017**

**Skills and experience**  
Andrew Denton has been CEO of Alfa since September 2016, having held roles as Sales & Marketing Director and Chief Operating Officer since he joined the Company in 1995. Andrew is Director and joint founder of the Leasing Foundation, supporting the leasing and auto and equipment finance industry through charitable activities, research and development. Andrew is an Advisor to The Women's Association, boosting gender equality in the corporate world, and he is a proud member of the Board of Trustees for Professors Without Borders, bringing top-level educators and global experts to the doorsteps of students worldwide. Andrew is a computer scientist by training, and has considerable senior management experience and significant experience in the auto and equipment finance industry.

**Other appointments**  
Director of CHP Software and Consulting Ltd



**Duncan Magrath**  
**Chief Financial Officer**  
**Appointment to the Board:**  
**April 2020**

**Skills and experience**  
Duncan started his career at PriceWaterhouse, and qualified as a Chartered Accountant in 1989. He joined Ocean Group in 1992, and spent 13 years in the UK and USA in various finance roles as the group transformed into Exel Logistics. He joined Balfour Beatty, the infrastructure company, in 2006 and was Group CFO from 2008 to 2015. In 2016 he joined Rubix, an Industrial Parts Distributor, as Group CFO and was in that role through to 2019. Duncan has extensive experience in senior financial positions both in the UK and internationally, including a deep understanding of investor relations and financial strategy. Duncan is a Fellow of the Institute of Chartered Accountants in England & Wales.

**Other appointments**  
None



**Matthew White**  
**Chief Operating Officer**  
**Appointment to the Board:**  
**October 2019**

**Skills and experience**  
Matthew joined Alfa as a graduate in 1999, starting in a software development role. In his 20-year career delivering software for the auto and equipment finance industry, Matthew has direct experience of everything involved in systems implementation, from configuration and testing support to project management for a number of UK and European projects. From 2010 to 2016, Matthew's role grew to include responsibility for most of the operations of the Company, before he led Alfa's IPO in 2017. As Chief Operating Officer, a role which he assumed in February 2019, Matthew is accountable for the international operations of the business, including Alfa's technology platform and project delivery. Matthew has considerable senior management experience in software development and all aspects of systems implementation and delivery.

**Other appointments**  
None

## Committee membership

**A** Audit **N** Nomination **R** Remuneration **●** Committee chair



### Steve Breach



**Independent  
Non-Executive Director**  
**Appointment to the Board:**  
**August 2019**

#### Skills and experience

Steve is a member of the Institute of Chartered Accountants in England and Wales, having qualified with EY in 1993 where he focused on providing corporate finance advice to technology businesses in the UK and internationally. Steve has 17 years' experience as Chief Financial Officer of a number of businesses. Between 2010 and 2016, Steve was CFO of Tribal Group PLC, a leading international provider of student management software to the education market. Steve has subsequently pursued a portfolio career, acting as advisor to a number of privately owned companies. Steve has held a number of CFO roles and has extensive experience in corporate finance.

#### Other appointments

Advisor to a number of private companies



### Adrian Chamberlain



**Independent  
Non-Executive Director**  
**Appointment to the Board:**  
**April 2020**

#### Skills and experience

Adrian is a Non-Executive Director of Cambridge University Health Trust, one of the country's largest NHS Trusts, where he chairs the Performance Committee. During 2021, Adrian was appointed as the Senior Independent Director of the Trust. He previously has held senior executive positions in a number of private and public hi-tech and telecommunications companies including Chief Executive Officer of Messagelabs and Achilles Ltd, a member of the Board of Cable & Wireless and Bovis Lend Lease, and a member of the Operations Board at Symantec. He was the Executive Chairman of eConsult Ltd, a leading cloud-based medical triage company.

Adrian has extensive experience internationally in both the private and public sectors, particularly in strategy formulation and execution, technology and Software as a Service. He holds an MA in History from Trinity College, Cambridge and an MBA from the London Business School.

#### Other appointments

Senior Independent Director of Cambridge University Health Trust and Chair of the Performance Committee



### Charlotte de Metz



**Independent  
Non-Executive Director**  
**Appointment to the Board:**  
**April 2020**

#### Skills and experience

Charlotte is the Chief People Officer at Keyloop which focuses on software for the automotive industry where she joined in early 2021. She previously served as Chief People Officer at Synamedia where she led a large-scale global transformation. Prior to that, Charlotte was Executive Vice President at Finastra, a global fintech where she was responsible for Executive Talent, corporate social responsibility, culture and values, and inclusion and diversity. Prior to joining Finastra in 2012 Charlotte spent over 11 years at Ventyx, a global provider of software solutions for the energy, utility and other asset-intensive businesses. During her tenure at Ventyx she held various HR roles, latterly as Human Resource Manager for Rest of World.

Charlotte has a strong track record in delivering innovative employee development, engagement, and retention practices. She also has extensive experience in managing high-impact, enterprise-wide transformations in challenging, fast-paced environments.

#### Other appointments

CPO, Keyloop Limited



### Chris Sullivan



**Senior Independent  
Director**  
**Appointment to the Board:**  
**July 2019**

#### Skills and experience

Chris was Chief Executive of the Corporate & Investment Bank at Santander UK during the years 2015-2018, and prior to this held various CEO roles during a 40-year career at The Royal Bank of Scotland and NatWest. His 11 years on the Group Executive Committee included leading Corporate Banking, Retail Banking, Direct Line and Retail Direct and culminated in appointment to the post of Deputy Group Chief Executive in March 2014. A recipient of the Leasing Life European Lifetime Achievement Award, Chris brings expertise in the auto and equipment finance industry, having spent nearly 30 years with the Lombard Group in a number of directorate roles including as CEO.

Chris has extensive experience of corporate, investment and retail banking and asset financing together with general management and listed company experience.

#### Other appointments

Chairman of the Westminster Abbey Investment Committee, Senior Independent Director for DWF Group PLC, Non-Executive Director of Cannaray Ltd and DVCP Limited

## Company Leadership Team



**Andrew Denton**  
**Chief Executive Officer**

Date joined Alfa  
August 1995



**Richard Dewire**  
**Chief Revenue Officer**

Date joined Alfa  
January 2001



**Vicky Edwards**  
**Chief People Officer**

Date joined Alfa  
March 2020

**Relevant experience/  
previous roles**

Richard has over 20 years in the auto and equipment finance industry and an in-depth knowledge of Alfa Systems through many years of implementation, with extensive knowledge of Alfa's sales and commercial process. He was previously Director of Strategy and Investment.

**Relevant experience/  
previous roles**

Vicky joined Alfa in March 2020, bringing 26 years of experience in consultancy businesses. A commercially focused HR leader, Vicky has held leadership roles across HR, commercial and operations functions, as well as C-suite level positions in the professional services, technology and energy sectors.



**Duncan Magrath**  
**Chief Financial Officer**

Date joined Alfa  
March 2020



**Matthew White**  
**Chief Operating Officer**

Date joined Alfa  
June 1999



**Andrew Flegg**  
**Chief Technology Officer**

Date joined Alfa  
February 2005

**Relevant experience/  
previous roles**

Andrew brings over 35 years of programming experience, over 25 years in commercial software development and over 15 years in the auto and equipment finance industry. He was previously Alfa's Global Director of Platforms, covering internal IT systems, cloud, information security and solution architecture.



**James Paul**  
**Chief Delivery Officer**

Date joined Alfa  
September 1999

**Relevant experience/  
previous roles**

James is accountable for all EMEA implementations and takes global responsibility for support, resourcing and partnering. James has over 20 years' experience implementing in auto and equipment finance for organisations of all sizes.



## Our governance framework

Our corporate governance framework clearly defines responsibilities and ensures that the Group has the right systems and controls to enable the Board and its Committees to effectively oversee the business, providing challenge where necessary.

### Board of Directors

The Board is collectively responsible for the long-term success of the Company. The business of the Company is managed by the Board who may exercise all of the powers of the Company. The Board has a formal Schedule of Matters Reserved for the Board which is available on the Company website. Although the Board retains overall responsibility, it delegates certain matters to the Board Committees, and the detailed implementation of matters approved by the Board and the day-to-day operational aspects of the business to the Company Leadership Team.

#### Audit & Risk Committee

Provides independent assessment and oversight of financial reporting processes. It oversees, on behalf of the Board, the risk management strategy, risk appetite and the effectiveness of internal control processes. It also oversees the effectiveness of the internal and external audit functions.

#### Nomination Committee

Reviews the size, composition, tenure and skills of the Board. It also leads the process for new appointments, monitors Board and senior management succession planning, reviews the talent pipeline and talent management, and considers independence, diversity and inclusion and governance matters.

#### Remuneration Committee

Determines the remuneration, bonuses, long-term incentive arrangements, contract terms and other benefits in respect of the Executive Directors, the Chairman, the Company Secretary and senior management. Oversees the remuneration and workforce policies and takes these into account when setting the policy for Directors' remuneration.

### Company Leadership Team

The Company Leadership Team is responsible for the day-to-day running of the business, carrying out and overseeing operational management, and implementing the strategies the Board has set.

### Governance Committees

These governance committees are chaired by a member of the Company Leadership Team and report to the Company Leadership Team, and the Board or Board Committees as appropriate.

#### Investment Committee

The Investment Committee determines the Strategic Investment initiatives that should be undertaken. The Committee provides a structure through which effective decisions can be made on the priority and scheduling of Strategic Investment initiatives. The Committee ensures that Strategic Investment initiatives align with Alfa's business strategy.

#### Disclosure Committee

The Disclosure Committee determines whether information that is submitted to it requires disclosure and determines any other issue relating to the application of the Disclosure Procedures that are required.

#### Deal Committee

The Deal Committee determines standard guidelines for an acceptable deal in terms of financial position and key contractual terms.

## Governance framework

Half of the Board is made up of Independent Directors whose diverse experience enables appropriate debate and challenge at Board and Committee discussions. The Board has an approved governance framework of systems and controls which enables the effective discharge of the Board's responsibilities. Directors have a duty to promote the success of the Company under section 172 of the Companies Act 2006. The Company's section 172 statement can be found on pages 48 to 53 and this framework supports our Directors' compliance with their duties.

## Our governance framework continued

### How the Board engages Board engagement

A fundamental role of the Board is to consider the balance of interest between our stakeholders including shareholders, our customers, our colleagues and the communities in which we operate. For details of the Board's role in stakeholder engagement which supports the Directors' duties section 172(1) of the Companies Act 2006, see pages 48 to 53.

The Board recognises its responsibilities to engage with and incorporate the views of key stakeholders in strategic planning and decision-making, and the importance of stakeholder trust in building resilience and long-term sustainability. Although the Board retains overall responsibility for stakeholder engagement there is interaction at various levels of the business so that it is carried out by those most relevant to a particular stakeholder group or particular issue. Our section 172 statement and 'How we engage with our stakeholders' section on pages 48 to 53 sets out the main interests of key stakeholders and the ways in which Alfa engages with them. The Board recognises the importance of considering all stakeholders in its decision-making, although the weight given to each stakeholder group may vary depending on the subject in question. Through engagement and greater understanding of the interests of stakeholders, the Board is able to assess the long-term consequences of decisions on stakeholders and the business.

We continue to work on embedding practices across Alfa so that consideration of stakeholder interests in decisions is second nature at all levels of the business.

The Chairman of the Board, CEO and CFO hold regular meetings with existing and potential institutional investors and analysts to understand their views and policies. These meetings cover a range of topics, including our long-term strategy, operational and financial performance and increasingly broader societal issues. The Board receives regular updates to ensure it considers the views of shareholders.

### Employee engagement

The Board monitors and assesses engagement with all stakeholders, with particular attention on employee engagement. Employee Pulse surveys provide regular understanding of wider views and an 'open door' approach to feedback and communication also allows for frequent two-way conversation and insight. Efforts continued during 2022, to maintain culture and connections with online events as well as in-person social elements to these events wherever restrictions allowed. All Board meetings feature updates on People matters and engagement levels. The Chief People Officer presented to the Board in 2022, demonstrating the increased importance placed on our people. Online and in-person town-hall events (including Q&A) with the Board as well as Company updates and frequent coordinated internal communications all support engagement across the organisation. Given the Board's visibility of the engagement channels and efforts, as well as its accessibility to the workforce through the initiatives and events as mentioned, it is confident at this time that appropriate effective measures are in place as an alternative to Provision 5 of the 2018 UK Corporate Governance Code. We believe that our strong culture is a unique strength and we see the benefits in employee engagement, retention and productivity.

### Stakeholder engagement

The Board is accountable to stakeholders for ensuring the Group is appropriately managed and achieves its objectives in a way that is supported by the right culture and behaviours. The Board spends time understanding the views of its key stakeholders when discussing matters at Board meetings, these views form an integral part of decision-making. The Annual General Meeting provides a valuable opportunity each year for shareholders to hear from the Board, and for the Board to hear from our shareholders. The Board looks forward to meeting with and hearing from shareholders at the AGM this year. Our dedicated Stakeholder Engagement and section 172 statements on pages 48 to 53 set out how the Board engages with and balances the interests of stakeholders. A detailed overview of the Board's engagement with the workforce is set out on page 52.

## Division of responsibilities

### Division of responsibilities

Alfa is led and controlled by the Board which is collectively responsible for the long-term and sustainable success of the Group. The structure of the Board, and management, roles and Committees ensures controls and oversight with a balanced approach to risk aligned with Alfa's culture. The structure assists the Board with carrying out its responsibilities and is designed to ensure that the Board focuses on strategy, monitoring the performance of the Group and governance, risk and control issues.

The Board is collectively responsible for the long-term success of the Group and for ensuring leadership within a framework of effective controls. The key roles of the Board are:

- Setting the strategic direction of the Group;
- Overseeing implementation of the strategy by ensuring that the Group is suitably resourced to achieve its strategic aspirations;
- Providing entrepreneurial leadership within a framework of prudent and effective controls which enables risk to be assessed and managed;
- Ensuring that the necessary financial and human resources are in place for the Group to meet its objectives; and
- Reviewing the Group's culture supported by its values.

### The Board responsibilities

We have clear and documented roles and separation of duties between the Chairman and the CEO. The Alfa CEO, Andrew Denton, is responsible for determining the Alfa strategy and day-to-day operations, and leading the CLT, which assists in the day-to-day delivery of this strategy and general operations. Andrew Page, as Chairman, provides oversight and guidance to Andrew Denton on the strategic direction, key commercial and contracting decisions in addition to his responsibilities for running an effective Board. All Directors have access to the advice of the Company Secretary and, in appropriate circumstances, may obtain independent professional advice at the Company's expense. In addition, a Directors' and Officers' liability insurance policy is maintained for all Directors and each Director has the benefit of a deed of indemnity. The appointment and removal of the Group Company Secretary is a matter for the Board as a whole.

### Matters Reserved for the Board

The Board has adopted a formal Schedule of Matters specifically reserved for its decision-making and approval. The matters that the Board considers suitable for delegation are contained in the Terms of Reference of each Board Committee. There are certain key responsibilities that the Board does not delegate and which are reserved for its consideration. The full Schedule of Matters Reserved for the Board is available under the Corporate Governance section on our website.

The Company Secretary, through the Chairman, is responsible for advising the Board on all governance matters and for ensuring that Board procedures are followed, applicable rules and regulations are complied with, and that due account is taken of relevant codes of best practice. The Company Secretary is also responsible for ensuring communication flows between the Board and its Committees, and between senior management and Non-Executive Directors.

### Workforce policies and practices

Our people bring a diverse range of experience, expertise and perspectives that contribute to the values and culture of Alfa and are essential for the delivery of our strategic objectives. A positive environment where our people feel valued, motivated and able to thrive is essential to Alfa's continued success. The Board recognises the value of, and supports, significant investment of time and resources in our colleagues to allow Alfa to attract and retain talent and develop the skills of our employees. One central policy in creating this environment and culture is Alfa's Ethics and Code of Conduct Policy (the 'Code of Conduct') which clearly sets out a zero-tolerance policy for dishonest and corrupt behaviour among our employees and seeks to educate team members on unlawful and unethical conduct. Compliance with the policy maintains Alfa's reputation in the marketplace as well as our relationship with our colleagues, investors, customers and other stakeholders. The Code of Conduct provides clear guidance to employees in respect of legal and ethical issues which they may come across while conducting Alfa business, and what Alfa expects in respect of our employees' behaviour, and provides important information on working at Alfa to help embed the behaviours and values alongside more practical information to enable our employees to work effectively and efficiently. The Board is responsible for overseeing the Company's arrangements for the workforce to be able to raise matters of concern and seeks to foster an environment where individuals can be confident about speaking up about concerns without fear of retaliation. The Board monitors this area through reports on the number and types of concerns raised through the whistleblowing process and the outcomes of the concerns raised. Whistleblowing and incident reporting mechanisms are in place to allow issues to be formally reported and investigated.

## Division of responsibilities continued

**The Board has a clear division of responsibilities between the Board and the business. The roles of the Chairman, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Senior Independent Director and independent Non-Executive Directors are set out in separate role statements.**

Role	Principal responsibilities
<b>Executive Chairman</b> <b>Andrew Page</b>	<p>The Chairman is responsible for the effective leadership of the Board and maintaining a culture of openness and transparency at Board meetings. The Chairman also promotes effective communication between Executive and Non-Executive Directors and ensures all Directors effectively contribute to discussions and feel comfortable in engaging in healthy debate and constructive challenge. The Chairman ensures all Directors receive accurate, timely and clear information to assist them to make their decisions, identifying training and development needs as required.</p>
<b>Chief Executive Officer</b> <b>Andrew Denton</b>	<p>The Chief Executive Officer has day-to-day responsibility for the effective management of Alfa and for ensuring that Board decisions are implemented. They play a key role in defining and guiding the strategy, once agreed by the Board, whilst ensuring the successful delivery against the strategic plan and other key business objectives, allocating decision-making and responsibilities accordingly. The CEO is also tasked with providing regular operational updates to the Board on all matters of significance relating to the Group's operations and for ensuring effective communication with shareholders and other key stakeholders. The CEO identifies and executes new business opportunities and assesses potential acquisitions and disposals.</p> <p>He manages the Group with reference to its risk profile in the context of the Board's risk appetite and is responsible for the oversight of the Environmental, Social and Governance (ESG) initiatives.</p>
<b>Chief Financial Officer</b> <b>Duncan Magrath</b>	<p>The Chief Financial Officer has overall responsibility for management of the financial risks of the Group. The CFO is responsible for financial planning and record-keeping, as well as financial reporting to the Board and shareholders. The CFO ensures effective financial compliance and control, while responding to regulatory developments, including financial reporting, effective allocation of capital, management of liquid resources, investor relations and corporate responsibility. The CFO has responsibility for the ESG reporting.</p>
<b>Chief Operating Officer</b> <b>Matthew White</b>	<p>The Chief Operating Officer is responsible for day-to-day operational activities. The COO plays a key role in developing key business operational models, monitoring performance against KPIs and ensuring adequate staffing recruitment to deliver development and systems implementation. The COO is responsible for software development, systems implementation delivery and the delivery of HR resourcing and planning.</p>
<b>Senior Independent Director</b> <b>Chris Sullivan</b>	<p>The Senior Independent Director provides a sounding board for the Chairman and acts as an intermediary for the Non-Executive Directors. The Senior Independent Director is available to shareholders should they have any concerns, where communication through normal channels has not been successful or where such channels are inappropriate. The Senior Independent Director meets with the Non-Executive Directors at least annually when leading the Non-Executive Directors' appraisal of the Chairman's performance.</p>
<b>Non-Executive Directors</b> <b>Steve Breach</b> <b>Adrian Chamberlain</b> <b>Charlotte de Metz</b>	<p>The Non-Executive Directors bring insight and experience to the Board. They have a responsibility to constructively challenge the strategies proposed by the Executive Directors; scrutinise the performance of management in achieving agreed goals and objectives; and play leading roles in the functioning of the Board Committees, bringing an independent view to the discussion.</p>



## Board leadership and Company purpose

### How the Board operates

During the year, the Board considers a comprehensive programme of regular matters covering operational and financial performance reporting, strategic reviews and updates, and various governance reports and approvals.

### Board meetings

The Board held six scheduled meetings in 2022 and a strategy meeting, which included presentations by a member of the CLT on

each of the business areas. During the year, the Board and its Committees conducted each meeting in person, with Directors attending remotely if necessary, enabling the Board to continue to function and maintain the integrity of our governance structure. Papers for meetings are circulated in advance, and so in the event that a Director is unable to attend a meeting they have the opportunity before the meeting takes place to discuss any agenda items with the Chairman.

Non-Executives meet without the Chairman at least annually to appraise the Chairman's performance and the Chairman also holds meetings with the Non-Executive Directors without the Executive Directors being present. The table below records the number of meetings held by the Board and each Committee during 2022 and the number of meetings attended by each member. There was 100% attendance at each meeting.

The Board is responsible for providing overall direction for management, debating strategic priorities and setting Alfa's culture and values. Maintaining good governance is essential to support the delivery of Alfa's strategic objectives, and to ensure that the business is run well for the benefit of all stakeholders and for sustainable long-term value. The Board receives updates on key elements of the People strategy which provides insight into a variety of areas including culture, diversity, inclusion, talent management, future capability, succession planning and colleague engagement. The Board continues to monitor the framework so it remains appropriate to the business. The governance framework embeds our values into the policies and processes of Alfa and therefore helps to strengthen the corporate culture.

### Board and Committee meetings and attendance

	Board	Audit & Risk Committee	Nomination Committee	Remuneration Committee
Andrew Page	6/6		2/2	
Andrew Denton	6/6			
Duncan Magrath	6/6			
Matthew White	6/6			
Steve Breach	6/6	4/4	2/2	4/4
Adrian Chamberlain	6/6	4/4	2/2	4/4
Charlotte de Metz	6/6	4/4	2/2	4/4
Chris Sullivan	6/6	4/4	2/2	4/4



## Board leadership and Company purpose continued

### Strategy

The Board provides support in implementing strategic priorities as well as oversight and constructive challenge on the running of the business. Through reporting, including the use of both financial and non-financial metrics, the Board is able to evaluate and guide the progress and performance of the Company. Reports from across the business are provided at Board meetings to update the Board and enable effective discussion.

During the year, the Company has continued to embed across the business the purpose and values as set out in the Strategic report on pages 1 to 69 of this report. The Board continues to monitor the strategic direction of the Company and the key investments we need to make to remain in a leading position in an ever-changing market, and ensures we have the resources and the right people, in the right place operationally, to ensure we remain relevant to the markets in which we operate. This brings focus to strategic objectives and translates into better decisions, driving competitive advantage, stronger performance and a sustainable business model. The Board and CLT embed the Company's values across the business. In order to monitor whether our culture is and remains aligned with our values, the Company seeks feedback from customers to understand what they experienced during the sales process and through the various stages of software implementations and provision of services.

### Corporate governance framework

Having an effective corporate governance framework defines responsibilities, helps the Board to deliver the Group's strategy and is vital to its decision-making. It supports long-term sustainable growth while operating within a framework of effective controls. Having the right systems and controls in place ensure the Board and its Committees effectively oversee the business, maintain the highest standards of corporate governance and allow Directors to provide challenge where necessary.

The Board has overall responsibility for ensuring adequate resource is available to deliver on its strategic priorities. The Board has established a risk management framework to manage and report the risks we face as a business, which are reviewed on at least an annual basis. The Board also undertakes a robust assessment of the Company's emerging and principal risks. Efficient internal reporting, effective internal controls and oversight of current and emerging risks are embedded into our business processes, which align to our strategic priorities, purpose and values. The Board, with the support of its Committees, places great importance on ensuring we achieve a high level of governance across the Group.

### Shareholders' agreement

The relationship between the Board and the controlling shareholder of the Company (the 'Controlling Shareholder'), CHP Software and Consulting Limited, is governed by the Relationship Agreement (which was executed on 26 May 2017). This agreement is a framework under which the Controlling Shareholder, and the shareholders of the Controlling Shareholder will operate to protect the rights of the non-controlling shareholders. There have been no changes to the Relationship Agreement during 2022, or up to the date of this report. Under the Relationship Agreement, two Non-Executive Directors can be appointed to the Board for as long as the Controlling Shareholder holds 20% or more of the voting rights over the Company's shares.

One Non-Executive Director can be appointed to the Board for so long as the Controlling Shareholder holds 10% or more but less than 20% of the voting rights in respect of the Company's shares.

If none of the Controlling Shareholders are members of the Nomination Committee, the Controlling Shareholder can appoint an observer to the Nomination Committee.

Andrew Page is designated as the first appointed Director of the Controlling Shareholder. Andrew Denton has not been appointed as a designated Director by the Controlling Shareholder. It has been agreed that for as long as the Controlling Shareholder has the right to appoint two Directors to the Board, and whilst Andrew Denton is a Director of the Company, the Controlling Shareholder will not exercise its right to appoint a second Director to the Board. There have been no Board observers appointed either under the Relationship Agreement, or otherwise. For further details of the Relationship Agreement, see page 123 of the Directors' report.

### Promoting a positive culture

The Board recognises the importance of a good culture and the role it plays in delivering the long-term success of the Company. Alfa employees want to work for a company that values them and provides them with the opportunity to be themselves and to thrive. The Board and CLT strive to create a positive culture at Alfa, providing employees with the opportunity to grow, experiment and innovate in an inclusive environment.

To create the right culture, it is important that employees live and breathe Alfa's values, and this starts with our leaders. The Board sets the tone from the top to demonstrate and promote these values, which are a critical element in achieving our purpose of knocking down barriers so everyone can thrive. The Board uses several tools to monitor the culture, through surveys, town-hall sessions, formal and informal engagement activities.

## Board activities and key discussions in 2022

The table below sets out the key areas of Board focus during the year and how these align with the Group's strategy. It also sets out which of Alfa's key stakeholders have been considered and are relevant in the Board's discussions.

Focus area	Key stakeholders	Activities	Link to strategic priorities
<b>Strategy and operations</b> see pages 1 to 69	Customers Employees Partners Investors	<ul style="list-style-type: none"> <li>Applying the Board's strategic understanding of principal risks to key challenges and opportunities.</li> <li>Monitoring the performance of the Company against agreed strategic objectives, including key financial targets.</li> </ul>	1 2 3 4 5 6
<b>Leadership, people and culture</b> see pages 12 to 15 and 58 to 61	Employees Investors	<ul style="list-style-type: none"> <li>Receiving updates on employee views and engagement levels.</li> <li>Maintaining and enhancing Alfa's culture and values.</li> <li>Continuing to monitor senior executive talent management and development plans to provide succession for all key positions.</li> </ul>	1 2 3 6
<b>Finance</b> see pages 34 to 37	Customers Employees Community and Environment Partners Investors	<ul style="list-style-type: none"> <li>Reviewing and approving the budget.</li> <li>Reviewing financial key performance indicators (KPIs).</li> <li>Approving full-year results, half-year results, trading updates and the Annual Report.</li> <li>Approving a special and final dividend.</li> <li>Reviewing the key risks to Alfa and the controls in place for mitigation.</li> <li>Considering and monitoring the Group's risk appetite and principal risks and uncertainties.</li> <li>Approving the viability and going concern statements.</li> <li>Developing and monitoring ESG reporting framework.</li> </ul>	1 2 3 4 5 6
<b>Governance</b> see pages 71 to 125	Employees Customers Investors	<ul style="list-style-type: none"> <li>Monitoring and reviewing the Company's approach to corporate governance, its key practices and its ongoing compliance with the 2018 Code.</li> <li>Reviewing the results from the internal Board effectiveness evaluation and setting actions.</li> <li>Approving updated Committees' Terms of Reference.</li> <li>Receiving and considering feedback from shareholder engagement.</li> <li>Reviewing and approving the modern slavery statement.</li> </ul>	1 4 6

The Board continued to monitor and oversee the activities and performance of Company Leadership Team in delivering against the target and aims that we have communicated to the market. Throughout 2022, the Board reflected on the activities for the talent pipeline, wellbeing and employee engagement. The Board approved two special dividends totalling 6.5p per ordinary share and in addition the commencement of the share buyback programme taking into account factors including the current cash balance, forecast cash flows, and ensuring the maintenance of a strong credit rating.

## Our strategic priorities

- |   |   |   |
|---|---|---|
| <p><b>1 Strengthen</b> – Grow our differentiation of market-leading People, Product and Delivery.</p>                                     | <p><b>2 Sell</b> – Focus on cloud-hosted, subscription sales to our target markets.</p>   | <p><b>3 Scale</b> – Increase our capacity for developing and delivering Alfa Systems.</p>   |
| <p><b>4 Simplify</b> – Simplifying our product, implementations and processes to enable more concurrent Alfa Systems implementations.</p> | <p><b>5 Synergise</b> – Develop our partner ecosystem, to improve our sales opportunities and to enable more concurrent Alfa Systems implementations.</p> | <p><b>6 Start</b> – Improve our offering for smaller auto and equipment finance providers as a platform for innovation and to increase our reach.</p> |

## Composition, succession and evaluation

### Board composition

The composition of the Board and Board Committees is continually assessed to ensure an appropriate balance of skills and experience is maintained. The Board takes into account various considerations in assessing the composition of the Board including length of Director tenure, Board diversity, independence and the combination of skills and experience of the Directors.

We consider that skills and experience of our individual Directors, particularly in the area of financial services, people and software, are fundamental to the pursuit of our objectives. In addition the experience of Directors in a variety of sectors and markets are invaluable to Alfa.

### Director re-election

Each Director is required under the Articles of Association to retire at every Annual General Meeting and submit themselves for re-election by shareholders. This report and in particular the Board biographies on pages 74 to 75 sets forth the contribution of each Director on the Board to the Company and on this basis the Board, and specifically the Chairman, believes each Director proposed for re-election at the AGM should be reappointed. The Board has based its recommendations for re-election, in part, on its review of the results from the Board evaluation process outlined on the next page, and the Chairman's review of individual evaluations, and whether a Director has demonstrated substantial commitment to the role (including time for Board and Committee meetings noted in this report) and other responsibilities, taking into account a number of considerations including outside commitments and any changes thereof during the period.

### External commitments and conflicts of interest

The Company is mindful of the time commitment required from Non-Executive Directors in order to effectively fulfil their responsibilities on the Board, particularly providing constructive challenge and holding management to account and utilising their diverse skills and experience to benefit the Company and provide strategic guidance.

Prior to their appointment, prospective Directors are asked to provide details of any other roles or significant obligations that may affect the time available for them to commit to the Company. The Chairman and the Board are then kept informed by each Director of any proposed external appointments or other significant commitments as they arise. These are monitored to ensure that each Director has sufficient time to fulfil their obligations and Chairman approval is required prior to a Director taking on any additional external appointment.

Each Director's biographical details and significant time commitments outside of the Company are set out in the Board biographies on pages 74 to 75. Whenever a Director takes on additional external responsibilities, the Director will discuss the potential position with the Chairman and confirm that, as far as they are aware, there are no conflicts of interest. Each Director is required to disclose conflicts and potential conflicts to the Chairman and the Company Secretary as and when they arise. As part of the induction process, a newly appointed Director is asked to disclose any conflicts of interest to the Company. Thereafter, each Director has an opportunity to disclose conflicts at the beginning of each Board and Committee meeting and as part of an annual review. None of the Directors declared to the Company any actual or potential conflicts of interest between any of their duties to the Company and their private interests and/or other duties. The Companies Act 2006 provides that Directors must avoid a situation where they have, or can have, a direct or indirect interest that conflicts, or possibly may conflict, with the Company's interests. Boards of public companies may authorise conflicts and potential conflicts, where appropriate, if their company's Articles of Association permit.



## Board evaluation

To ensure the Board remains effective, a performance evaluation is carried out each year to review the effectiveness of the Board, its Committees and Directors. The Board recognises the benefit of a thorough evaluation process to reflect on its strengths and the challenges it faces, and to identify opportunities to continuously improve its effectiveness.

In accordance with the Code, the Board has a three-year cycle for evaluations of its performance. In 2021, the Board appointed an external evaluator to undertake the Board performance review, the results of which are set out in full in the 2021 Annual Report.

Following the external evaluation in 2021, the evaluation for 2022 was conducted by the Company Secretary in conjunction with the Chairman. The Directors were asked to complete a detailed Board performance evaluation questionnaire to assess the performance of the Board and the Committees over the year. Each questionnaire was analysed and a summary of the results and the Board's performance was presented to the Board for discussion. The Board considers this exercise to be of significant value, and focus is placed on reviewing the quality of information provided to the Board at the Board's discussions, the effectiveness of the Board, the composition

of the Board, including the skillset of the various Directors, highlighting whether there are any gaps in the breadth and depth of the Board that should be addressed by the Nomination Committee as part of its succession planning, and to ensure that the Board is best placed to deliver on its strategic goals and ensure the long-term sustainable success of the Company.

The evaluation confirmed that there was a strong emphasis on the welfare of employees, with active consideration of fairness to employees and their rewards and a recognition of the need to support wellbeing.

The results were presented and discussed at the December 2022 Board meeting. The Board also discussed the progression of the key outcomes identified in the 2021 external evaluation, recognising that a continuous approach to improvement will continue to deliver good governance.

The overall conclusion of the evaluation was that the Board and its Committees remain strong and effective, with a clearly defined role and purpose. The evaluation found that the Board is chaired well, demonstrated by Board discussions which were rigorous and open, combined with constructive challenge, allowing for diversity of opinion.

## Directors' performance

During the year, the Chairman holds regular meetings with individual Directors at which, among other things, their individual performance is discussed. Informed by the Chairman's continuing observation of individual Directors during the year, these discussions form part of the basis for recommending the appointment and reappointment of Directors at the Company's AGM, and include consideration of the Director's performance and contribution to the Board and its Committees, their time commitment and the Board's overall composition.

## Chairman's performance

In accordance with the UK Corporate Governance Code, Chris Sullivan, as Senior Independent Director, led a review of the Chairman's performance by the Directors. The review concluded that the Directors were satisfied with the Chairman's performance and that he continues to operate effectively.

2021 Review		2022 Review	
Outputs from 2021	Update on actions	Outputs from 2022	Board agreed actions for 2023
• Deeper dives into our People strategy	The CPO provided updates on the People strategy and talent management	Board to engage in more dynamic discussion	Ensure sufficient time is allowed in the agenda for thorough consideration of difficult topics
• Increased engagement with employees	There have been opportunities for the Board to interact more with the wider workforce	Deeper insight into market conditions, trends, customer, and competitor behaviours	Include on the strategy agenda a thorough review of the market and competitors
• Informal interaction with senior management	A cycle of CLT presentations were incorporated in the Board's agenda	Review and refresh the Board and Committee papers	Refresh the structure of the Board papers
• Forward programme of work incorporated into the Board agenda	A forward planner was established for the Board and each of its Committees	Further engagement with overseas offices and Alfa customers	Consider whether a customer should be invited to attend a Board meeting

Composition, succession and evaluation continued

Board composition and diversity

As required by the Code, at least 50% of the Board, excluding the Chairman, are Independent Non-Executive Directors. As at 31 December 2022, the Board comprised the Executive Chairman, three Executive Directors and four Independent Non-Executive Directors. The Board considers that all the Non-Executive Directors, on appointment, are independent. It is the Board's policy that appointments to the Board will always be based solely on merit without any discrimination relating to age, gender or any other matter that has no

bearing on an individual's ability to fulfil the role of Director. The Board is mindful of the aims of the FTSE Women Leaders Review on gender and the Gregor Smith Review, which aim to improve gender and ethnic diversity on Boards. This principle of Board diversity is strongly supported by the Board, recognising that diversity of thought, approach and experience is an important consideration as part of the selection criteria used to assess candidates to achieve a balanced Board. The Board is also mindful of the aims of the Parker Review, an independent review body dedicated to improving the ethnic and

cultural diversity of UK boards to better reflect their employee base and the communities they serve. The business currently has no Director from an ethnic minority background either on the Board or the CLT. The Board considers that each Director is able to allocate sufficient time to the Company to discharge their responsibilities effectively.

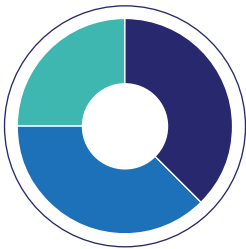
Diversity overview

Board composition



Executive Chairman	12.5%
Executive	37.5%
Independent	50%

Board tenure



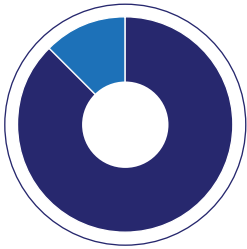
2-3 years	37.5%
3-4 years	37.5%
5-6 years	25%

Average age of the Board



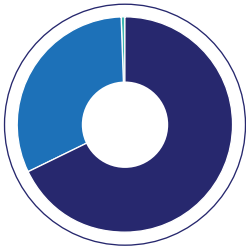
40-49	25%
50-59	50%
60-69	25%

Gender diversity Board



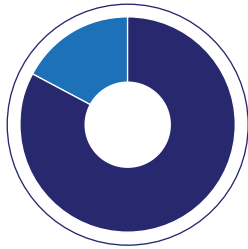
Male	87.5%
Female	12.5%

Gender diversity Company-wide



Male	68%
Female	31.5%
Non-binary	0.5%

Gender diversity Senior manager



Male	81%
Female	19%

Alfa gender balance is captured through voluntary and confidential self-disclosure.



**“During 2022, the Committee continued to recognise the importance of building an experienced, effective and open Board working together to achieve Alfa’s strategic objectives.”**

— Chris Sullivan, Nomination Committee Chair

## Meetings held during 2022

	Member since	Meetings attended 2022
<b>Chris Sullivan</b>	2019	2/2
<b>Steve Breach</b>	2019	2/2
<b>Adrian Chamberlain</b>	2020	2/2
<b>Charlotte de Metz</b>	2020	2/2
<b>Andrew Page</b>	2017	2/2

The full Terms of Reference for the Committee are reviewed annually and can be found at: [www.alfasystems.com/en-eu/investors/governance](http://www.alfasystems.com/en-eu/investors/governance).

## Principal activities in 2022

- Considered the results of the 2022 Nomination Committee evaluation.
- Reviewed the structure, size and composition of the Board and its Committees.
- Considered wider elements of succession planning for the Board and the levels below, including how to increase diversity.
- Evaluation of Directors (all of whom are proposed for re-election at the AGM).

## Areas of focus for 2023

- Monitor Board composition for alignment of relevant skills, experience and diversity to Company strategy.
- Oversight of the CLT’s development and succession planning.

## Introduction

On behalf of the Board, I am pleased to present our Nomination Committee Report for 2022, which summarises our key activities during the year.

During 2022, the Committee continued to recognise the importance of building an experienced, effective and open Board working together with the Company Leadership Team (CLT) to achieve Alfa’s strategic objectives. The Committee ensures that the Board and the CLT have the right balance of skills, knowledge and experience to both discharge their responsibilities and to respond appropriately to emerging challenges and opportunities. With this in mind, the Committee continued its succession planning for the Board, Executive Directors, CLT and considered Alfa’s approach to the development of the wider talent pipeline and in particular, key senior management.

The Committee acknowledges the importance that growing talent internally plays in the Company’s diversity ambitions, which is encouraged by each of the

Directors to contribute to the development of a diverse range of future leaders. The Committee increased its focus on the talent management and development of all Alfa employees.

As mentioned in Chairman’s introduction, the Committee reviewed its remit to consider evolving the Committee to oversee the ESG arena. In conjunction with the Board, it was decided that the Board would continue to focus on ESG requirements and oversee the extensive programme of activities and initiatives the Company has undertaken to address its ESG commitments.

The Committee is conscious that currently female representation is less than the required 33% (40% by December 2024) and all future appointments will be made bearing in mind the Committee’s ambition to achieve appropriate diversity targets.

**Chris Sullivan**  
Nomination Committee Chair

## Role of the Committee

The Committee comprises the Executive Chairman and the Non-Executive Directors and is chaired by Chris Sullivan, the Senior Independent Director. Further information on the skills and experience of all Committee members can be found on 75. The Committee’s performance was reviewed as part of the 2022 internal Board and Committee effectiveness review, which is detailed on page 85. The evaluation established that the Committee functions well in terms of planning succession to Board roles, Company Leadership Team and the future talent pipeline.

## Nomination Committee Report continued

### Committee role and membership

The Nomination Committee is responsible for ensuring the composition and structure of the Board remains effective, balanced and optimally suited to the Company's strategic priorities. In practice this involves overseeing the nomination, induction, evaluation and orderly succession of Directors. This is achieved through effective succession planning, the identification and development of internal talent and a clear understanding of the competencies and capabilities required to support the delivery of Alfa's strategy. The Committee also ensures the Company's governance structure facilitates the appointment and development of effective management that can deliver shareholder value over the long term.

### Appointment of Directors

There is a formal, rigorous and transparent procedure for the appointment of new Directors under which the Committee is responsible for leading this process and making recommendations to the Board. The search process for new Non-Executive Directors is to appoint an external search firm to secure a strong and diverse list of candidates. A shortlist of candidates is shared with the Committee, meetings are scheduled and then, once the candidates have been identified, confirmation is provided of the time commitment required and disclosure of any other business interests. If discussions relate to the appointment of a Chairman then Chris Sullivan, as Senior Independent Director, will lead the recruitment process. When the Committee has found a suitable candidate, the Chair of the Committee will make a proposal to the Board, which retains responsibility for all such appointments.

The Committee, on behalf of the Board, regularly assesses the balance of Executive and Non-Executive Directors, and the composition of the Board in terms of skills, experience, diversity and capacity.

### Diversity

Alfa seeks to have a workforce which reflects the world we and our customers live in, whilst facilitating the delivery of our strategic goals. The Board and the Committee believe that diversity is a wider topic than simply gender and, in order to achieve the Group's future growth aspirations, Alfa should remain committed to building a pipeline of diverse talent and regularly reviewing HR processes, including recruitment and performance management frameworks. The Committee will take into account a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity. Alfa endeavours to achieve appropriate diversity, including gender diversity, throughout the Company. It is part of the Committee's remit when making new Board appointments to consider the importance of diversity on the Board, including gender and ethnicity. This is considered in conjunction with experience and qualifications in relation to the balance of the Board and its Committees.

The Committee embraces the importance of inclusion and diversity and supports the revised recommendations of FTSE Women Leaders Review on gender and the Parker Review and the Gregor Smith Review, which aim to improve ethnic diversity on Boards. However, we acknowledge that currently our Board does not comply with the recommendations and recognise that there is always more we can do. Alfa will continue to work to build a more inclusive workplace at all levels of the Company. The Committee supports the Inclusion and Diversity initiatives set by the Company, and recognises that the Company is evolving in this space. During 2022, the Company achieved a target of 30% diversity across all new hires. It continues to aspire to achieve a 50:50 male:female ratio for graduate recruitment. Recruitment is continually reviewed to ensure equality during the process.

### Succession planning

The Committee keeps under review the leadership needs of the organisation, both the Executive and Non-Executive Directors, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace. The Committee undertakes comprehensive reviews of the leadership needs of the Company, to ensure the continued ability of the organisation to compete effectively in the marketplace, and keeps informed of the strategic issues and commercial challenges affecting the Company and the market in which it operates. In addition, the Committee reviews the succession plans for the CLT and the senior management structure, and employees identified by management as having the potential to develop in the longer term into future leaders of the business, taking into account future challenges and opportunities. The Committee has ensured that there are plans in place for short and medium-term succession for the Board and CLT.

The Committee considers the implications of the requirements relating to the development of a diverse pipeline for succession for the Board and the CLT contained within the 2018 Code. Discussions were held about initiatives taken to increase the diversity in the hiring process, including drawing on NEDs' experience in other organisations of attracting diverse talent.

## Independence

During 2022, the Committee reviewed the balance of skills, experience and independence of the Board. For Non-Executive Directors independence in thought and judgement is vital to facilitating constructive and challenging debate in the boardroom and is essential to the operational effectiveness of the Alfa Board and its Committees.

The Committee is satisfied that the external commitments of the Board's Chairman and members do not conflict with their duties as Directors of the Company. After the year end, the Committee also considered the Directors proposed for re-election by shareholders at the AGM. Following discussion of the skills and contribution of each Director, and in conjunction with the Board performance evaluation, the Committee supports the proposed re-election of all Directors standing for re-election at the AGM in 2022.

## Induction and ongoing professional development

To ensure that each Director receives appropriate support on joining the Board, there is a comprehensive and tailored induction programme, including the provision of background material on the Company and briefings with relevant CLT members. The induction programme will continue to be reviewed and updated on a regular basis.

## Skills evaluation

The Board is satisfied that it has the appropriate range of skills, experience, independence and knowledge of the Company to enable it to effectively discharge its duties and responsibilities.

For professional ongoing development, the Board receives presentations relevant to the Company's business and updates on any changes to markets, or regulations, which may affect the Company's operations.

The Company Secretary supplies all Directors with information on relevant corporate governance and best practice. As part of their annual performance evaluation, Directors are given the opportunity to discuss training and development needs. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable. The Committee is confident that Board members have the knowledge, ability and experience to perform the functions required of a Director of a listed company.

## External directorships

The Board believes, in principle, in the benefit of Executive Directors accepting Non-Executive Directorships of other companies in order to widen their skills and knowledge for the benefit of the Company. All such appointments require the prior approval of the Board and the number of public company appointments is limited to one. There were no new external appointments in relation to the Executive Directors during 2022.

## Conflicts of interest

The Board operates a policy to identify and, where appropriate, manage any potential conflicts of interest that Directors may have. It is the role of the Committee to monitor and determine actions to address any potential, or actual, conflicts that may arise. The Committee reviews all potential conflicts of interest on an annual basis and when new Directors are formally appointed. No conflicts of interest were noted in the year and to the date of this Annual Report.

## Election and re-election of Directors

The re-election of Directors is subject to their continuing commitment to Board activities and satisfactory performance. All Directors will stand for re-election annually in accordance with the provision of the 2018 Code. The Committee has confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the 2023 AGM continue to benefit the Board and the members are invited to support their re-election.

Non-Executive Directors are appointed initially for three years and Non-Executive Directors may, subject to Board approval, remain in office for a period of up to six years, or two terms in office, with discretion for the Board to extend the term for one further three-year term, to a maximum of nine years.

**Chris Sullivan**  
**Chair, Nomination Committee**  
 1 March 2023



# Audit and Risk Committee Report



**“Alfa has continued to improve the efficacy and efficiency of its control frameworks, and has further enhanced its insightful management information toolkit.”**

— Steve Breach, Chair of the Audit and Risk Committee

**Attendance at meetings**

	Member since	Meetings attended 2022
<b>Steve Breach (Chair)</b>	2019	4/4
<b>Adrian Chamberlain</b>	2020	4/4
<b>Charlotte de Metz</b>	2020	4/4
<b>Chris Sullivan</b>	2019	4/4

The Committee’s members are all Independent Non-Executive Directors.

## Principal activities in 2022

- Reviewed the 2021 year-end financial statements and Annual Report.
- Reviewed the half-year financial results and trading updates.
- Approved the Company’s risk management framework, risk appetite and risk register.
- Reviewed key findings from 2022 internal audits and considered the 2023 internal audit plan.
- Review of Information and Cyber Security.
- Reviewed findings from an internal audit review of ESG.
- Tax compliance status review.
- Reviewed Internal & External Audit effectiveness.
- Considered key accounting matters.

## Areas of focus for 2023

- Continue to monitor legislative and regulatory changes that may impact the work of the Committee.
- Continue with oversight of internal audit activities and findings.
- Continue oversight of the Company’s risk management framework.
- Monitor the continued progressive enhancements to Alfa’s systems and internal controls across all key functions of the business.

## Dear shareholders,

I am pleased to present our Audit and Risk Committee Report for the year ended 31 December 2022. The Report explains the work of the Committee during the year, as well as setting out expected key areas of focus for 2023.

The Committee has an annual work plan linked to the Company’s financial reporting cycle, which ensures that it considers all matters delegated to it by the Board.

We have continued to review and challenge the assumptions and judgements made by management in the preparation of published financial information and to oversee the internal control environment, including oversight of the external and internal audit processes. Throughout the year, the Committee’s primary focus has been to maintain the integrity and transparency of the Company’s internal and external financial reporting. We have continued to spend time assessing the application of IFRS 15 ‘Revenue from Contracts with Customers’, alongside careful consideration of the Company’s risk management framework, internal controls and management information systems.

The Company has continued to make strong progress during the year, incrementally improving the efficacy and efficiency of its governance and control frameworks, and further enhancing insightful management information across its business.

Alongside core financial controls, Alfa’s cyber and information security resilience is critical. The Committee has continued to pay close attention to management’s work to enhance Alfa’s cyber security control environment.

Committee members’ skills and experience are set out on pages 74 to 75. The Board is satisfied that the Committee meets the requirement to have recent and relevant financial experience and that, as a whole, its members have experience of the auto and equipment finance and enterprise software sector and corporate governance.

As a result of its work during the year, the Committee has concluded that it has acted in accordance with its Terms of Reference.

**Steve Breach**  
Chair of the Audit and Risk Committee

## Key responsibilities of the Committee

The Board has delegated to the Committee responsibility for overseeing financial reporting, the review and assessment of the effectiveness of the internal control and risk management systems and maintaining an appropriate relationship with the external auditor.

The Committee has adopted Terms of Reference, which are available to view at [www.alfasystems.com/investors/governance](http://www.alfasystems.com/investors/governance). The Terms of Reference provided the framework for the Committee's work in the year and key responsibilities of the Committee are summarised as follows:

- Overseeing the relationship with the Company's external auditor, monitoring its effectiveness and independence and making recommendations to the Board in respect of its remuneration, appointment and removal. The Committee also reviews the findings from the external auditor, including discussion of significant accounting and audit judgements, levels of errors identified and overall effectiveness of the audit process.
- Reviewing the financial statements of the Company, including its annual and half-yearly reports and, if applicable, any other formal announcements relating to its financial performance. The Committee will also consider significant financial reporting issues, accounting policies and key areas of judgement or estimation. This review also includes consideration of the clarity and completeness of disclosures on the information presented in the financial statements.
- Overseeing the accounting principles, policies and practices adopted by the Company.
- Monitoring and reviewing internal audit activities, reports and findings.
- Reviewing the effectiveness of the Company's system of internal financial controls and internal control systems.
- Advising the Board on the Company's risk strategy, risk policies and current and

emerging risk exposures, including the oversight of the overall risk management framework and systems.

- Assessing the adequacy and security of the Company's arrangements for its employees and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and to ensure proportionate and independent investigation of such matters.
- Making recommendations to the Board as it deems appropriate on any area within its remit where action or improvement is required.
- Providing advice on whether the Annual Report and Accounts, taken as a whole is fair, balanced and understandable.

## Meetings

During the year, the Committee met four times and met privately with the external auditor once. The Committee operates to a forward agenda linked to the financial calendar which ensures that the responsibilities and duties of the Committee are discharged in accordance with the Terms of Reference and the requirements of the UK Corporate Governance Code.

In addition to the Committee members, by invitation, the meetings of the Committee may be attended by the CFO. The Chairman of the Board, CEO and COO may also attend meetings. The Company's external auditor and the internal audit services provider are also present at all Committee meetings, to ensure full communication of matters as they relate to their respective responsibilities. At the end of each Committee meeting, Committee members have the opportunity to meet with the external auditor (and, where appropriate, the internal auditor) for a private discussion regarding the audit process and relationship with management.

The Chair of the Committee holds regular meetings with the external auditor, which has an opportunity to discuss matters with the Committee without management being present and also with the CFO (who has responsibility and custody of the internal audit function).

Meetings of the Committee are scheduled close to the end of the half and full year, as well as before the publication of the associated half-year and full-year financial reports, so as to ensure the Committee is informed fully, on a timely basis, on areas of significant risks and judgement. The Board has confirmed that it is satisfied that Committee members possess an appropriate level of independence and depth of financial and commercial expertise. For the year ended 31 December 2022, Steve Breach, the Chair of the Committee, was determined by the Board as having recent and relevant financial experience.

The Committee is satisfied that it receives sufficient information and has access to relevant and timely management personnel to allow the Committee members to engage in an informed debate during Committee meetings and to fulfil its responsibilities.

## Significant financial reporting judgements

As part of its monitoring of the integrity of the financial statements, the Committee reviews whether suitable accounting policies have been adopted and whether management has made appropriate estimates and judgements and seeks support from the external auditor to assess them. The Committee considered the following significant judgements and other areas of audit focus in respect of the financial statements for the six months ended 30 June 2022 and year ended 31 December 2022.

These areas have been identified as being significant by virtue of their materiality or being accounting items which are new for the current financial year or the level of judgement and/or estimation involved. In order to ensure the approaches taken were appropriate, the Committee considered reports from both management and the external auditor. The Committee challenged judgements and sought clarification where necessary. The Committee received a report from the external auditor on the work it had performed to arrive at its conclusions and discussed in detail all material findings contained within the report.

## Audit and Risk Committee Report continued

Area of focus	Assessment	Review of the Committee	Conclusion/ Action taken
<b>Revenue recognition</b>	<p>The Group's operations include complex software implementation programmes and service activities.</p> <p>The delivery of these contracts typically extends over more than one reporting period, and often the original project plans are amended as the implementation programme progresses. In addition, from time to time, the Company is entitled to one-off licence income uplifts or changes to maintenance income entitlements. Contract modifications also occur from time to time.</p> <p>In recognising revenue, management must apply a number of judgements to allocate the overall transaction price across the multiple performance obligations that have been identified within these projects. Estimates are applied in this assessment for example when assessing the stand alone selling price.</p>	<p>In advance of the half year and full year the Committee received reports from management that outlined the key judgements that were likely to be required to be included in the results. These reports were reviewed and the key points within them, including key sources of estimation uncertainty, were discussed, with the external auditor commenting where relevant.</p> <p>As part of the process of approving the issuing of the half-year and full-year results these reports were updated and issued by management to the Committee with management's final positions documented. These were considered carefully by the Committee in conjunction with input from the external auditor.</p>	<p>The Committee agreed with the revenue judgements and key sources of estimation uncertainty adopted by management.</p>
<b>Development costs</b>	<p>The Group continues to invest in the development of the Alfa Systems product. The majority of development effort is undertaken in partnership with customers and therefore is specific to that implementation or customer's process.</p> <p>Judgement is required to assess whether any development is substantially new in either design or functionality, and whether it would be commercially viable in the open market. Therefore, management assesses the likelihood of capitalisation of such costs prior to initiation of the investment project and also performs regular assessments of the development work that has been undertaken to determine if it meets the criteria set out in IAS38 for capitalisation.</p>	<p>The Committee reviewed reports from management detailing the costs that had been identified as appropriate for capitalisation.</p>	<p>The Committee noted that the amounts being capitalised remained relatively modest compared with the total expenditure on the product during the period. The Committee concurred with management's approach on the amounts to be capitalised in both the half-year and full-year results.</p>

Area of focus	Assessment	Review of the Committee	Conclusion/ Action taken
<b>Goodwill and carrying value of investments</b>	The Group has goodwill on its balance sheet and the Company holds investment in subsidiaries. These need to be reviewed annually to assess whether the recoverable amount exceeds the book value, and in the case of investment in subsidiaries also to see if a previous impairment should be reversed.	The Committee reviewed and challenged management's impairment assessment.	The Committee agreed that no impairment (or reversal of impairment) was required in the current year for both goodwill and the carrying value of the investment in subsidiaries.
<b>Going concern and Viability statement</b>	The Directors must satisfy themselves regarding the Group's long-term viability and confirm that they have a reasonable expectation that the Group will continue to operate and meet its liabilities as they fall due for the foreseeable future.	<p>The Committee reviewed management's budget and forecasts, including an overview of the assumptions made in the preparation of the base case supporting the going concern and Viability statement. This included the Group's 2023 budget and also plans for 2024 and 2025.</p> <p>The Committee discussed and challenged the budget and forecasts before agreeing with the reasonableness of the three-year period.</p> <p>The Committee assessed this in light of the principal risks and uncertainties as disclosed on pages 41 to 45 in the Strategic report.</p> <p>The Committee discussed and challenged the downside scenarios modelled as part of the Viability statement as disclosed on pages 46 to 47 in the Strategic report, the funding headroom available, the feasibility of mitigating actions, the dividend policy and share buy-back programme, and the speed of implementation of any cost-saving measures following future management decision-making.</p> <p>The Committee noted the 2018 Code requirement for the Directors to state whether they consider it appropriate to adopt the going concern basis of accounting for a period of at least 12 months from the date of approval of the 2022 financial statements.</p>	Following this evaluation and analysis, the Committee was satisfied with the judgements made and that the continued use of the going concern basis was appropriate, and the Viability statement was prepared appropriately.

## Audit and Risk Committee Report continued

### Fair, balanced and understandable

The Committee has undertaken a careful review to ensure that the Annual Report is 'fair, balanced and understandable' and provides the necessary information for shareholders to assess the Company's consolidated position, performance, business model and strategy, in line with the requirements of the 2018 Code.

The Committee members were consulted at various stages during the drafting process and provided input at the planning stage, as well as having the opportunity to review the Annual Report as a whole and discuss, prior to the February 2023 Committee meeting, any areas requiring additional clarity or better balance in the messaging. In forming its opinion and recommendation to the Board in respect of the above matters, the Committee assessed the following:

- A qualitative review of disclosures and a review of internal consistency throughout the Annual Report and Accounts;
- A review by the Committee of all material matters, as reported elsewhere in this Annual Report and Accounts;
- Disclosures in relation to Task Force on Climate Related Financial Disclosures (TCFD);
- A risk-comparison review, which assesses the consistency of the presentation of risks, and significant judgements throughout the main areas of risk disclosure in this Annual Report and Accounts;
- A review of the balance of good and bad news; and
- Ensuring it correctly reflects:
  - the Company's position and performance as described on pages 135 to 174;
  - the Company's business model, as described on pages 18 to 19; and
  - the Company's strategy, as described on pages 22 to 31.

On the basis of this work, together with the views expressed by the external auditor, the Committee recommended, and in turn the Board confirmed, that it could make the required statement that the Annual Report is 'fair, balanced and understandable'.

### Risk management

The Board has overall responsibility for determining the nature and extent of its principal and emerging risks and the extent of Alfa's risk appetite, and for monitoring and reviewing the effectiveness of the Company's systems of risk management and internal control. Further details of the risk management objectives and process are on pages 38 to 40. The principal risks and uncertainties facing the Company are addressed in the Strategic report in the table on pages 41 to 45. The Board has delegated to the Committee the responsibility for monitoring the effectiveness of the systems of risk management.

### Internal control

The Board determines the objectives and broad policies of the Company and meets regularly, when a set schedule of matters which are required to be brought to it for decision is discussed. Overall management of the Company's risk appetite, its tolerance to risk and discussion of key aspects of execution of the Company's strategy remain the responsibility of the Board. The Board has delegated to the Audit and Risk Committee the responsibility for overseeing the system of internal controls to ensure these are appropriate to the business environments in which the Company operates.

Key elements of this system include the following:

- A clearly defined organisation structure for monitoring the conduct and operations of the business.
- Clear delegation of authority throughout the Company, starting with the matters reserved for the Board.

- A formal process for ensuring that key risks affecting operations across the Company are identified and assessed on a regular basis, together with the controls in place to mitigate those risks. Risk consideration is embedded in decision-making processes at all levels and the most significant risks are periodically reviewed by the Board. The risk process is reviewed by the Audit and Risk Committee.
- The preparation and review of the annual budget.
- The monthly reporting of actual results and their review against the budget, forecasts and the previous year, with explanations obtained for all significant variances.
- Controls in respect of financial reporting and the production of the consolidated financial statements are well established. Group accounting policies are consistently applied and review and reconciliation controls operate effectively.
- The Finance Manual which outlines key control procedures and policies to apply throughout the Company and Group. This includes clearly defined policies and escalating authorisation levels for all procurement activity including capital expenditure and investment.

During 2022 the Board, through the Committee, has continued to monitor the Company's risk management and internal control and it has also reviewed their effectiveness. Throughout 2022 Alfa's financial, operational and compliance controls continued to operate as intended. As noted elsewhere, the Committee reviewed carefully the Internal Auditor's assessment of Alfa's fraud resilience.



## Internal audit

The Audit and Risk Committee supports the Board in fulfilling its responsibilities to review the activities, resources, organisational structure and operational effectiveness of the internal audit activities. Following discussion with the Committee Chair and the CFO, BDO LLP presents its internal audit plan for approval to the Committee at the start of each new financial year and will provide an update and further plans at the mid-year stage.

The Committee monitored and reviewed the scope, extent and effectiveness of the internal audit plan in line with the Company's key risks and strategy. Internal audit is a standing agenda item at each Committee meeting and BDO LLP presents an update on audit activities, the progress of the audit plans and the outcomes of all audits with action plans to address any issues. Activities of internal audit during 2022 included the following areas of focus:

- ESG review
- Fraud resilience review
- Data protection review
- Cyber security
- Business Continuity and IT Disaster Recovery
- Capacity Planning
- Revenue and Accounts Receivable
- Follow up on prior recommendations.

The Committee performed an effectiveness review of internal audit during the year.

As part of this review referenced above, and considering management's opinion, the Committee was satisfied that the internal audit function remains effective and fit for purpose.

## External Audit

The Committee oversees the Company's relationship with, and the performance of, the external auditor. This includes responsibility for monitoring its independence, objectivity and compliance with ethical and regulatory requirements. The Committee is the primary contact with the external auditor. The Committee also has responsibility for approving the nature of non-audit services which the external auditor may or may not be allowed to provide to the Company and the fees paid for these services (subject to de minimis levels).

### Independence and performance of the external auditor

The Committee is responsible for reviewing the independence of the Company's external auditor, RSM, agreeing the terms of engagement and the scope of its audit.

RSM has a policy of partner rotation, which complies with regulatory standards, and RSM operates a peer review process for its engagements, to ensure that its independence is maintained. The Committee reviewed a report from the external auditor describing its arrangements to identify, report and manage any conflicts of interest.

Maintaining an independent relationship with the Company's external auditor is a critical part of assessing the effectiveness of the audit process. The Board has approved a policy which is intended to maintain the independence and objectivity of the external auditor. The policy, which was updated in the year, governs the provision of audit, audit-related services and non-audit services provided by the auditor. Committee approval is required for any service with an expected cost in excess of £10,000. During 2022, the external auditor confirmed to the Committee that it did not provide any non-audit or additional services other than for the half-year review that could lead to its objectivity and independence being compromised on behalf of the Company.

Details of audit, audit-related fees and non-audit fees are included in note 9 to the consolidated financial statements.

The Committee notes that audit partner rotation every five years facilitates independence and objectivity within the external audit team. The current External Audit Engagement Partner is Graham Ricketts, who was appointed to lead the audit in July 2020. The Committee is satisfied with the performance and effectiveness of RSM as external auditor, taking into account the Committee's own assessment and feedback. The Committee has concluded that RSM displays the necessary attributes of independence and objectivity.

### Assessment of the audit process

The scope of the external audit is formally documented by the auditor. It discusses the draft plan with management before it is referred to the Committee, which reviews its suitability and holds further discussions with management and the auditor before final approval. The Committee has reviewed the quality of the audit plan and related reports for the 2022 audit and is satisfied with the quality of these documents.

The Committee discussed the quality of the half-year review and audit work since RSM's appointment and considered the performance of the external auditor, taking into account feedback from various stakeholders across the business and the Committee's own assessment. The evaluation focused on: robustness of the audit process; quality of delivery; reporting; and people and services. The Committee reviewed the independence of the external auditor and concluded that it complies with UK regulatory and professional requirements and that its objectivity is not compromised.

## Audit and Risk Committee Report continued

The Committee does not intend to put the external audit out to tender in the coming financial year as the appointment of RSM occurred in 2020 and therefore the Company has complied with the Competitions and Markets Authority requirement in relation to audit tenders every 10 years. The Committee will continue to keep this under review as part of its review of effectiveness of the external auditor.

### Going concern and Viability statements

The Committee reviewed the updated wording of the Company's longer-term Viability statement, set out on pages 46 to 47. To do this, the Committee ensured that the financial model used was consistent with the approved three-year plan and that scenario and sensitivity testing aligned clearly with the principal risks of the Company. Committee members challenged the underlying assumptions used and reviewed the results of the detailed work performed. The Committee was satisfied that the analysis supporting the Viability statement had been prepared on an appropriate basis. The Committee also reviewed the going concern statement, set out on page 37 and confirmed its satisfaction with the testing methodology.

### Assessment of the effectiveness of the Committee

The Committee's effectiveness in respect of 2022 was evaluated as described on page 85. The key issues that were identified in the Committee evaluation were discussed by the Committee to ensure these were adequately addressed and the Chair provided an update where appropriate.

### Focus for 2023

In 2023, as well as the regular cycle of matters that the Committee schedules for consideration each year, the Committee will continue to monitor legislation and regulatory changes, including those that affect the audit market that may impact the work of the Committee. The Committee will also continue with oversight of internal audit activities and findings as well as monitoring the continued progressive enhancements to Alfa's systems and internal controls.

### Steve Breach

**Chair, Audit and Risk Committee**

1 March 2023



**“Given our success as a business is closely tied to our ability to recruit, retain and engage a highly talented workforce, we have introduced an ESG measure to our Annual Bonus to drive retention and engagement.”**

— Adrian Chamberlain, Chair of the Remuneration Committee

## Meetings held during 2022

	Member	Meetings attended since 2022
<b>Adrian Chamberlain</b>	2020	2/2
<b>Steve Breach</b>	2019	2/2
<b>Charlotte de Metz</b>	2020	2/2
<b>Chris Sullivan</b>	2019	2/2

## Committee activities during 2022

The key activities undertaken during the year were as follows:

- Reviewing remuneration of the Executive Directors and members of the Company Leadership Team (including salary, benefits and variable incentives).
- Reviewing and approving the performance outturns against the financial and non-financial measures for the 2021 Annual Bonus, and approving payouts.
- Reviewing and approving the 2022 Long-Term Incentive Plan proposal and grant.
- Reviewing and approving the 2022 Annual Bonus framework and measures, and award opportunities.
- Approving the 2021 Directors' Remuneration Report, including the Gender Pay Gap report and CEO pay ratio.
- Overseeing employee share plans, including the UK (ShareSave) and US (ESPP).
- Reviewing the Terms of Reference.

The full Terms of Reference for the Committee can be found at: [www.alfasystems.com/investors/governance](http://www.alfasystems.com/investors/governance).

## Introduction

On behalf of the Remuneration Committee, I am pleased to present our Remuneration Committee Report for 2022, which summarises our key activities during the year.

This Report complies with the requirements of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 as amended in 2013, the provisions of the 2018 UK Corporate Governance Code, the Companies (Miscellaneous Reporting) Regulations 2018, the Companies (Directors' Remuneration Policy and Directors' Remuneration Report) Regulations 2019, and the Listing Rules.

## Our performance

Alfa has performed strongly both operationally and financially in 2022. During the year the Board upgraded estimates to shareholders and continuing strong cash generation has enabled us to pay two special dividends along with the regular dividend to shareholders.

## Our People

During 2022, we have continued embedding our transition to smart working and becoming a successful hybrid workforce. This provides added flexibility for our employees experience, reflecting the changes to the wider working environment as we exited from the prolonged periods of lockdown.

More generally, the Committee maintains an active role in monitoring pay and practices across the wider workforce. The Committee receives updates from the Group's Chief People Officer on our People strategy and talent management, which provides valuable input into the Committee's decision-making around Executive Director remuneration.

We are pleased with the continued progress made during the year in these important areas, and look forward to further development in the future.

## 2022 Incentive outcomes

As a result of Alfa's continued strong performance, the Committee approved annual bonus payments for Duncan Magrath and Matthew White in respect of 2022. This outcome is echoed by our profit share scheme, which distributes just over 10% of the Company's profits among employees. The strong financial performance in 2022 increased the total cost of the payment to £3.5m (2021: £3.1m). In reaching this decision, the Committee considered the formulaic outcome against the targets set at the start of the year, and the broader underlying performance of the Company. In accordance with the Remuneration Policy, 50% of the bonus earned by Duncan Magrath and Matthew White will be paid in cash, and 50% will be deferred in Alfa shares for three years.

## Remuneration Report continued

With regard to the Group's longer-term incentives, performance conditions attached to Long-Term Incentive Plan (LTIP) awards made on 3 June 2020 were tested to 31 December 2022. The award is based equally on growth in EPS and Total Shareholder Return (TSR). TSR over the three-year period was 106% which ranked Alfa at the 95th percentile against its benchmark. EPS growth over the same period was 137%. This strong three-year performance led to full payouts being warranted for both measures. Accordingly, these awards will vest in full in June 2023, and will be subject to a mandatory two-year holding period. Further details, including the value of these awards, are included on page 112.

The Committee is satisfied that overall pay outcomes in respect of the year ended 31 December 2022 are appropriate and reflect Alfa's continued exceptional financial and operational performance, and the experience of all key stakeholder groups. The annual bonus outcome for the year reflects another strong year of profit growth, while vesting of the awards granted under the 2020 LTIP reflects long-term, strong performance for shareholders during the period. The Committee has therefore not exercised any discretion in relation to its assessment of the outcome of the variable pay schemes, or to overall remuneration levels this year.

### The Remuneration Policy and implementation

As required by the reporting regulations, the Remuneration Policy was submitted to a binding vote at the 2021 AGM. During 2022, the Committee debated the existing remuneration arrangements. On balance we decided that the current approach remained well suited to Alfa's strategic intentions. No changes are proposed to the Policy this year and accordingly, our approach to remuneration in 2023 will be in-line with 2022. Further details on our Remuneration Policy are described on pages 100 to 107.

As stated in the 2021 Remuneration Report, the Chairman and CEO requested that the

Committee approve their proposal to reduce their salaries to the legal minimum level, and waive their rights to an Annual Bonus or LTIP. Both the Chairman and CEO are significant shareholders in the Company and expressed a desire to align their future remuneration with those of the other shareholders. The proposal was accepted and the salaries for the Chairman and CEO continue to be aligned to the National Living Wage.

All variable remuneration will continue to be subject to appropriately stretching performance targets, which are set to reflect the risk appetite of the business with a focus on delivery of long-term sustainable performance. Variable pay elements are also subject to:

- Recovery provisions to safeguard against payments for failure;
- Performance underpins; and
- Scope for the Remuneration Committee to exercise discretion where outcomes are deemed inappropriate in the context of wider business performance.

### 2023 – Looking ahead

We have undertaken our annual review of the Executive salaries and awarded a 5% salary increase to the CFO and COO (effective 1 January 2023). This is the first salary increase awarded since their appointment to the Board in 2020 and 2019 respectively. The Chairman and CEO have agreed to have their salaries tied to the national living wage, which has increased by 8%. In addition, following a review of the overall compensation of the Executive Directors, the Committee determined that Matthew White, as COO, has been invaluable to Alfa's strategic development, and his bonus opportunity would be increased from 100% to 125% of salary to align his bonus opportunity with the CFO.

### 2023 Annual Bonus

The annual bonus will operate on a similar basis as last year, with an additional ESG measure incorporated for 2023. Maximum opportunities are 125% of salary for the CFO and, as noted, the annual bonus opportunity for the COO has been increased to 125% of salary. Half of

any amounts earned will be deferred in shares for three years.

Reflecting on the evolving ESG landscape, we have introduced an additional measure to the annual bonus for 2023. This is the Company's first step to include ESG metrics and we have started with a people measure, assessing overall employee retention and engagement, given our success as a business is closely tied to our ability to recruit, retain and engage a highly talented workforce. As we move forward, the Committee will keep under review the options to broaden our ESG targets to include other measures which are aligned to our strategy. We believe any metric used should be quantifiable, measurable and ideally externally comparable. As our benchmarking and measurement of these metrics matures we will also consider whether the ESG targets should be included in our annual bonus scheme, our long-term incentive plan, or both.

### UK Corporate Governance Code

When making decisions relating to remuneration, the Committee continues to be mindful of the guidance in the UK Corporate Governance Code around clarity, simplicity, risk, predictability, proportionality and alignment to culture. As detailed in this report, the Committee takes various steps to ensure that the approach to remuneration is consistent with these principles, although we will always use discretion to deliver the right outcome for the business where we deem that appropriate.

The Committee will continue to monitor market developments throughout 2023 and will consider how any emerging trends may affect Alfa. This will include working closely with the Board to understand if and how to evolve the role for ESG targets in our executive incentives to drive our priorities in this area. I will be happy to answer any questions you may have at the upcoming AGM.

**Adrian Chamberlain**  
Chair of the Remuneration Committee

## Remuneration at a glance

This table sets out a summary of how the remuneration policy will apply during 2023:

			Y1	Y2	Y3	Y4	Y5	2023 change
<b>Salary &amp; benefits</b> (£000)	CEO	£29						Base salary for CEO increased by 8%. Base salary for CFO and COO increased by 5%
	CFO	£302						
	COO	£245						
<b>Pension</b>	CEO	Waived						Unchanged
	CFO	6%						
	COO	6%						
<b>Annual bonus (Policy max 150%)</b>	CEO	Waived	50% deferred in shares for three years →					Bonus opportunity for COO increased from 100% to 125%
	CFO	125%						
	COO	125%						
<b>LTIP (Policy max 150%)</b>	CEO	Waived	Two-year holding period →					Unchanged
	CFO	2023 grant 150%						
	COO	2023 grant 100%						
<b>Safeguards (Malus &amp; clawback)</b>	CEO							Unchanged
	CFO							
	COO							
<b>Shareholding requirements</b> (% of salary)	CEO	200%						Unchanged
	CFO	200%						
	COO	200%						
<b>Post-employment shareholding</b> (% of salary)		Post employment Y1	Post employment Y2					Unchanged
	CEO	200%	100%					
	CFO	200%	100%					
	COO	200%	100%					



## Remuneration Report continued

### Directors' Remuneration Policy (Approved in 2021)

Shareholders approved the new Remuneration Policy at the AGM on 10 May 2021 and it will apply for a period of up to three years. The Committee reviewed the remuneration framework during the year to ensure that it remains fit for purpose and is designed to support and drive the business strategy. No changes to the Policy are proposed for 2023.

The Policy is designed to attract, retain and motivate our leadership within a framework designed to promote the long-term success of Alfa and align with our shareholders' interests.

#### Fixed elements of remuneration for Executive Directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance
<b>Salary</b>	To attract, retain and motivate Executive Directors of the calibre required to deliver the Company's strategy and drive business performance.	<p>Base salaries will be reviewed at least annually, and assessed, taking into account the scope and requirements of the role, experience of the incumbent and the total remuneration package. Any increases will typically be effective from 1 January.</p> <p>Account will also be taken of the performance of the business, the salary increases awarded to the wider employee population, and remuneration arrangements in other listed companies of comparable scale and sector.</p>	<p>There is no overall maximum for, or increase to, salary levels. In awarding any increase, the Committee will be mindful of the general increase for the broader employee population. In appropriate circumstances the Committee may award increases outside this range.</p> <p>These may include:</p> <ul style="list-style-type: none"> <li>• A change in role and/or responsibilities;</li> <li>• Performance and/or development in the role of the Executive Director; and</li> <li>• A significant change in the Company's size, composition and/or complexity.</li> </ul> <p>In addition, where an Executive Director has been appointed to the Board at a starting salary which is lower than typical market rate, larger increases may be awarded as their experience develops, if the Committee considers such increases to be appropriate.</p>	Personal performance will be taken into consideration when determining any salary increases.
<b>Benefits</b>	To provide market-competitive benefits which drive Executive Directors to deliver the Company's strategy.	The Committee's policy is to provide Executive Directors with competitive levels of benefits, taking into consideration the benefits provided to Alfa's employees and those offered by its peers. Benefits are in line with those for the broader workforce and currently include (but are not limited to) a car or cash allowance; private medical insurance (individual and family, if applicable); and death-in-service life assurance. The Company may award additional benefits where the Committee considers it appropriate (e.g. travel, accommodation and subsistence allowances). These may include national and international relocation benefits such as (but not limited to) accommodation, family relocation support and travel in line with our policy for other employees in similar situations.	<p>Given that the cost of benefits depends on the Executive Director's individual circumstances, there is no prescribed maximum monetary value.</p> <p>The cost of the benefits provision will be reviewed by the Committee on a periodic basis to ensure it remains appropriate.</p> <p>Other payments such as legal fees or outplacement costs may be paid if it is considered appropriate.</p>	There are no performance conditions.

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance
<b>Pension</b>	To encourage and assist with responsible, secure retirement provisions, thereby facilitating the recruitment of high-calibre Executive Directors to deliver the Company's strategy.	May be provided by way of contribution into a Company pension scheme or receive a cash supplement in lieu of pension contributions into this scheme (or such other arrangement the Committee determines has the same economic effect).	The maximum Company contribution for Executive Directors will not exceed the contribution (as a percentage of salary) available to the broader employee population. The current contribution level for Executive Directors is 6% of salary, which is aligned to the contribution for the broader employee population.	There are no performance conditions.

### Variable elements of remuneration for Executive Directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance
<b>Annual bonus and Deferred Bonus Share Plan (DBSP)</b>	<p>Incentivises and rewards the achievement of annual financial and non-financial objectives integral to the Company's strategy.</p> <p>The part-deferral of earned bonus into shares provides alignment with shareholders' long-term interests.</p>	<p>The Committee will set the performance measures and their weighting, and targets annually to reflect the key financial, strategic and personal priorities for the business in the relevant year.</p> <p>Annual bonus outcomes will be determined by the Committee, and the Committee may use its discretion at the end of the performance period to adjust the final bonus outcome if it considers that the outcome does not reflect the underlying performance of the business during the year, or if it considers the payment is not appropriate in the context of unforeseen, unexpected or exceptional circumstances.</p> <p>Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant Annual Report.</p> <p>Not less than 50% of any bonus will normally be deferred into an award of shares under the DBSP. Deferred shares will be subject to a three-year holding period from the date of the award, but no further performance conditions will apply. Directors may sell sufficient shares to satisfy the respective tax liability but must retain the net number of shares until the end of this three-year period.</p> <p>Malus and clawback provisions will apply (see explanatory notes).</p>	<p>The maximum bonus opportunity may be up to 150% of salary for the Executive Directors for each financial year.</p> <p>Annual awards made each year to Executive Directors will be set out in the Annual Report on Remuneration in respect of the relevant year.</p>	<p>Performance measures will comprise a combination of financial and non-financial objectives and the measures may vary from year to year. At least half of the annual bonus will be based on financial measures. The non-financial performance measures may include a combination of strategic and/or personal objectives. Further details on, and the rationale for, the measures used in the annual bonus will be disclosed in the relevant Annual Report (and the targets set will normally be disclosed retrospectively, subject to these being considered not to be commercially sensitive).</p>

## Remuneration Report continued

### Directors' Remuneration Policy (Approved in 2021) continued

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance
<b>Long Term Incentive Plan (LTIP)</b>	Incentivises and rewards the achievement of the Company's long-term strategic objectives for the business, through the use of share-based awards. To encourage long-term shareholding to retain Executive Directors and provide greater alignment with shareholders' interests.	<p>Awards granted under the LTIP vest subject to the achievement of applicable performance conditions measured over at least a three-year period. LTIPs may be made as conditional share awards or in other forms (e.g. nil cost options) if it is considered appropriate.</p> <p>The Committee may use its discretion at the end of the performance period to adjust the final vesting outcomes if it considers that the outcome does not reflect the underlying performance of the business or participants during the performance period, or if it considers the payment is not appropriate in the context of unforeseen, unexpected or exceptional circumstances. Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant Annual Report.</p> <p>Awards that vest are subject to a further two-year holding period after the vesting date. Directors may sell sufficient shares to satisfy the respective tax liability but must retain the net number of shares until the end of this two-year period.</p> <p>The Committee retains the discretion to allow dividends to accrue over the vesting period in respect of the awards that vest (see explanatory notes).</p>	The maximum value of shares (at grant) which can be made under an award to an individual in respect of a financial year is 150% of salary. Any awards made in the same year under the Company Share Option Plan will be taken into account when applying these limits. In exceptional circumstances awards totalling 200% of salary may be made in a year.	<p>Performance measures will be determined by the Committee at the time of making each award to ensure alignment with the long-term success of the business.</p> <p>The performance conditions may include, but are not limited to, market measures, financial measures, and strategic long-term objectives.</p> <p>For performance between threshold and maximum, awards vest on a straight-line basis.</p>
<b>Company Share Option Plan (CSOP)</b>	Incentivises and rewards the achievement of long-term targets aligned to encourage long-term shareholding to retain Directors, and provide greater alignment with shareholders' interests. The CSOP also provides flexibility in the retention and recruitment of Executive Directors.	<p>Awards granted under the CSOP become exercisable subject to such timings and performance conditions as may be set by the Committee.</p> <p>Options are granted at market value or the nominal share price if higher.</p> <p>The Committee may use its discretion at the end of the performance period to adjust the final vesting outcomes if it considers that the outcome does not reflect the underlying performance of the business or participants during the relevant period, or if it considers the payment is not appropriate in the context of unforeseen, unexpected or exceptional circumstances. Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the subsequent Annual Report.</p>	Maximum value of £30,000 at the time of grant, including any existing awards under the CSOP.	Awards vest subject to predetermined performance conditions assessed over a minimum period of three years.

## Variable elements of remuneration for Executive Directors

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance
<b>All-employee share plans</b>	All-employee plans are designed to encourage share ownership within the wider workforce.	Executive Directors are eligible to participate in any all-employee share plan in place, on identical terms to other participants. In the case of UK tax qualifying plans, these will be operated in line with HMRC guidance.	Participation in any approved all-employee share plans will be subject to the same limits as for other eligible employees and, in the case of any UK tax qualifying plan, will be subject to the maximum limits permitted by the relevant tax legislation.	The Committee may apply conditions to participation in all-employee share schemes, which will apply to all employees.
<b>Shareholding requirement</b>	To drive long-term, sustainable decision-making for the benefit of the Company and our shareholders.	The Executive Directors are required to build up a shareholding equivalent to align with the long-term interests of shareholders. Until the requirement is met, 50% of any share awards vesting (after any sales to cover tax liabilities) should be retained.	Executive Directors are required to hold shares equivalent to 200% of their salary in value. Directors are required to continue to hold their shareholding requirement, or, if their level of shareholding is below the requirement, their actual holdings, for a period of one year, and 50% of that level for the second year.	There are no performance conditions.

## Non-Executive Director Remuneration

Element of remuneration	Purpose and link to strategy	Operation	Maximum opportunity	Performance
<b>Fees paid to the Non-Executive Directors</b>	Fees are set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its Committees, and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience.	Fees for Non-Executive Directors will be determined by the Chairman and the Executive Directors. Additional fees are payable for acting as Senior Independent Director, Committee Chairs, or for undertaking other duties. Fee levels will be reviewed (though not necessarily increased) annually and set with reference to the time commitment and responsibility of the position as well as taking into consideration market data for roles in other companies of a similar size and complexity.	Details of the current fee levels for the Non-Executive Directors are set out in the Annual Report on Remuneration. There is no prescribed maximum annual increase. Total fees will not exceed the maximum amount provided in the Company's Articles of Association.	Benefits appropriate to the role may be provided. The Non-Executive Directors will have the benefit of a qualifying third party indemnity from the Company and appropriate Directors' and Officers' liability insurance. Travel and reasonable expenses incurred (including any tax gross-up) in the course of performing their duties may be paid by the Company or reimbursed.

## Remuneration Report continued

### Notes to the Policy Table

#### Prior arrangements

The Committee reserves the right to make any remuneration payments and/or payments for loss of office (including exercising any discretions available to it in connection with such payments) notwithstanding that they are not in line with the Policy set out above where the terms of the payment were agreed:

- i. Before the Policy set out above came into effect (provided, in the case of any payment agreed on or after 24 April 2018, it is in line with the Policy approved by shareholders on that date); or
- ii. At a time when the relevant individual (or other person to whom this Policy applies) was not a Director of the Company and, in the opinion of the Committee, the payment was not in consideration for the individual becoming a Director of the Company. For these purposes 'payments' includes the Committee satisfying awards of variable remuneration and, in relation to an award over shares, the terms of the payment are 'agreed' at the time the award is granted.

#### Selection of performance conditions

For the annual bonus, the Committee believes that a mix of financial and non-financial targets is most appropriate for the Company. Strategic and personal objectives may be included where appropriate to ensure delivery of key business milestones. The Committee will determine the measures and weightings each year, based on the key financial and strategic priorities for the Company.

Performance under the LTIP will typically be based on a combination of market and non-market measures. This is so that the Committee can assess the Company's performance with reference to a mix of underlying financial and stock market performance and encourages a focus on long-term financial growth as well as returns to shareholders. The Committee will keep the measures and weightings under review prior

to the start of each cycle to ensure that these remain effective in driving the Executive Directors to deliver long-term success.

#### Explanatory notes

Awards under any of the Company's share plans referred to in this report may:

- a. Be granted as conditional share awards or nil cost options or in such other form that the Committee determines has the same economic effect;
- b. Have any performance conditions applicable to them amended or substituted by the Committee if an event occurs which causes the Committee to determine an amended or substituted performance condition would be more appropriate and not materially less difficult to satisfy;
- c. Incorporate the right to receive an amount (in cash or additional shares) equal to the value of dividends which would have been paid on the shares under an award that vests up to the time of vesting (or where the award is subject to a holding period, time of release). This amount may be calculated assuming that the dividends have been reinvested in the Company's shares on a cumulative basis;
- d. Be settled in cash at the Committee's discretion – although the Committee has no intention to cash settle any Executive Directors' awards and would do so only in exceptional circumstances (such as where there was a regulatory restriction on the delivery of shares) or to settle tax liabilities arising in connection with the acquisition of shares; and
- e. Be adjusted in the event of any variation of the Company's share capital or any demerger, delisting, special dividend or other event that may affect the Company's share price.

#### Discretion, malus and clawback

Variable pay awards may be made subject to adjustment events. At the discretion of the Committee, an award may be adjusted before delivery (malus) or reclaimed after delivery (clawback) if an adjustment event occurs.

Our long-term incentive plans provide the Committee with discretion in respect of vesting outcomes that affect the actual level of reward payable to individuals. Such discretion would only be used in exceptional circumstances and, if exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant Annual Report.

Malus will apply to awards under the DBSP and LTIP. Clawback will apply to all vested awards under the DBSP and LTIP and the part of the annual bonus which is paid in cash. These provisions may be invoked at the Committee's discretion at any time within three years of the payment of cash bonuses and six years of the grant of DBSP and LTIP awards.

The Committee has the discretion to invoke these provisions in the following circumstances:

- Where there is a material misstatement of any Company financial results;
- Where an error in assessing performance conditions is discovered;
- Where there is misconduct on the part of the individual; and
- Where a material failure of risk management by the Company is identified, or in the event of serious reputational damage to the Company.

#### Shareholding requirement

The Executive Directors are required to build up a shareholding equal to at least 200% of salary, to align with the long-term interests of shareholders. Until the requirement is met, 50% of any share awards vesting (after any sales to cover tax liabilities) should be retained. In order to generate alignment with shareholders beyond departure and to drive risk-conscious stewardship, a post-cessation shareholding requirement will be placed on Executive Directors. The post-cessation requirement relates to those awards awarded through incentive schemes by the Company. Executive Directors will typically be required to maintain a shareholding equal to the lower of their in-post guideline and their actual holding, for one year, and 50% of that level for the second year.



## Illustrations of potential remuneration outcomes

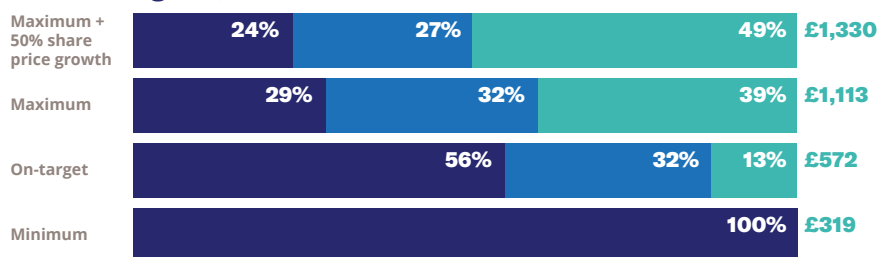
The following charts illustrate the remuneration that could be received by each of the Executive Directors for varying levels of performance in 2023. The charts are based on the following assumptions:

Pay scenario	Purpose and link to strategy
<b>Maximum +50% share price growth</b>	Assumes 100% payout under the annual bonus Assumes 100% payout under the LTIP plus 50% share price growth
<b>Maximum</b>	Assumes 100% payout under the annual bonus Assumes 100% payout under the LTIP
<b>On-target</b>	Assumes 50% payout under the annual bonus Assumes 25% payout under the LTIP (aligned with threshold performance)
<b>Minimum</b>	Fixed elements of remuneration only – base salary, benefits and pension

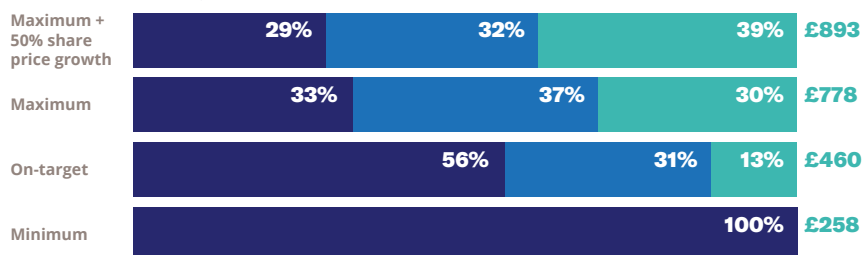
### Andrew Denton, CEO (£000)



### Duncan Magrath, CFO (£000)



### Matthew White, COO (£000)



● Fixed    ● Bonus    ● LTIP

## Approach to recruitment remuneration

The Committee will seek to align a new Executive Director's remuneration package with the Policy as set out in the Policy Table.

When determining a remuneration package for a new appointment, the Committee will take into consideration the size and scope of the role, the skills and expertise of the candidate, the external market rate for a candidate of that experience, as well as the importance of securing the preferred candidate. Benefits will be limited to those outlined in the Policy, with relocation assistance provided where appropriate. Awards under the LTIP and/or CSOP that may be awarded to a new Executive Director will not exceed 200% of salary and the bonus opportunity will not exceed 150% of salary.

Special consideration may be given in the event that incentives accrued at a previous employer are due to be forfeited on the candidate's leaving that company, in which case the Committee retains the discretion to grant awards with vesting on a comparable basis to the likely vesting of the previous employer's award; any such award is excluded from the maximum value of incentives referred to above. For internal candidates, long-term incentive awards granted in respect of the prior role would be allowed to vest according to their original terms.

For the appointment of a new Chairman or Non-Executive Director, the fee would be set in accordance with the approved Policy in force at that time. The length of service and notice periods would be set at the discretion of the Board, taking into account market practice, corporate governance considerations and the skills and experience of the particular candidate at that time.

## Service contracts and appointment letters

The service contracts of the Chairman and the Executive Directors do not have a

## Remuneration Report continued

### Notes to the Policy Table continued

specific duration but can be terminated by not less than six months' notice in the case of the Chairman and the COO and by not less than 12 months' notice for the CEO and CFO by either party.

Under the service contracts the Executive Directors are entitled to a salary (reviewed annually), pension contribution and benefits, in addition to reimbursement of reasonable expenses incurred by them in the performance of their duties.

The service contracts for Executive Directors make no provision for termination payments, other than for payment in lieu of salary.

The Non-Executive Directors' appointments are for a fixed term of three years and

are subject to annual re-election by shareholders. Under their letters of appointment, their appointment is terminable by either party on three months' written notice except where the Non-Executive Director is not reappointed by shareholders, in which case termination is with immediate effect. The Non-Executive Directors are entitled to the reimbursement of reasonable business expenses.

#### Termination of office

If the employment of an Executive Director is terminated, any compensation payable will be determined by reference to the terms of the service contract in force at the time. As variable pay awards are not contractual, treatment of these awards are determined by the relevant rules. The Committee may structure any

compensation payments beyond the contractual notice provisions in the contract in such a way as it deems appropriate.

The Company may at its discretion make termination payments in lieu of notice and contractual benefits. The service agreements for the CEO, CFO and COO allow for garden leave during their notice period.

The appointment letters for the Non-Executive Directors provide that no compensation is payable on termination.

The Committee has a policy framework for payments for loss of office by an Executive Director, both in relation to the service contract and incentive pay, which is summarised below.

	<b>Category A</b> Voluntary resignation and termination for cause	<b>Category B</b> Agreed terms	<b>Category C</b> Death or cessation by reason of ill-health, disability, injury, redundancy or change of control
<b>Fixed pay</b>	Paid only until employment ceases.	Paid for the notice period.	Paid only until employment ceases or for notice period depending on the reason for cessation.
<b>Annual bonus</b>	There is no contractual entitlement to payments under the annual bonus. Bonuses delivered in shares represent the bonus the Executive Director has already earned and carry no further performance conditions. Awards will normally be released in accordance to the usual schedule, unless the Committee determines that awards should be released at the time the individual ceases employment. Awards will normally be released in full unless the Committee determines otherwise.	Treatment will normally fall between A and C, subject to the discretion of the Committee, the terms of any termination agreement and the reasons for the Executive Director's departure.	Cessation during the financial year or after the financial year end, but before payment date, may result in bonus being payable (pro-rated for the proportion of the financial year worked unless the Committee determines otherwise). Such bonuses may be settled wholly in cash. Bonuses delivered in shares represent the bonus the Executive Director has already earned and carry no further performance conditions. Awards will normally be released in accordance to the usual schedule, unless the Committee determines that awards should be released at the time the individual ceases employment. Awards will normally be released in full unless the Committee determines otherwise. If the participant dies, awards will normally be released at the time of their death on the same basis as for other good leavers.
<b>LTIP awards</b>	Unvested awards will lapse on cessation of employment. Vested awards subject to a holding period will also lapse if the Executive Director's employment is terminated for cause.	Treatment will normally fall between A and C, subject to the discretion of the Committee, the terms of any termination agreement and the reasons for the Executive Director's departure.	Awards will normally vest and be released at the usual time. However, the Committee may determine that awards should vest at the time the individual ceases employment and be released at that time or should be released at some other time after cessation and before the ordinary release date – such as following the end of the performance period in the case of an award to which a holding period would otherwise apply. The extent of vesting will take into account the extent to which the relevant performance conditions have been met. Awards are usually scaled back pro-rata to take account of the proportion of the original performance period that has elapsed when the individual leaves (but with the Committee having discretion not to scale back or to reduce the scaleback). If the participant dies, awards will normally vest at the time of their death on the same basis as for other good leavers. Vested awards subject to a holding period will be released from that holding period at the usual time, unless the Committee determines the holding period should end when the individual leaves employment.

	<b>Category A</b> Voluntary resignation and termination for cause	<b>Category B</b> Agreed terms	<b>Category C</b> Death or cessation by reason of ill-health, disability, injury, redundancy or change of control
<b>ShareSave (SAYE) Scheme</b>	Unvested options will lapse and savings will be returned on cessation of employment.  Vested options not exercised will also lapse if the Executive Director's employment is terminated for cause.	Treatment will normally fall between A and C, subject to the discretion of the Committee, the terms of any termination agreement and the reasons for the Executive Director's departure.	Options can be exercised immediately, or up to six months of savings can be made before exercising options. The Committee may determine that the options should be exercised at the time the individual ceases employment and be released at that time or should be released at some other time after cessation and before the original release date. If the participant dies, options will normally vest at the time of their death on the same basis as for other good leavers. Vested options may be exercised at any time in the six months after the date of cessation, after which they will lapse.
<b>Other payment</b>	None.	Possible disbursements such as legal costs and outplacement services.	Possible disbursements such as legal costs and outplacement services.

## Change of control policy

In the event of a change of control of the Company, LTIP and CSOP awards will vest to the extent determined by the Committee taking into account the extent that the Committee determines that the performance conditions have been satisfied, and, unless the Committee determines otherwise, the proportion of the performance period that has elapsed. DBSP awards will normally be released in full, unless the Committee determines otherwise. Alternatively, the Committee may permit an Executive Director to exchange their awards for equivalent awards over shares in a different Company. If the change of control is an internal reorganisation of the Company, Executive Directors will ordinarily be required to exchange their awards (rather than awards vesting), and the Committee may also require the exchange of awards in other circumstances, as it considers appropriate. If other corporate events occur such as a winding-up of the Company, demerger, delisting, special dividend or other event which, in the opinion of the Committee, may materially affect the current or future value of the Company's shares, the Committee may determine that awards will vest on the same basis as set out above for a change of control.

## Consideration of shareholder views

The Committee consulted and met with the Company's largest shareholders prior to finalising this Policy. The Committee will continue to monitor shareholder views when setting future executive remuneration strategy and will consult with shareholders prior to any significant changes to the Policy. The Committee takes full account of the guidelines of investor bodies and shareholder views in determining the remuneration arrangements in operation within the Company.

## Consideration of employment conditions elsewhere in the Company

The Committee takes into account the pay and employment conditions of the wider employee population across the Company when setting Executive Director remuneration, and considered this as context when reviewing the Policy. While the Committee has not consulted employees directly on the Remuneration Policy for Executive Directors, the Committee is made aware of information such as workforce demographics, diversity initiatives, training programmes, engagement levels and cultural initiatives, as well as the remuneration principles and policies that apply to the wider workforce.

It is expected that future salary increases for Executive Directors will be in line with the general employee population, except in exceptional circumstances.

Members of the Company Leadership Team are invited to participate in the LTIP, in order for there to be alignment between the objectives of the Executive Directors and senior management. We also continue to encourage employees to become investors in the Company by retaining legacy share awards and through its all-employee share schemes.

## External appointments

Executive Directors may hold external directorships if the Board determines that such appointments do not cause any conflict of interest. Where such appointments are approved and held, it is a matter for the Board to agree whether fees paid in respect of the appointment are retained by the individual or paid to the Company.

## Remuneration Report continued

### Annual Report on Remuneration 2022

#### Alignment of Remuneration Policy with the 2018 UK Corporate Governance Code

##### Governance in practice

The Remuneration Committee is committed to good corporate governance and as such takes into account a broad range of factors when determining its Directors' Remuneration Policy. The Committee considered both legal and regulatory requirements, associated guidance and the views of shareholders and their representative bodies. Below is an outline of how the Committee works to ensure the principles of Provision 40 of the 2018 UK Corporate Governance Code are met.

##### Clarity

Remuneration arrangements should be transparent and promote effective engagement with shareholders and the workforce.

Alfa is committed to clear and transparent reporting and communication with its stakeholders. The Committee actively engages with our shareholders on key decisions and Policy matters, when required. The Alfa Remuneration Policy is aligned with longer-term shareholder interests and structured to promote the Group's financial and strategic priorities.

##### Simplicity

Remuneration structures should avoid complexity and their rationale and operation should be easy to understand.

Alfa's approach to its remuneration framework focuses on simplicity. The framework comprises three core elements to remuneration:

**Fixed pay.** This element comprises base pay, taxable benefits and pension.

**Short-term incentives.** This element relates to an annual performance-related bonus which incentivises delivery against both financial and non-financial measures. In total, 50% of any bonus earned is paid in cash with 50% deferred into shares.

**Long-term incentives.** This element relates to longer-term value creation through the LTIP.

##### Risk

Remuneration arrangements should ensure that reputational and other risks from excessive rewards, and behavioural risks that can arise from target-based incentives plans are identified and mitigated.

The remuneration arrangements are split between short-term and long-term rewards coupled with holding periods, deferred elements and malus and clawback provisions to drive the right behaviours to incentivise the Executive Directors to deliver long-term sustainability of the business and shareholder returns.

As a wider control, malus and clawback provisions apply to all participants of our long-term incentive plans. The Remuneration Committee retains discretion to override formulaic outcomes where these are not considered reflective of underlying performance.

##### Predictability

The range of possible values of rewards to individual Directors and any other limits or discretions should be identified and explained at the time of approving the Policy.

The Remuneration Policy sets out scenario charts illustrating base pay, short-term incentives and longer-term incentive outcomes under threshold, target and maximum performance scenarios.

##### Proportionality

The link between individual awards, the delivery of strategy and the long-term performance of the Company should be clear. Outcomes should not reward poor performance.

The Committee assesses performance against a range of financial and non-financial measures linked to our business strategy.

The Committee has the ability to override formulaic calculations and apply discretion.

The Committee regularly reviews pay policies for the wider workforce and is mindful of this when setting remuneration for Executive Directors.

##### Alignment to culture

Incentive schemes should drive behaviours consistent with Company purpose, values and strategy.

These should include consideration of performance metrics, governance requirements and engagement with stakeholders.

This section of the Directors' Remuneration Report sets out the remuneration earned in 2022 and the proposed remuneration for 2023, and will be subject to an advisory vote at the 2023 AGM. During the year, the Remuneration Policy operated as intended. The following sections on pages 109 to 117 have been audited by RSM: Single figure remuneration, Long-Term Incentive Plan – awards vesting in the year, Pension entitlements, Payments for loss of Office, Payments to past Directors and Statement of Directors' Shareholdings and Scheme interests.

## Single total figure of remuneration

The audited table below sets out the aggregate emoluments earned by the Directors of the Company during 1 January 2022 to 31 December 2022 and for comparison, the amounts earned during the period 1 January 2021 to 31 December 2021.

£'000s		Salary and fees	Benefits <sup>2</sup>	Pension <sup>3</sup>	Total fixed remuneration	Annual bonus <sup>4</sup>	Long-term incentives <sup>5</sup>	Total variable pay	Total figure remuneration
<b>Executive Directors</b>									
<b>Andrew Page<sup>1</sup></b>	2022	23	5	–	28	–	–	–	28
	2021	345	12	–	357	–	–	–	357
<b>Andrew Denton<sup>1</sup></b>	2022	23	4	–	27	–	–	–	27
	2021	297	13	–	310	–	–	–	310
<b>Duncan Magrath</b>	2022	275	13	16	304	265	1,147	1,412	1,716
	2021	275	13	16	304	316	–	316	620
<b>Matthew White</b>	2022	220	14	13	247	171	459	630	877
	2021	220	14	13	247	205	–	205	452
<b>Non-Executive Directors</b>									
<b>Chris Sullivan</b>	2022	65	–	–	65	–	–	–	65
	2021	65	–	–	65	–	–	–	65
<b>Steve Breach</b>	2022	65	–	–	65	–	–	–	65
	2021	65	–	–	65	–	–	–	65
<b>Adrian Chamberlain</b>	2022	65	–	–	65	–	–	–	65
	2021	65	–	–	65	–	–	–	65
<b>Charlotte de Metz</b>	2022	55	–	–	55	–	–	–	55
	2021	55	–	–	55	–	–	–	55

1. From 2022 Andrew Page and Andrew Denton received reduced salaries, which were set at the legal minimum level.
2. Benefits for Executive Directors corresponds to the taxable value of benefits receivable during the relevant financial year and principally include company car allowance (or cash equivalent), life assurance, travel insurance and private medical insurance.
3. Pension – Andrew Page and Andrew Denton have opted out of the pension scheme. Duncan Magrath and Matthew White receive a cash payment in lieu of a pension contribution.
4. Annual bonus – corresponds to the amount earned in respect of the relevant financial year. For the CFO and COO, the values disclosed in the table above include the gross value of the amount of bonus deferred into shares.
5. The LTIP figures are captured in the year that performance periods have ended (see page 112 for further details). 2022 figure: relates to 100% of the LTIP awards granted on 3 June 2020 which will vest on 3 June 2023 following the achievement of the TSR and EPS targets for the three-year period ended 31 December 2022. The value of these awards has been calculated using the three-month average share price to 31 December 2022 of 1.55p. No LTIPs were eligible to vest in 2021 for Directors (those granted on 3 June 2020 being the first awards to be made to Executive Directors).

## Context to remuneration decisions

The Committee's decision-making this year has taken into account a range of internal and external factors including the Committee's responsibility for reviewing remuneration and related policies for employees throughout the Group. This ensures we take the reward, incentives and conditions available to colleagues into account when considering the remuneration of Executive Directors and senior management. The business acted in line with the section 172 governance guidelines while continuing to deliver exceptional results for shareholders. In particular, the Committee was mindful that: (i) During the year the Board upgraded estimates to shareholders and the continuing strong cash generation enabled the payment of two special dividends along with the regular dividend to shareholders; and (ii) The business has continued to take appropriate actions to support our colleagues and neutralise the impact on business performance of the effects of the macroeconomic climate and continued uncertainty surrounding the impact of, in particular, the rise of interest rates, inflation and increasing energy costs.



## Remuneration Report continued

### Annual Report on Remuneration 2022 continued

#### Base salary

The Committee determined that there would be no increase awarded to Duncan Magrath and Matthew White for the period from 1 January 2022 to 31 December 2022. As noted in the 2021 Remuneration Report, the Chairman, Andrew Page and CEO, Andrew Denton have elected to receive the legal minimum salary requirement, which will reflect the National Living Wage.

#### 2022 annual bonus

The 2022 annual bonus performance measures were selected to reflect the Company's annual and long-term objectives and its financial and strategic priorities, as appropriate. Performance targets are set to be stretching, taking into account a range of reference points, including the Company's budget and third party analyst forecasts, as well as the Group's strategic priorities. Duncan Magrath and Matthew White both participated in the 2022 annual bonus (which combines a cash award and conditional deferred shares award). The Executive Chairman and CEO have waived their entitlement to a bonus for the 2022 performance year.

In respect of the annual bonus, the targets were weighted towards financial metrics, with 75% of the award measured on the revenue and operating profit of the Company. The outcome of this element of the bonus can be increased or decreased by a modifier based on the operating free cash flow conversion, being cash flow generated from operations after deducting the settlement of derivative financial instruments and margin calls and capital expenditures as a percentage of EBIT. The modifier cannot increase the bonus beyond the Executive Director's maximum bonus opportunity. The remaining 25% is subject to achievement of individual personal objectives. Further details on performance outcomes for the non-financial measures are shown in the second table.

The following table sets out the targets, actual performance against these targets and accordingly, the applicable payout for 2022 annual bonus:

#### 2022 Annual Bonus Outcome

2022 Annual Bonus Outcome								Actual annual bonus value achieved (% of salary)	
Performance measure	Weighting (based on 100% max)	Threshold performance	50% Target Performance required	Maximum performance required	Actual Performance	Annual Bonus value for threshold and maximum performance (% of max)	Percentage of maximum performance achieved	Duncan Magrath	Matthew White
Maximum opportunity (% salary)								125%	100%
Revenue (A)	37.5%	£88m	£93m	£96.5m	£93.3m	0% – 100%	54.4%	25.5%	20.4%
Operating Profit (B)	37.5%	£23m	£25.5m	£28m	£29.6m	0% – 100%	100%	46.9%	37.5%
Total income targets (C=A+B)	75%							72.4%	57.9%
Cash flow conversion (D)	Modifier	75%	100%	125%	101%	0.75 – 1.25	1.02	1.02	1.02
TOTAL financial (CxD)							59.1%	73.8%	59.1%
Personal performance	25%					0% – 100%		22.5%	18.7%
TOTAL	100%							96.3%	77.8%
Total payable (£)								£264,886	£171,177

## Performance against non-financial measures

The personal measures described above are assessed with reference to the following objectives:

	Objective	Commentary on performance achieved	Achievement
<b>Duncan Magrath</b>	Finance structure	Built resilience into the team, through use of systems and cross training of people and migrated EMEA onto outsourced payroll provider.	18.0%
	Strategic	Developed longer-term model for use in strategic scenario planning.	
	Management Information	Enhanced forecasting systems and processes increasing reliability and accuracy of forecasts, improving depth of understanding of key drivers of business performance.	
	ESG	Clear ESG framework embedded within the organisation with progress on setting ESG targets. Developed process for measuring Scope 3 emissions to enable setting of targets to achieve net zero.	
<b>Matthew White</b>	People	Hit targets for growing client facing team whilst achieving record employee engagement scores.	18.7%
	Software	Successful delivery of software enhancements, including Version 5.7, and started to access software talent for development outside London market with launch of Portugal smart hub.	
	Delivery	Continued to successfully deliver implementations, whilst increasing partner support, including in the US, and progressed investigations of partner-led delivery.	
	ESG	Clear ESG framework embedded within the organisation with progress on setting ESG targets.	
	Strategic Change	Delivery of initiatives to: <ul style="list-style-type: none"> <li>• Increase systems implementation capacity.</li> <li>• Increase software development capacity.</li> <li>• Simplify the implementation of our software.</li> <li>• Improve our strategic process.</li> </ul>	

## Performance against annual bonus targets

Based on the achievements listed above, the Committee agreed that the final vesting under the 2022 bonus would be 77.1% of the maximum for Duncan Magrath and 77.8% of maximum for Matthew White. In confirming this outcome, the Committee took into consideration the broader financial and operational performance of Alfa during the year, and the strong and effective leadership demonstrated by the Executive Directors. It was determined that no adjustments were required to the formulaic outcome. In accordance with the Remuneration Policy, 50% of these bonus amounts will be paid in cash, with the remaining 50%, after deduction of tax, to be deferred into an award of Alfa shares with a minimum holding period of three years.

Executive	Base salary	Maximum opportunity (% salary)	Performance outcome (% of maximum)	Bonus outcome £
<b>Duncan Magrath</b>	£275,000	125%	77.1%	264,886
<b>Matthew White</b>	£220,000	100%	77.8%	171,177

## Remuneration Report continued

### Annual Report on Remuneration 2022 continued

#### Long-Term Incentive Plan – awards vesting in the year

Awards granted to Executive Directors in June 2020 were subject to EPS growth and relative TSR performance over a three-year period ended 31 December 2022.

The EPS targets (applying to 50% of each award) required EPS for the year ending 31 December 2022 of 2.3p for 25% of that element to vest, rising to full vesting if EPS for the year ending 31 December 2022 was 2.8p or higher. The Group's 2022 EPS outturn of 8.09p warrants 100% vesting of this element of the award.

The TSR element (applying to 50% of each award) required the Group's three-year TSR performance to rank at median against the constituents of the FTSE Small Cap index (excluding investment trusts and the Company) for 25% of that element to vest, rising to full vesting if Alfa's TSR ranked at or above the upper quartile against the comparator group. Alfa's TSR over the period was 106%, which was at the 95th percentile versus the comparator group. This outcome warrants 100% vesting of this element of the award.

This combined performance resulted in full vesting of the 2020 awards. The Committee determined, after careful consideration of business performance and the interests of Alfa's stakeholders such as shareholders, customers, and employees, that the formulaic outcome was appropriate. Consequently, 100% of the total award will vest.

Awards are scheduled to vest on 3 June 2023, and both Executive Directors will be subject to a two-year holding period and released on 3 June 2025. Details of the awards to Executive Directors are set out in the table below:

	No. of shares granted	Proportion of award vesting (%maximum)	No. of shares vesting	Value attributable to share price growth <sup>1</sup>	Face value of shares vesting <sup>2</sup>
<b>Duncan Magrath</b>	740,242	100%	740,242	£599,596	£1,147,375
<b>Matthew White</b>	296,097	100%	296,097	£239,839	£459,950

1. The value of the award which is attributable to share price growth. Based on the share price at grant of 0.74p.

2. The amounts shown are indicative vesting values based on the average share price for the three-month period to 31 December 2022 of £1.55.

#### Long-Term Incentive Plan – awards granted in the year

Share awards were made to the Executive Directors under the LTIP on 12 April 2022 equivalent to 150% of salary for the CFO and 100% of salary for the COO. The Executive Chairman and CEO have waived their entitlement to participate in the 2022 LTIP.

Executive	Date of award	Face value (% of salary)	Number of shares granted	Average share price at grant (£)	Award value	Threshold of vesting (% of face value)	Performance period
<b>Duncan Magrath</b>	12 April 2022	150%	250,151	1.649	£412,500	25%	1 January 2022 to 31 December 2024
<b>Matthew White</b>	12 April 2022	100%	133,414	1.649	£220,000	25%	1 January 2022 to 31 December 2024

1. The share price used to calculate the number of performance shares was £1.649, the average five-day share price preceding the date of the award (12 April 2022). This represents the face value of the share awards.

The LTIP awards are subject to two equally weighted performance metrics:

Measure	Description	Weighting	Threshold/target	Maximum target
2022				
Total shareholder return (TSR)	Measured with reference to the FTSE Small Cap index excluding investment trusts and the Company	50%	Median	Upper quartile
Earnings per share (EPS)	Measured with reference to EPS performance in the year ending 31 December 2024	50%	7.4p	9.2p

Straight-line vesting occurs between threshold and maximum for both TSR and EPS elements of the award.

The three-year period over which performance will be measured begins on 1 January of the year the awards are granted and will end on 31 December of the third year. Any awards vesting for performance will be subject to an additional two-year holding period, during which malus and clawback provisions will continue to apply.

### Pension entitlement

The only element of remuneration that is pensionable is basic annual salary. A cash payment in lieu of pension contributions are payable to the CFO and COO, at a rate of 6% of salary as aligned with the broader workforce, and defined in the 2021 Remuneration Policy.

### External appointments

Executive Directors are allowed to accept one appointment outside the Company, with the prior approval of the Board. Any fees may be retained by the Director, although this is at the discretion of the Board. During 2022 and up to the date of this report, none of the Executive Directors who held office during the year under review held external appointments for which they received a fee.

### Payments for loss of office

There were no payments for loss of office during the year or prior year.

### Payments to past Directors

There were no payments to past Directors for loss of office during the year or prior year.

### Fees for the Non-Executive Directors

The fees were agreed on appointment and have remained unchanged since that time. A summary of current fees is shown below:

£'000s	Basic fee	Audit and Risk Chair	Remuneration Chair	Senior Independent Director
<b>Steve Breach</b>	55	10	–	–
<b>Adrian Chamberlain</b>	55	–	10	–
<b>Charlotte de Metz</b>	55	–	–	–
<b>Chris Sullivan</b>	–	–	–	65

There is no additional fee payable to the Chair of the Nomination Committee.

## Remuneration Report continued

### Annual Report on Remuneration 2022 continued

#### Percentage change in Executive and Non-Executive Director remuneration

The table below shows the percentage increase/decrease in each Director's salary/fees, taxable benefits and annual incentive plan between 2020 and 2022 compared with the average percentage increase in each of those components of pay for the UK-based employees of the Group as a whole.

Disclosure for all Directors in addition to the CEO has been added in 2020 in line with the requirements under the EU Shareholder Rights Directive II and over time a five-year comparison will be built up. Alfa Financial Software Holdings PLC employs only the Directors and therefore a subset of the Group's employees has been used.

% change for the end of the comparative period to the end of the reporting period	2022 % change in salary/ fees	2022 % change in benefits	2022 % change in annual bonus	2021 % change in salary/fees	2021 % change in benefits	2021 % change in annual bonus	2020 % change in salary/fees	2020 % change in benefits	2020 % change in annual bonus
<b>Andrew Page (Chairman)</b>	<b>(93)%</b>	<b>(58)%</b>	<b>n/a</b>	(8)%	(8)%	n/a	0%	(7)%	n/a
<b>Andrew Denton (CEO)</b>	<b>(92)%</b>	<b>(69)%</b>	<b>n/a</b>	(8)%	(12)%	n/a	0%	(6)%	n/a
<b>Duncan Magrath (CFO)</b>	<b>0%</b>	<b>0%</b>	<b>(16)%</b>	0%	43%	12%	n/a	n/a	n/a
<b>Matthew White (COO)</b>	<b>0%</b>	<b>0%</b>	<b>(17)%</b>	0%	40%	16%	0%	n/a	n/a
<b>Steve Breach (NED)</b>	<b>0%</b>	<b>n/a</b>	<b>n/a</b>	0%	n/a	n/a	0%	n/a	n/a
<b>Adrian Chamberlain (NED)</b>	<b>0%</b>	<b>n/a</b>	<b>n/a</b>	0%	n/a	n/a	n/a	n/a	n/a
<b>Charlotte de Metz (NED)</b>	<b>0%</b>	<b>n/a</b>	<b>n/a</b>	0%	n/a	n/a	n/a	n/a	n/a
<b>Chris Sullivan (NED)</b>	<b>0%</b>	<b>n/a</b>	<b>n/a</b>	0%	n/a	n/a	0%	n/a	n/a
<b>Employees</b>	<b>9%</b>	<b>8%</b>	<b>n/a</b>	5%	7%	n/a	9%	13%	(1)%

1. Duncan Magrath joined the Board in March 2020, the first year he received a bonus was in April 2021, in relation to the 2020 financial year.
2. Matthew White joined the Board in October 2019, the first year he received a bonus was in April 2021, in relation to the 2020 financial year.
3. Duncan Magrath, Adrian Chamberlain and Charlotte de Metz joined Alfa part way through 2020. In calculating the increase in salaries, the figures for 2020 have been adjusted as though they started on the 1 January of that year.

#### Director contracts

Details of the Executive Directors' service contracts and the Non-Executive Directors' letters of appointment are set out below. All Directors' service contracts and letters of appointment are available for inspection at the Company's registered office and at the AGM up until the start of the meeting.

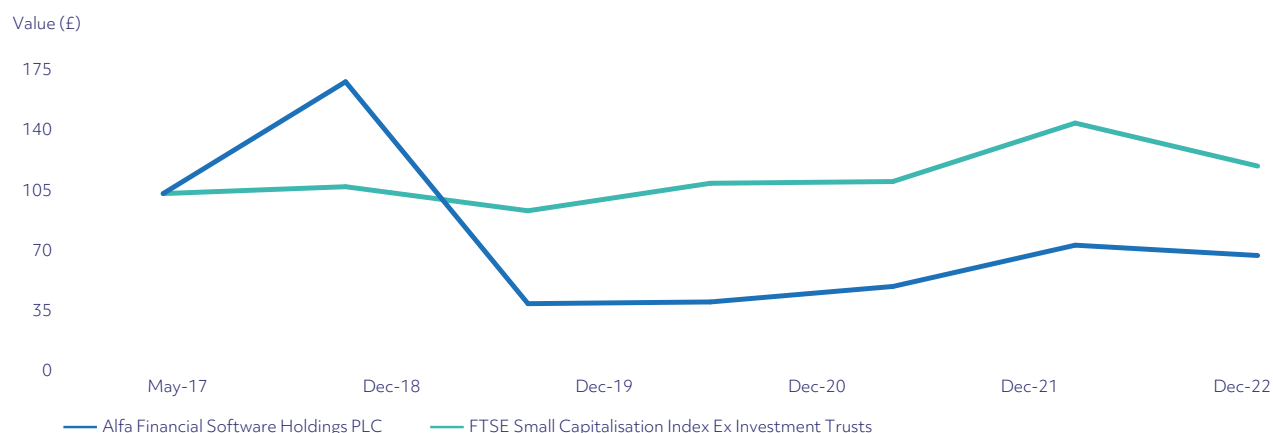
	Date of appointment
<b>Steve Breach</b>	9 August 2019
<b>Adrian Chamberlain</b>	24 April 2020
<b>Charlotte de Metz</b>	24 April 2020
<b>Andrew Denton</b>	6 April 2017
<b>Duncan Magrath</b>	24 April 2020
<b>Andrew Page</b>	4 May 2017
<b>Chris Sullivan</b>	18 July 2019
<b>Matthew White</b>	9 October 2019

Executive Directors' contracts operate on a 6 or 12-month rolling notice basis. Non-Executive Directors' contracts are for fixed periods of three years, which may be renewed for up to a maximum of nine years in total.

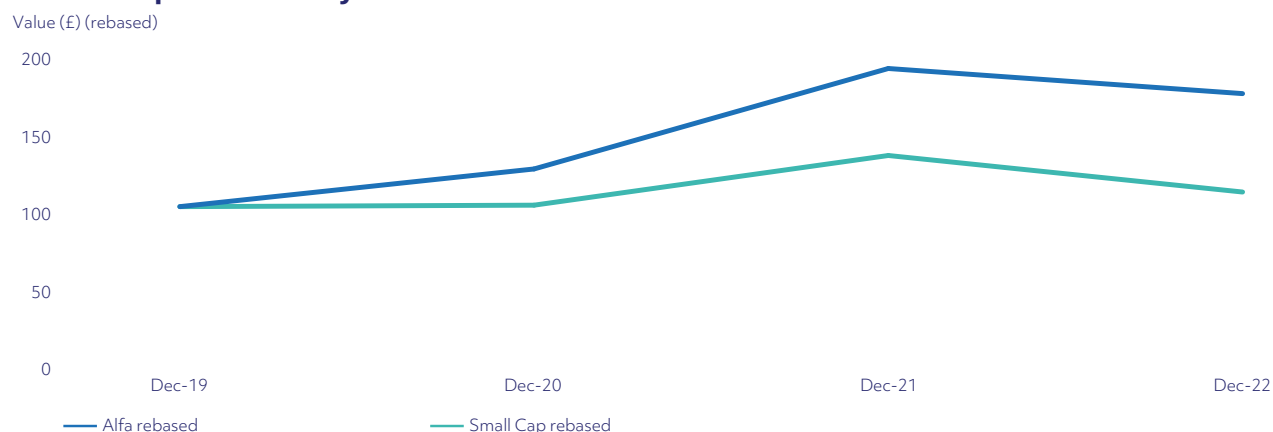


## Total shareholder return (for the period from 25 May 2017 to 31 December 2022)

The graphs below shows Alfa's TSR performance from Admission in May 2017 to 31 December 2022 against the TSR performance of the FTSE small cap index (excluding investment trusts). The second graph shows the rebased TSR performance from 1 January 2020 to 31 December 2022. The graphs shows the total shareholder return generated by both the movement in share value and the reinvestment over the same period of dividend income. As Alfa is a constituent member of the FTSE Small Cap index, the Committee considers that it is the appropriate index for comparative purposes. These graphs have been calculated in accordance with the Directors' Remuneration Reporting Regulations and shows total shareholder return from the date of listing to 31 December 2022.



## TSR for the period 1 January 2020 to 31 December 2022



## Total CEO single figure of remuneration and variable pay outcome

The table below shows the CEO single figure of total remuneration during financial years from 2017 to 2022.

	CEO single figure of remuneration	Annual bonus pay-out (as a % of maximum opportunity)	LTIP vesting (as a % of maximum opportunity)
2022	£26,998	n/a	n/a
2021	£310,236	n/a	n/a
2020	£337,174	n/a	n/a
2019	£338,129	n/a	n/a
2018	£337,944	n/a	n/a
2017	£349,478	n/a	n/a

1. The CEO waived any eligibility for a bonus from 2017 to 2022.
2. The CEO waived any eligibility to participate in the long-term incentive awards in respect of the 2017 to 2022 performance years.
3. The CEO agreed to a reduction in salary effective 1 December 2021.

## CEO pay ratio

The table below sets out the pay ratios for the CEO in relation to the equivalent pay for the lower quartile, median and upper quartile employees (calculated on a full-time equivalent basis). The ratios have been calculated in accordance with the Companies (Miscellaneous Reporting) Requirements 2018. The CEO pay ratio data will be built upon annually until a rolling 10-year dataset is produced. The methodology adopted for calculating the ratio was 'Option A' which entailed calculating the total full-time equivalent (FTE) pay and benefits for all UK employees on the 2022 payroll. Employees were then ranked based on their FTE remuneration from low to high in order to identify those whose remuneration placed them at the 25th, 50th (median) and 75th percentile points. The CEO's single total figure of remuneration (STFR) was then measured against these percentiles, to produce the three pay ratios. Option A was chosen because it was deemed to be the most statistically accurate method for this reporting purpose. Having reviewed the analysis, the Company believes the median pay ratio to be consistent with the Company's general employee pay, reward and progression policies. The Company carries out annual salary reviews and annual reviews of benefits packages. Salary awards are made with reference to the outputs of annual industry benchmarking exercises. As per guidance, data relating to employees who left part way through the year and/or employees on secondment were excluded from the data set and analysis. Information calculated as at 31 December 2022.

Pay ratio table

Year	Method	25th percentile (lower quartile)	50th percentile (median)	75th percentile (upper quartile)
<b>2022</b>	<b>A</b>	<b>0.6:1</b>	<b>0.4:1</b>	<b>0.3:1</b>
2021	A	6.1:1	4.0:1	3.2:1
2020	A	5.7:1	4.3:1	3.2:1
2019	A	5.7:1	4.4:1	3.2:1

Year	£'000s	25th percentile	50th percentile	75th percentile
<b>2022</b>	<b>Total remuneration</b>	<b>51.4</b>	<b>78.2</b>	<b>108.4</b>
	<b>Salary only</b>	<b>47.2</b>	<b>70.0</b>	<b>91.5</b>
2021	Total remuneration	50.9	77.1	96.7
	Salary only	46.8	72.2	86.2
2020	Total remuneration	59.5	78.5	106.7
	Salary only	55.1	73.2	98.1
2019	Total remuneration	59.0	76.2	106.3
	Salary	57.1	71.2	95.7

This is the fourth financial year in which the Company reported information on ratios between CEO and average staff pay under the amendments to the Companies (Miscellaneous Reporting) Regulations in 2018. There has been a significant decrease in the pay ratio, due to the fact that the CEO agreed to reduce salary to the minimum level in December 2021. As a result, the CEO's STFR is lower than in previous years.

### Notes:

1. The CEO advised the Committee that due to his holding in CHP Software and Consulting Ltd, the main significant shareholder in the Company, he elected to reduce his salary to the minimum statutory level of remuneration with effect from 1 December 2021. This resulted in the CEO's STFR being lower than in previous years.
2. The CEO has waived his right to any bonuses or LTIPs, the value of any employee equivalents have been excluded from the employee remuneration figures used.
3. Total remuneration includes benefits receivable during the relevant financial year and principally include company car (or cash equivalent), life assurance, travel insurance and private medical insurance.
4. A number of new joiners to the Company in 2021 fell into the lower quartile bracket, thus lowering the lower quartile median figure.
5. A number of senior members of staff (who would typically fall into the upper quartile bracket) left part way through the year and were therefore excluded from the data set and analysis. This is reflected in the decrease to the upper quartile (median) remuneration figure in 2021.

## Statement of Directors' shareholdings and scheme interests

Executive Directors are expected to build and hold Alfa shares of at least 200% of their annual salary to align with the long-term interests of shareholders, with a requirement to retain 50% of any share awards vesting until the 200% requirement is met. Under the Policy, a post-employment shareholding requirement will apply whereby 100% of the shareholding requirement must be held for the first year following departure from Alfa and 50% for the second year. There are no share ownership requirements for the Non-Executive Directors. Shareholding requirements and the number of shares held by Directors during the year and as at 31 December 2022 are set out in the table below:

	Shares owned outright at 31 December 2021	ShareSave without conditions <sup>2</sup>	Interests in share incentive schemes which are performance-tested but unvested <sup>3</sup>	Interests in share incentive schemes with performance conditions	Shares owned outright at 31 December 2022	Shareholding requirement (% of requirement achieved) <sup>1</sup>
<b>Andrew Page</b>	182,334,041	–	–	–	177,272,843	achieved
<b>Andrew Denton</b>	15,322,107	–	–	–	14,643,305	achieved
<b>Matthew White</b>	861,866	11,718	296,097	293,530	892,729	achieved
<b>Duncan Magrath</b>	182,165	11,718	740,242	550,369	230,668	70%
<b>Chris Sullivan</b>	–	–	–	–	159,649	n/a
<b>Steve Breach</b>	43,983	–	–	–	43,983	n/a
<b>Adrian Chamberlain</b>	14,380	–	–	–	14,380	n/a
<b>Charlotte de Metz</b>	–	–	–	–	–	n/a

1. Calculated using the share price of £1.66 (as at 31 December 2022).

2. Duncan Magrath and Matthew White elected to join the Company ShareSave share scheme for which an option to acquire 11,718 ordinary shares at an option exercise price of £1.536 per ordinary share was granted on 30 November 2021. Subject to certain conditions being satisfied, the entitlement to exercise the ShareSave option arises during the period 1 January 2025 to 30 June 2025.

3. No LTIPs vested 2022. However, as described earlier in this report, 2020 LTIP awards (which vest based on performance to 31 December 2022) will vest in full on the third anniversary of grant in June 2023. The Executive Chairman and Chief Executive Officer have significant direct or indirect shareholdings in the Company.

## Dilution

Awards under Alfa incentive plans may be satisfied by treasury shares, shares held by the employee benefit trust, the issue of new shares or the purchase of shares in the market. Under Investment Association guidelines, the issue of new shares or reissue of treasury shares under a plan, when aggregated with awards under all of a company's other schemes, must not exceed 10% of the issued ordinary share capital (adjusted for share issuance and cancellation) in any rolling 10-year period. As at 31 December 2022 no new shares or reissue of treasury shares had been used to satisfy awards, and so this limit had not been exceeded.

## Rewarding our people and wider workforce engagement

Alfa's approach to all-employee reward is focused on providing a competitive package to attract, retain and incentivise our employees to deliver for our customers, business and shareholders. The Committee regularly reviews details of the arrangements for the broader workforce and this informs decisions on remuneration for the Executive Directors and senior management. Alfa continues to review salaries group-wide to ensure that we remain a competitive employer within the local market. Salaries for Executive Directors, senior managers and the rest of the workforce are all determined with reference to the same factors such as technical expertise, experience and performance, and increases across these populations are reviewed to ensure they are broadly aligned. The Committee also took an active role in determining rewards for the Company Leadership Team. Further information on key initiatives for our people and what makes Alfa unique can be found in the People section on pages 58 to 61. In addition to a competitive salary, all employees receive the opportunity to earn a performance-related bonus, private medical care, matched contribution pension and death-in-service life assurance. The Company Leadership Team and certain employees are eligible to participate in long-term incentive schemes. During the review of the Directors' Remuneration Policy, the Committee sought input from the Executive Directors, ensuring that any conflict of interest was suitably mitigated. It was concluded that the existing model of base salary; annual bonus; and a three-year LTIP with a two-year holding period was well understood by the business, supported Alfa's culture and continued to be appropriate to drive business performance going forward.

## Remuneration Report continued

### Annual Report on Remuneration 2022 continued

#### All-employee share plans

The Company proposes to issue a new ShareSave Scheme each year and all Executive Directors will be entitled to participate on the same basis as all other employees.

#### Relative importance of spend on pay

The following table illustrates Alfa's revenue, operating profit and returns to shareholders by way of dividends and share buybacks in relation to spend on pay for all employees for the period and last financial year.

	2022	2021	Change
Total personnel costs (£m) (note 7 to the consolidated financial statements)	47.1	42.4	11%
Average number of employees (note 7 to the consolidated financial statements)	420	383	10%
Revenue (£m) (consolidated income statement on page 135)	93.3	83.2	12%
Operating profit (£m) (see note 4.2 to the consolidated financial statements)	29.6	24.7	20%
Returns to shareholders (£m) (see note 31 for total dividends and value of shares purchased during the year taken from consolidated statement of changes in equity on page 137.	28.1	32.7	(17%)

#### Implementation of the Remuneration Policy 2023

##### 2023 Executive Directors' base salary

The Executive Directors' salaries were reviewed in 2022. As noted in the 2021 Remuneration Report, the Chairman, Andrew Page and CEO, Andrew Denton indicated that they will continue to receive the legal minimum salary requirement, as they are significant shareholders in the Company and want to align their future remuneration with those of the other shareholders. The base salary of the Chairman and CEO will increase by 8% as at 1 January 2023 to remain in line with the minimum national living wage.

The Committee carried out a review of the CFO's and COO's remuneration packages in late 2022 and determined that there would be a base salary increase of 5%, this is the first pay rise since they joined the Board in 2020 and 2019 respectively. This is lower than the 2022 average employee salary increase of 8.74%. The table below shows the salaries for the Executive Directors as at 1 January 2023 in comparison to base salary at 1 January 2022:

£	1 January 2023	1 January 2022	% change
<b>Andrew Page</b>	24,860	23,000	8%
<b>Andrew Denton</b>	24,860	23,000	8%
<b>Duncan Magrath</b>	288,750	275,000	5%
<b>Matthew White</b>	231,000	220,000	5%

##### 2023 annual bonus

The Chairman and CEO have elected to waive their bonus opportunity. The CFO will be entitled to a maximum annual bonus of 125% of salary, with the COO entitled to an increased annual bonus opportunity equal to 125% of salary from 2023. The following measures have been selected for the 2023 annual bonus performance year:

Measure	Weighting
Operating profit	37.5%
Revenue	37.5%
Operating free cash flow conversion	Modifier
Personal performance	20%
ESG	5%

The Committee determined that the existing Bonus measures of revenue, operating profit and personal objectives continue to be appropriate for the business. However, in light of the evolving ESG landscape and following an extensive review process, the Committee approved the introduction of an ESG measure. The ESG measure would consist of two individual measures, one assessing overall employee retention and the other overall employee engagement, these will have a combined weighting of 5% of total bonus opportunity. Each bonus measure has a target. Failure to meet a minimum percentage of the revenue and operating profit target will result in no bonus being awarded for that element. Achieving a stretch of operating profit and revenue target will result in the maximum bonus being awarded under the formula (subject to the minimum operating profit target being achieved). The operating profit and revenue bonus elements can be decreased by the operating free cash flow conversion modifier, if cash performance falls below target. As described earlier, the final determination is made by the Committee taking all available factors into account. The detailed bonus targets for the coming year are considered to be commercially sensitive. However, the Committee will provide an appropriate explanation of the bonus outcomes in the 2023 Directors' Remuneration Report. In accordance with the Policy, 50% of any bonus earned will be deferred into shares for a three-year holding period.

### 2023 Long-Term Incentive Plan

The award opportunity will remain at 150% of salary for the CFO and 100% of salary for the COO. Following vesting, awards will be subject to a subsequent holding period of two years, with the entirety of any award vesting released after two years. For 2023, the Executive Chairman and CEO have elected to waive their LTIP opportunity. The maximum LTIP opportunity under the Policy is 150% of salary.

The Committee has agreed TSR and EPS measures for the LTIP, with an equal weighting applied to each measure.

The comparator group for the TSR is the constituents of the FTSE Small Cap index, excluding investment trusts. Median performance over the three-year performance period will result in 25% vesting, with 100% vesting if upper quartile performance is achieved. In each case threshold vesting will be 25% of the maximum. Straight-line vesting occurs between threshold and maximum for both TSR and EPS elements of the award.

Measure	Description	Weighting	Threshold/target	Maximum target
<b>2023</b>				
Total shareholder return (TSR)	Measured with reference to the FTSE Small Cap index excluding investment trusts and the Company	50%	Median	Upper quartile
Earnings per share (EPS)	Measured with reference to EPS performance in the year ending 31 December 2025	50%	9.4p	11.4p

### Pension and benefits

For 2023 the CFO and COO, in lieu of a pension contribution, will receive a cash allowance of 6% of salary in line with the pension contribution available to the wider workforce. No changes are proposed to the benefits provided.

### 2023 Non-Executive Director remuneration

Non-Executive Directors do not participate in any of the Company's share incentive arrangements, nor do they receive any benefits. Fees for Non-Executive Directors are reviewed annually, and are set by the Chairman and the Executive Directors. Following the annual review of Non-Executive Director fees, no changes are proposed for the 2023 fees. It was determined that the fees will remain at the following level:

Base fee	£55,000
Additional fee for chairing Audit & Risk Committee or Remuneration Committee (subject to maximum fees of £65,000)	£10,000
Fee for the Senior Independent Director (including chairing Committees)	£65,000



## Remuneration Report continued

### Annual Report on Remuneration 2022 continued

#### Remuneration Committee membership

All current members of the Committee are deemed to be independent. Accordingly, the Committee continues to comply with the independence requirements set out in the Code.

During 2022, there were two formal meetings of the Remuneration Committee, all of which achieved full attendance by the Committee members.

The responsibilities of the Committee are set out in the corporate governance section of the Annual Report on page 77. The Executive Directors and the CPO may be invited to attend meetings to assist the Committee in its deliberations, as appropriate. No person is present during any discussion relating to their own remuneration or is involved in deciding their own remuneration.

#### Advisors

During the year, the Remuneration Committee and the Company retained independent external advisors to assist on various aspects of the Company's remuneration and share schemes. The Company have continued to retain the services of Ellason LLP as external advisors to the Committee for executive remuneration advice and updates on market trends. The Committee also retained Tapestry Global Compliance LLP (Tapestry) who continue to act as external advisors to the Committee, to provide support and information on our all-employee share schemes. Both advisor firms were selected on their expertise and quality of their previous advice and originally appointed by the Committee. Ellason LLP's fees for 2022 amounted to £23,790 (2021: £14,688); Tapestry fees were £978 (2021: £37,906). Neither Ellason nor Tapestry provide any other services to the Group or any of the Directors and the Committee is satisfied that both firms remain independent. Ellason is a member and signatory to the Remuneration Consultants Group's Code of Conduct, which requires that their advice be objective and impartial. Neither adviser has any other connection with the Company or its Executive Directors.

#### Statement of shareholding voting

The 2021 Directors' Remuneration Report was approved by shareholders at the 2022 AGM. The Director's Remuneration Policy was approved by shareholders at the 2021 AGM. The votes cast were as follows:

£'000s	For	Against	Votes withheld
Directors' Remuneration Report (FY2021)	99.98%	0.02%	0
Directors' Remuneration Policy	98.50%	1.50%	0

As ever, the Committee welcomes any enquiries or feedback shareholders may have on the Policy or any aspect of the work of the Committee.

#### Adrian Chamberlain

##### Chair, Remuneration Committee

1 March 2023

## Directors' report

The Directors of Alfa present their report and the audited financial statements for the year ended 31 December 2022. This Report includes information required by the Companies Act 2006 and the Listing Rules 9.8.4R of the UK Financial Conduct Authority's Listing Rules and forms part of the management report as required by the Disclosure and Transparency (DTR) Rule 4. Additional information which is incorporated by reference into this Directors' report can be located by reference in the tables below. As permitted by the Companies Act 2006, the Directors' report includes the disclosures in the Strategic Report on:

	Location in annual report (page)
Performance and future development in the business	1 to 69
Important events affecting the Group since the financial year	173
Climate change emission reporting	64 to 67
Long-term Viability statement	46 to 47
Stakeholder engagement	52 to 53
Employee engagement	52
Directors who held office during the year	114

The Group is required to disclose certain information under Listing Rule 9.8.4R in the Directors' report or advise where such relevant information is contained. This information can be found in the following sections of the Annual Report and Accounts:

Listing rule requirement	Location in annual report (page)
Details of any long-term incentive schemes	170 to 171
Details of waiver of Director emoluments and future emoluments	110 and 112
Shareholder waiver of dividends and future dividends	122
Details of any contract of significance in which a Director is or was materially interested	See section below headed 'Relationship Agreement with Controlling Shareholder'
Board statement in respect of Relationship Agreement with the controlling shareholder	See section below headed 'Relationship Agreement with Controlling Shareholder'

### Corporate governance statement

The Company's statement on corporate governance can be found on page 73 of the Corporate governance report. The report forms part of this Directors' report and is incorporated by cross reference.

### 2023 Annual General Meeting

The Company's Annual General Meeting will be held at 3pm on Wednesday, 26 April 2023 at Alfa's head office at Moor Place, 1 Fore Street, London, EC2Y 9DT. The Notice of Meeting setting out the resolutions to be proposed at the 2023 AGM, together with explanatory notes, will be sent to shareholders as a separate document and made available on the Company's website [www.alfasystems.com/en-eu/investors/shareholder-information](http://www.alfasystems.com/en-eu/investors/shareholder-information).

### Amendment of the Articles

The Articles may only be amended by a special resolution of the Company's shareholders in a general meeting.

## Principal activities

The principal activity of the Alfa Group is the provision of software and software-related services to the auto and equipment finance industry. Alfa is a public company limited by shares and is incorporated and domiciled in England. Its shares are listed on the London Stock Exchange. The registered office is Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom. Alfa's registration no. is 10713517. The principal activity of the Company is that of a holding company. The Company's registrar is Equiniti Limited situated at Aspect House, Spencer Road, Lancing, West Sussex, BN99 6DA.

## Directors' interests

The Directors' interests in and options over ordinary shares in the Company are shown in the Directors' Remuneration Report on page 117. There has been no change in the CHP shareholding since the end of the financial year and to the date of this report, however there has been a change to the percentage interest held by Andrew Page and Andrew Denton in CHP and hence their interests in Alfa. As at 1 March 2023 being the latest practicable date of this report, Andrew Page holds 177,627,869 shares (2022: 177,272,843) an increase of 355,025 shares and Andrew Denton holds 14,277,780 shares (2022: 14,643,305) a decrease of 355,025 shares.

In line with the requirements of the Companies Act, each Director has notified the Company of any situation in which they have, or could have, a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company (a situational conflict). These were considered and approved by the Board in accordance with the Articles and each Director informed of the authorisation and any terms on which it was given. All Directors are aware of the need to consult with the Company Secretary should any possible situational conflict arise, so that prior consideration can be given by the Board as to whether or not such conflict will be approved.

## Directors' report continued

### Research and development

The Group continued to invest in product research and development throughout the year. The product is enhanced by both specific customer driven requirements, some of which are paid for by customers, but also by internal development using the skills and knowledge from the development teams but also using feedback from the implementation teams. The amount expensed in the profit and loss account for research and development is shown in note 6 to the consolidated financial statements. In addition, amounts are capitalised as Other intangible assets which are shown in note 15 to the consolidated financial statements.

### Directors' insurance and indemnities

Each Director of the Company has the benefit of a qualifying indemnity, as defined by section 236 of the Companies Act, and as permitted by the Articles, as well as Directors' and Officers' liability insurance.

### Financial risk management

The financial risk management objectives and policies of the Group and the Company and the exposure of the Group and the Company to price risk, credit risk, liquidity risk and cash flow risk are disclosed in note 3 to the financial statements.

### Internal Controls

Further details of our internal control framework can be found in the Audit and Risk Committee Report on page 94.

### Interest capitalised in the period

No interest has been capitalised by Alfa in the year ended 31 December 2022 or at 31 December 2021.

### Profits and dividends

The consolidated profit after tax for the year ended 31 December 2022 was £24.5m (FY21: £19.2m). The results are discussed in greater detail in the Financial review on pages 34 to 37. Information on dividends is shown in note 31 of the financial

statements and is incorporated into this report by reference. Subject to approval at the Annual General Meeting on 26 April 2023, a 2022 final dividend of 1.2 pence per share will be paid on 26 June 2023 to holders on the register on 26 May 2023. The ordinary shares will be quoted ex-dividend on 25 May 2023. In addition, the Board has decided to declare a special dividend of 1.5 pence per share, with an ex-dividend date of 13 April 2023, a record date of 14 April 2023 and a payment date of 9 May 2023. This follows the payment of two special dividends of 3.0 pence and 3.5 pence on 16 June 2022 and 7 October 2022 respectively.

### Shares held in the Employee Benefit Trust

During the year, the trustees of the employee benefit trust which operates in connection with the Company's share plans waived its rights to receive dividends on any shares held by it. Details of the trust can be found in note 28 of the financial statements.

### Share buyback programme

On 18 January 2022, the Company announced the commencement of a share buyback programme to acquire shares with an aggregate purchase price of up to £18m. The purpose of the share buyback is to reduce the Company's share capital and to enable the Company to meet obligations arising from share option programmes. During the year the Company bought back through market purchases on the London Stock Exchange 2,832,073 ordinary shares of 0.1 pence each, representing 0.95% of the issued share capital of the Company as at 31 December 2022, for a total consideration of approximately £4.65m, including expenses of £12.5k.

### Share capital

The Company's ordinary shares are listed on the London Stock Exchange. The authorised share capital of the Company as at 31 December 2022 was made up of 300,000,000 ordinary shares of 0.1p each, of which it held 2,832,073 shares in Treasury. Further information regarding

the Company's issued share capital can be found in note 26 of the Company financial statements on page 169.

### Shareholders' voting rights

All members who hold ordinary shares are entitled to attend and vote at the AGM. On a show of hands at a general meeting, every member present in person shall have one vote and on a poll, every member present in person or by proxy shall have one vote for every ordinary share held. No shareholder holds ordinary shares carrying special rights relating to the control of the Company and the Directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on voting rights.

### Restrictions on transfer of ordinary shares

The Articles do not contain any restrictions on the transfer of ordinary shares in the Company other than the usual restrictions applicable where any amount is unpaid on a share. All issued share capital of the Company at the date of this Annual Report is fully paid. Certain restrictions are also imposed by laws and regulations (such as insider trading and market abuse requirements relating to close periods) and requirements of the Listing Rules whereby Directors and certain employees of the Company require Board approval to deal in the Company's securities.

### Disability

With regard to existing team members and those who may become disabled, Alfa's policy is to examine ways and means to provide continuing employment under the existing terms and conditions and to provide training and career development, including promotion, where appropriate.

When considering recruitment, training, career development, promotion or any other aspect of employment, we strive to ensure that no colleague or job applicant is discriminated against, either directly or indirectly, on the grounds of disability.

## Authority to purchase own shares

Subject to authorisation by shareholder resolution, the Company may purchase its own shares in accordance with the Companies Act 2006. Any shares bought back may be held as treasury shares or cancelled immediately on completion of the purchase. At the 2022 AGM, the Company was generally and unconditionally authorised by its shareholders to purchase in the market up to 10% of the ordinary shares of the Company (29,947,480 ordinary shares). This authority is renewable annually, and a special resolution will be proposed at the 2023 AGM to request shareholders to renew it.

On 18 January 2022, the Company announced that it had entered into an arrangement with Barclays Bank PLC, acting through its investment bank to purchase ordinary shares in the Company up to an aggregate purchase price of £18m over an 18-month period. The purchase of the ordinary shares is made independently and uninfluenced by the Company and held as treasury shares.

As at 27 February 2023, being the last practicable date prior to the production of this Annual Report, the number of ordinary shares held in treasury was 3,406,459. Accordingly, total voting rights amounted to 296,593,54 ordinary shares as at the same date.

## Transactions with related parties

On 1 August 2022 the Group reached an agreement for the assignment of its lease to the 9th floor of Moor Place, 1 Fore Street Avenue, London to CHP Software and Consulting Limited. There was no consideration for the transaction, with CHP taking on all the rights and liabilities for the 9th floor from Alfa. The assignment of the lease resulted in the de-recognition of the right to use asset and lease liability, which resulted in a one-off gain of £0.5m which was fully recognised in the year.

There is an existing material transaction which the Company has entered into with related parties:

## Relationship agreement and the controlling shareholder

The Relationship Agreement was entered into on 26 May 2017 and regulates the relationship between CHP Software and Consulting Limited (the 'Controlling Shareholder') and the Company following listing. Subject to a certain minimum shareholding, the Relationship Agreement details the rights the Controlling Shareholder has to representation on the Board and Nomination Committee and to appoint observers to the Nomination Committee (if not represented on the Committee). The Controlling Shareholder also undertakes not to operate, establish, own or acquire a competing business during the terms of the agreement. Any transactions between Alfa and the Controlling Shareholder will be at arm's length and on normal commercial terms. The Relationship Agreement complies with the requirements of the Listing Rules, including Listing Rule 9.5.1R, and Listing Rules 6.5.4R.

In accordance with the requirements of Listing Rules 9.8.4(14), the Board confirms that the Company has complied with its obligations under the Relationship Agreement, including in respect of the independence provisions and, so far as the Company is aware, the Controlling Shareholder has complied with the provisions of the Relationship Agreement (including the independence and non-compete provisions set out therein), at all times since the Agreement was entered into. Other related party transactions are detailed in note 32.3 to the consolidated financial statements.

## Compensation for loss of office and change of control

There are no agreements between the Company and its Directors or Alfa team members providing for additional compensation for loss of office or employment (whether through resignation, redundancy or otherwise) that occurs

because of a takeover bid. The only significant agreement, to which the Company is a party that takes effect, alters or terminates upon a change of control of the Company following a takeover bid, and the effect thereof, is the Relationship Agreement.

The Relationship Agreement with the Controlling Shareholder contains a provision under which it will terminate upon the earlier of: (i) the Controlling Shareholder and its associates ceasing to have the entitlement to exercise or control the exercise of 10% or more of the voting rights in the Company; or (ii) the Company's ordinary shares ceasing to be admitted to the listing on the Official List of the FCA.

## Appointment and retirement of a Director

The rules governing the appointment and removal of a Director are set out in the Articles of Association of the Company. The Articles of Association may be amended by a special resolution of the shareholders. Specific details relating to the Principal Shareholder, CHP Software and Consulting Limited, and its right to appoint Directors are set out in this report on page 82.

All Directors will stand for re-election at the AGM on an annual basis, in line with the recommendations of the 2018 Code.

## Powers of the Directors

Specific powers relating to the allotment and issuance of ordinary shares and the ability of the Company to purchase its own securities are also included within the Articles and such authorities are submitted for approval by the shareholders at the AGM each year. The Directors have the authority to allot shares or grant rights to subscribe for or to convert any security into shares in the Company. Further details of the proposed authorities are set out in the notice of the AGM. A share repurchase programme commenced on 18 January 2022. Further details can be found page 122.

## Directors' report continued

### Political donations

The Group made no political donations and incurred no political expenditure during the year (FY21: £nil). It remains the Company's policy not to make political donations or to incur political expenditure. At the 2022 AGM, the Directors were generally and unconditionally authorised by the Company's shareholders to make limited political donations of up to £50,000, in order to protect against any inadvertent breaches of the relevant provisions of the Companies Act 2006 which are very broad in nature. The Board has no intention of using this authority.

### Significant shareholdings at 31 December 2022 and 17 February 2023 (being the latest practicable date of this report)

At the relevant dates, the Company had been notified, in accordance with chapter 5 of the Disclosure Guidance and Transparency Rules, of the following voting rights as a shareholder of the Company:

Name of shareholder	No. of ordinary shares at 31 December 2022	% of total voting rights at 31 December 2022	No. of ordinary shares at 17 February 2023	% of total voting rights at 17 February 2023	Nature of holding
CHP Software and Consulting Limited	191,905,649	64.58	191,905,649	64.67	Direct
BlackRock Investment Mgt	13,539,118	4.56	13,373,240	4.51	Indirect
NFU Mutual Investment Mgrs	11,527,597	3.88	11,492,597	3.87	Indirect
Aberdeen Investments (Standard Life)	11,482,195	3.86	11,478,966	3.87	Indirect
Invesco	10,356,742	3.49	10,392,467	3.50	Indirect

### Streamlined Energy and Carbon Reporting (SECR)

A breakdown of our greenhouse gas (GHG) emissions in accordance with our regulatory obligation to report greenhouse gas emissions pursuant to section 7 of the Companies Act 2006 (Strategic Report and Directors' report) Regulations 2013 and the Companies (Directors' report), can be found on page 67.

### Stakeholder engagement

Details of how the Group has engaged with its employees, suppliers, customers and other principal stakeholders together with details of the key decisions taken by the Group during the year are disclosed on pages 52 to 53.

### Employee involvement

We place considerable value on the involvement of our employees, viewing and treating them as valued team members and an integral part of our business and success. We continue to keep them informed on matters affecting them through CEO updates and both formal and informal meetings and through Confluence, our intranet. Our employees are regularly consulted on a wide range of matters affecting their current and future interests. Many of our employees have interests in shares in the

Company. Information on employee engagement is available on page 52, with additional information highlighted on pages 58 to 61. Further information on employee engagement, as measured by our internal employee surveys, is included on page 32.

### Subsidiaries and branches

The Group has subsidiaries in the United States of America, Germany, Australia and New Zealand and a subsidiary of the Company is registered as a branch of an overseas company in South Africa. Further details of these can be found in note 32.2 to the accounts on page 173.

### Disclosure of information to the auditor

Each of the Directors of the Company at the date the Directors' report is approved confirms that:

- So far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- He or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s.418 of the Companies Act 2006.

RSM UK Audit LLP, the Group's auditor, has indicated its willingness to continue in office and, on the recommendation of the Audit & Risk Committee and in accordance with section 489 of the Companies Act of 2006, a resolution to reappoint it will be put to the 2023 AGM.

### Board approval of the Directors' report

The Directors' report was approved by the Board on 1 March 2023 and signed on its behalf by:

**Andrew Denton**  
Chief Executive Officer

1 March 2023



## Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report and the Directors' report, the Directors' Remuneration Report, the separate Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors have elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare group financial statements in accordance with UK-adopted International Accounting Standards. The Directors have elected under company law to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

The Group financial statements are required by law and UK-adopted International Accounting Standards to present fairly the financial position and performance of the group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- a. select suitable accounting policies and then apply them consistently;
- b. make judgements and accounting estimates that are reasonable and prudent;
- c. for the Group financial statements, state whether they have been prepared in accordance with UK-adopted International Accounting Standards;
- d. for the Company financial statements, state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the Company financial statements; and
- e. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the Directors, whose names and functions are listed on pages 75 to 76 confirm that, to the best of each person's knowledge:

- a. 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 of the Company and the undertakings included in the consolidation taken as a whole; and
- b. the Strategic report contained in the Annual Report 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 website.

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 on 1 March 2023 and is signed on its behalf by:

**Andrew Denton**  
**Chief Executive Officer**  
 1 March 2023

# Financial statements

## Financial statements

127	Independent auditor's report
135	Consolidated statement of profit or loss and comprehensive income
136	Consolidated statement of financial position
137	Consolidated statement of changes in equity
138	Consolidated statement of cash flows
139	Notes to the consolidated financial statements
175	Company statement of financial position
176	Company statement of changes in equity
177	Company notes to the financial statements



# Independent auditor's report to the members of Alfa Financial Software Holdings plc

## Opinion

We have audited the financial statements of Alfa Financial Software Holdings plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise the Consolidated statement of profit or loss and comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company statement of financial position, Company statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and UK-adopted International Accounting Standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

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

Summary of our audit approach	Commentary
<b>Key audit matters</b>	<b>Group</b> <ul style="list-style-type: none"><li>• Revenue recognition – software and services revenue from implementation projects</li></ul> <b>Parent Company</b> <p>None</p>
<b>Materiality</b>	<b>Group</b> <ul style="list-style-type: none"><li>• Overall materiality: £1.44m (2021: £1.14m)</li><li>• Performance materiality: £1.08m (2021: £0.86m)</li></ul> <b>Parent Company</b> <ul style="list-style-type: none"><li>• Overall materiality: £1.41m (2021: £1.12m)</li><li>• Performance materiality: £1.06m (2021: £0.85m)</li></ul>
<b>Scope</b>	Our audit procedures covered 100% of revenue, total assets and profit before tax.

# Independent auditor's report to the members of Alfa Financial Software Holdings plc continued

## Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the group and parent company financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the group and parent company financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Revenue recognition – software and services revenue from implementation projects

### Key audit matter description

The Group's operations include complex software implementation programmes and service activities. The delivery of these contracts typically extends over more than one reporting period, and often the original project plans are amended, as the implementation progresses. As such, in recognising revenue, management has to apply a number of judgements to allocate the overall transaction price across the multiple performance obligations that have been identified within these projects.

In addition, due to the structure of the Group's licence and maintenance contractual arrangements, the Group also receives one-off licence uplifts or maintenance and right to use termination payments which need to be accounted for in accordance with IFRS 15 "Revenue from contracts with customers".

We consider revenue recognition for software and services revenue for implementation projects to be a key audit matter due to:

- The level of judgement involved in the identification of distinct performance obligations and subsequent measurement of revenue and timing of recognition;
- The degree of estimation involved in determining some inputs for inclusion in software/services implementation revenue calculations;
- The potential risk of fraud in revenue recognition;
- The allocation of audit resources and effort.

Further details on revenue recognition are included in the financial statements in note 1.5 "Accounting policies – Revenue recognition", note 2 "Critical accounting judgements, estimates and assumptions" and note 5 "Revenue from contracts with customers".

## How the matter was addressed in the audit

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

- Obtaining an understanding of the processes and controls around revenue recognition;
- Reviewing the group's revenue recognition policy, including supporting accounting papers, to assess whether performance obligations have been appropriately identified and revenue recognised in line with IFRS 15;
- For software implementation revenue (software and services) we:
  - Assessed management's analysis of the performance obligations within individual contracts and of how the 5 steps in IFRS 15 should be applied;
  - Audited the revenue recognition calculations for a sample of the most significant contracts to assess whether the methodology applied was consistent with the group's revenue recognition policy and across projects. This included testing inputs in the calculations to supporting evidence;
  - Verified the explanations and data provided by management by holding discussions with project managers regarding the key assumptions and judgements made, in particular around the estimates of the projected costs to complete and the completeness of any contract arrangements, including any unusual terms and contract modifications;
  - Tested the completeness and accuracy of timesheet data as some performance obligations are recognised based on days worked;
  - Challenged management on the appropriateness of estimates made in the IFRS 15 calculations. This included assessing the results of management's analysis of the sensitivity of the calculations to these estimates;
  - Assessed specific contract key judgements including management's treatment of any contract modifications and whether these were recognised appropriately in line with IFRS 15;
- Auditing the disclosures in the financial statements and evaluating whether the policy for revenue recognition is appropriately explained and critical judgements and key sources of estimation uncertainty are appropriately disclosed.

## Key observations

Disclosure of the impact of the key judgements and estimates applied in respect of revenue recognition are disclosed in note 2 to the financial statements. Based on the results of the audit procedures outlined above, we have no observations to report.

No key audit matters were identified in respect of the Parent Company.



## Independent auditor's report to the members of Alfa Financial Software Holdings plc continued

### Our application of materiality

When establishing our overall audit strategy, we set certain thresholds which help us to determine the nature, timing and extent of our audit procedures. When evaluating whether the effects of misstatements, both individually and on the financial statements as a whole, could reasonably influence the economic decisions of the users we take into account the qualitative nature and the size of the misstatements. Based on our professional judgement, we determined materiality as follows:

	Group	Parent company
<b>Overall materiality</b>	£1.44m (2021: £1.14m)	£1.41m (2021: £1.12m)
<b>Basis for determining overall materiality</b>	5% of profit before tax (2021: 5% of profit before tax)	1% of net assets, capped at 99% of group overall materiality (2021: 1% of net assets, capped at 99% of group overall materiality)
<b>Rationale for benchmark applied</b>	As a listed entity, profit before taxation is considered the most appropriate benchmark for users of the financial statements.	Net assets is considered to be the most appropriate benchmark for the parent company as it is primarily a holding company.
<b>Performance materiality</b>	£1.08m (2021: £0.86m)	£1.06m (2021: £0.85m)
<b>Basis for determining performance materiality</b>	75% of overall materiality	75% of overall materiality
<b>Reporting of misstatements to the Audit Committee</b>	Misstatements in excess of £0.07m and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.	Misstatements in excess of £0.07m and misstatements below that threshold that, in our view, warranted reporting on qualitative grounds.

### An overview of the scope of our audit

The group has operations located in the following countries:

- United Kingdom
- United States of America
- Germany
- Australia
- New Zealand

Although the structure of the group is made up of a number of legal entities, we have assessed that the group is a single component for the purposes of our audit because financial information is presented to management and the Board on a consolidated basis, the group's financial statements report a single segment and do not disclose any specific divisional information and the group's principal activity is consistent across all locations.

Our audit approach covers 100% of profit before tax, revenue and total assets. All audit work was completed by the group audit team and no component auditors were used in our audit.

## Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group's and parent company's ability to continue to adopt the going concern basis of accounting included:

- Checking the arithmetic accuracy of the forecasts that form the basis of the directors' going concern assessment and Viability statement;
- Corroborating the cash balance that is used as the starting point for the forecasts by confirming to bank confirmations;
- Challenging management's forecasts and comparing the 2023 budget to YTD results and order book;
- Assessing the assumptions made in management's stress-testing;
- Completing further sensitivity analysis and stress-testing;
- Auditing the disclosures in the financial statements in respect of going concern and viability.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the entity reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Independent auditor's report to the members of Alfa Financial Software Holdings plc continued

### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the parent company's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified set out on page 37;
- Directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate set out on pages 46 to 47;
- Director's statement on whether it has a reasonable expectation that the group will be able to continue in operation and meets its liabilities set out on pages 46 to 47;
- Directors' statement on fair, balanced and understandable set out on page 94;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on pages 41 to 45;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 94; and,
- Section describing the work of the audit committee set out on pages 90 to 96.

### Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 125 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

## Auditor's responsibilities for the audit of the financial statements

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

## The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operate in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

The most significant laws and regulations were determined as follows:

Legislation/Regulation	Additional audit procedures performed by the Group audit engagement team included:
<b>UK-adopted IAS, FRS 102 and Companies Act 2006</b>	<ul style="list-style-type: none"> <li>• Review of the financial statement disclosures and testing to supporting documentation;</li> <li>• Completion of disclosure checklists to identify areas of non-compliance.</li> </ul>
<b>Tax compliance regulations</b>	<ul style="list-style-type: none"> <li>• Inspection of advice received from internal / external tax advisors;</li> <li>• Consultation with a tax specialist regarding the approach taken to the audit of tax;</li> <li>• Consideration of whether any matter identified during the audit required reporting to an appropriate authority outside the entity.</li> </ul>

## Independent auditor's report to the members of Alfa Financial Software Holdings plc continued

The areas that we identified as being susceptible to material misstatement due to fraud were:

Risk	Audit procedures performed by the audit engagement team:
<b>Revenue recognition</b>	The audit procedures performed in relation to revenue recognition are documented in the key audit matter section of our audit report.
<b>Capitalisation of development costs</b>	<ul style="list-style-type: none"> <li>• Reviewing the Investment Committee meeting minutes for any projects which may indicate the understatement of amounts capitalised during the period;</li> <li>• Interviewing relevant personnel to understand the projects capitalised in the period and the nature of projects not capitalised;</li> <li>• Verifying the amounts capitalised during the year by reference to underlying payroll records and timesheet data.</li> </ul>
<b>Management override of controls</b>	<ul style="list-style-type: none"> <li>• Testing the appropriateness of journal entries and other adjustments;</li> <li>• Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;</li> <li>• Evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.</li> </ul>
<b>Valuation of accruals, other payables and provisions</b>	<ul style="list-style-type: none"> <li>• Testing a sample of accruals, other payables and provisions and verifying these to purchase invoices and other supporting evidence;</li> <li>• Challenging management to provide supporting evidence and justification for balances they have accrued or provided for.</li> </ul>

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: <http://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other matters which we are required to address

Following the recommendation of the audit committee, we were appointed by management in July 2020 to audit the financial statements for the year ending 31 December 2020 and subsequent financial periods.

The period of total uninterrupted consecutive appointments is 3 years, covering the years ending 31 December 2020 to 31 December 2022.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group or the parent company and we remain independent of the group and the parent company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee in accordance with ISAs (UK).

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

As required by the Financial Conduct Authority (FCA) Disclosure Guidance and Transparency Rule (DTR) 4.1.14R, these financial statements will form part of the European Single Electronic Format (ESEF) prepared Annual Financial Report filed on the National Storage Mechanism of the UK FCA in accordance with the ESEF Regulatory Technical Standard ('ESEF RTS'). This auditor's report provides no assurance over whether the annual financial report has been prepared using the single electronic format specified in the ESEF RTS.

### Graham Ricketts (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor  
Chartered Accountants  
25 Farringdon Street, London, United Kingdom, EC4A 4AB  
1 March 2023



## Consolidated statement of profit or loss and comprehensive income

£m	Note	2022	2021
<b>Continuing operations</b>			
Revenue	5	93.3	83.2
Cost of sales		(33.4)	(29.0)
<b>Gross profit</b>		<b>59.9</b>	54.2
Sales, general and administrative expenses		(31.0)	(30.0)
Other income		0.7	0.5
<b>Operating profit</b>	6	<b>29.6</b>	24.7
Share of net loss of joint venture	19	(0.1)	(0.1)
<b>Profit before net finance costs and tax</b>		<b>29.5</b>	24.6
Finance income	10	–	–
Finance expense	10	(0.6)	(0.8)
<b>Profit before taxation</b>		<b>28.9</b>	23.8
Taxation	11	(4.4)	(4.6)
<b>Profit for the financial year</b>		<b>24.5</b>	19.2
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	27	0.4	(0.1)
<b>Other comprehensive income/(loss) net of tax</b>		<b>0.4</b>	(0.1)
<b>Total comprehensive income for the year</b>		<b>24.9</b>	19.1
<b>Earnings per share (in pence) for profit attributable to the ordinary equity holders of the Company</b>			
Basic	12	8.24	6.49
Diluted	12	8.09	6.39

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	2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	14	24.7	24.7
Other intangible assets	15	2.9	2.4
Property, plant and equipment	16	1.0	0.8
Right-of-use assets	17	7.1	14.4
Deferred tax assets	18	1.6	1.8
Interests in joint venture	19	0.2	0.3
<b>Total non-current assets</b>		<b>37.5</b>	44.4
<b>Current assets</b>			
Trade receivables	20	8.9	6.0
Accrued income	21	6.5	6.3
Prepayments	21	4.5	3.2
Other receivables	21	0.2	1.0
Corporation tax recoverable	21	0.2	–
Cash and cash equivalents	22	18.7	23.1
<b>Total current assets</b>		<b>39.0</b>	39.6
<b>Total assets</b>		<b>76.5</b>	84.0
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	23	9.5	9.3
Corporation tax	23	–	1.8
Lease liabilities	24	1.3	1.9
Contract liabilities	23	14.8	11.0
<b>Total current liabilities</b>		<b>25.6</b>	24.0
<b>Non-current liabilities</b>			
Lease liabilities	24	8.0	15.2
Provisions for other liabilities	25	0.9	1.4
<b>Total non-current liabilities</b>		<b>8.9</b>	16.6
<b>Total liabilities</b>		<b>34.5</b>	40.6
<b>Capital and reserves</b>			
Share capital	26	0.3	0.3
Translation reserve	27	0.4	–
Own shares	28	(7.5)	(3.4)
Retained earnings		48.8	46.5
<b>Total equity</b>		<b>42.0</b>	43.4
<b>Total liabilities and equity</b>		<b>76.5</b>	84.0

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

The consolidated financial statements on pages 135 to 174 were approved and authorised for issue by the Board of Directors on 1 March 2023 and signed on its behalf.

**Andrew Denton**  
Chief Executive Officer

**Duncan Magrath**  
Chief Financial Officer

Alfa Financial Software Holdings PLC – Registered number 10713517

## 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 2021		0.3	–	0.1	59.8	60.2
Profit for the financial year		–	–	–	19.2	19.2
Other comprehensive loss		–	–	(0.1)	–	(0.1)
Total comprehensive income for the year		–	–	(0.1)	19.2	19.1
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	–	–	–	0.3	0.3
Dividends	31	–	–	–	(32.7)	(32.7)
Own shares distributed	28	–	1.2	–	(1.2)	–
Own shares acquired	28	–	(4.6)	–	–	(4.6)
Balance as at 31 December 2021		0.3	(3.4)	–	46.5	43.4
Profit for the financial year		–	–	–	24.5	24.5
Other comprehensive income		–	–	0.4	–	0.4
Total comprehensive income for the year		–	–	<b>0.4</b>	<b>24.5</b>	<b>24.9</b>
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	–	–	–	0.1	0.1
Dividends	31	–	–	–	(22.5)	(22.5)
Own shares distributed	28	–	1.5	–	(1.3)	0.2
Own shares acquired	28	–	(5.6)	–	–	(5.6)
<b>Balance as at 31 December 2022</b>		<b>0.3</b>	<b>(7.5)</b>	<b>0.4</b>	<b>48.8</b>	<b>42.0</b>

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

## Consolidated statement of cash flows

£m	Note	2022	2021
<b>Cash flows from operating activities</b>			
Profit before tax		28.9	23.8
Net finance costs		0.6	0.8
Share of net loss from joint venture		0.1	0.1
<b>Operating profit</b>		<b>29.6</b>	<b>24.7</b>
Adjustments:			
Depreciation	6/16/17	2.2	2.3
Amortisation	6/15	0.8	0.8
Share-based payment charge	29	1.8	1.5
Net gain on disposal of assets		(0.3)	–
Movement in provisions	25	(0.5)	–
Movement in working capital:			
Movement in contract liabilities	23	3.8	4.1
Movement in trade and other receivables	20/21	(3.6)	(2.8)
Movement in trade and other payables (excluding contract liabilities)	23	0.2	0.7
<b>Cash generated from operations</b>		<b>34.0</b>	<b>31.3</b>
Interest element on lease payments	10/24	(0.6)	(0.8)
Income taxes paid		(6.2)	(3.8)
<b>Net cash generated from operating activities</b>		<b>27.2</b>	<b>26.7</b>
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	16	(0.7)	(0.3)
Purchases of computer software	15	(0.1)	(0.1)
Payments for internally developed software	15	(1.5)	(0.9)
<b>Net cash used in investing activities</b>		<b>(2.3)</b>	<b>(1.3)</b>
<b>Cash flows from financing activities</b>			
Dividends paid to Company shareholders		(22.5)	(32.7)
Principal element on lease payments	24	(1.6)	(1.9)
Purchase of own shares	28	(5.6)	(4.6)
<b>Cash used in financing activities</b>		<b>(29.7)</b>	<b>(39.2)</b>
<b>Net decrease in cash</b>		<b>(4.8)</b>	<b>(13.8)</b>
Cash and cash equivalents at the beginning of the year	22	23.1	37.0
Effect of foreign exchange rate changes on cash and cash equivalents		0.4	(0.1)
<b>Cash and cash equivalents at the end of the year</b>	22	<b>18.7</b>	<b>23.1</b>

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 2022

## 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 million unless otherwise stated.

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

### 1.1 Basis of preparation

#### Compliance with IFRS

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted international accounting standards and Company Law.

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

#### New and amended standards adopted by the Group

In the current year, the Group has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2022. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements. The amendments relevant to the Group are:

- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020, effective from 1 January 2022).

#### 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:

- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates;
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Disclosure of Accounting policies; and
- Amendments to IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture.

We are currently in the process of determining if the adoption of the Standards listed above will have a material impact on the financial statements of the Group.



## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 1. Summary of significant accounting policies continued

#### 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 because it is exposed to, and has a right to, variable returns from this trust and is able to use its power over the trust to affect those returns. The trust 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 has one joint venture, namely Alfa iQ, which was formed in May 2020. The investment in the joint venture is accounted for using the equity method. The Group's share of the joint venture's net profit/(loss) is based on its most recent financial statement drawn up to the Group's balance sheet date. The total carrying value of investment in the joint venture represents the cost of the investment, including loans which form part of the net investment in the joint venture, plus the share of post-acquisition retained earnings and any other movements in reserves less any impairment in the value of the investment.

The carrying values of joint ventures are reviewed on a regular basis and if there is objective evidence that an impairment in value has occurred as a result of one or more events during the period, the investment is impaired. The Group's share of the joint venture's losses in excess of its interest in that joint venture is not recognised to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture. Unrealised gains arising from transactions with joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way, but only to the extent that there is no evidence of impairment.

Loans to the joint venture are measured at fair value on initial recognition, and subsequently carried at amortised cost. Any surplus between the nominal and fair value of the loan is recognised as an investment in the joint venture.

### 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 disclosure.

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

- a. Subscription revenues include recurring revenues paid on a monthly or annual basis, including subscription licence revenues, maintenance and cloud hosting.
- b. Software revenues include revenues from the recognition of customised licence revenue, one-off licence fees and any development revenues.
- c. Services 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.

See note 1.5 for details of our revenue recognition accounting policy and note 2 for the critical accounting judgements and estimates 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 2022 and 2021 below:

	2022		2021	
	Closing	Average	Closing	Average
USD	1.21	1.24	1.35	1.38
EUR	1.13	1.17	1.19	1.16
NZD	1.90	1.95	1.98	1.95
AUD	1.77	1.78	1.86	1.83

#### Presentation currency

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

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 1. Summary of significant accounting policies continued

#### 1.4 Foreign currency translation continued

##### 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); and
- 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 and Services (as disclosed in note 1.3).

- i Subscription revenue which includes the periodic rights to use Alfa Systems, periodic maintenance, subscription (including cloud hosting) and one-off revenue relating to catch-up periodic maintenance;
- ii Software revenue which includes development revenue (part of the customised licence revenue), options over the right to use Alfa Systems, and one-off licence fees; and
- iii Services revenue which 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 below. 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. Over time recognition is considered appropriate as customers simultaneously receive and consume the benefits provided. 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 and is recognised based on a percentage of completion basis.

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. A percentage-of-completion basis has been used 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, so recognition over time is appropriate.

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 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 annualise the value of the customised licence performance obligation and compare 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 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 section 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.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 1. Summary of significant accounting policies continued

#### 1.5 Revenue recognition continued

##### 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.

##### 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.

#### 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 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.

##### 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

Alfa enters into lease contracts in respect of various properties and motor vehicles. These rental contracts are typically made for fixed periods of 2 to 10 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 Alfa. 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 fewer) 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.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 1. Summary of significant accounting policies continued

#### 1.8 Leases continued

##### 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 cost.

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 (cash-generating units). 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 de-recognition

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 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 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 at amortised cost

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, 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. An impairment loss is recognised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivable. The Group considers information developed internally or obtained from external sources that indicates that a debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group) as an indication that a financial asset is not recoverable.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 1. Summary of significant accounting policies continued

#### 1.12 Trade receivables continued

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 as part of a group reorganisation and represents the excess of the consideration transferred over the fair value of the identifiable assets acquired and 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 product development costs only qualify for capitalisation if the Group can demonstrate all of the following:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete the intangible asset and use or sell it;
- Its ability to use or sell the intangible asset; 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.

Commercial viability of new products, modules or capabilities is generally not proven until the major high-risk development issues have been resolved through testing of the specific development. Development expenditure incurred on minor or major upgrades, or other changes in software functionality, does not satisfy the criteria, where it is considered that the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense. See note 15 for disclosure of development costs which have met the criteria of IAS 38 for recognition. The Group continues to assess the eligibility of development costs for capitalisation on a project-by-project basis.

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

Internally generated software: 3-5 years

Amortisation is presented within sales, general and administrative expenses.

Research and development which does not meet the criteria set out above is recognised as an expense as 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.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 1. Summary of significant accounting policies continued

#### 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 EPS (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 employee benefit trust, or acquired by the Group as part of its share buyback 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 – Assessing performance obligations

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.

#### 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.

### 2.2 Key sources of estimation uncertainty

#### Revenue recognition – Estimates feeding through to the customised licence

The customised licence and its associated material right are both impacted by the following estimates:

- Assigning a stand-alone selling price for implementation services day rates: the Group assesses the value of the implementation services delivered by assessing the effective day rate for an implementation contract, taking into account all revenue streams from implementation contracts against day rates of similar projects in the same geographies;
- Estimating the appropriate life of customer relationship: the Group calculates the material right deferral of the customised licence based on the total customer relationship life. This is also the time over which the material right will be spread; and
- Determining the split of maintenance amount between support efforts and right to use: the Group must estimate what percentage of the total maintenance fee relates to the customised licence.

A change to the stand-alone selling price for implementation services to the effective day rate, or an increase in expected customer life by a year, or a 10% variance in the split of maintenance amount between support efforts and right to use, results in an impact on revenue for the year of up to an increase / decrease of £0.1m.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 2. Critical accounting judgements, estimates and assumptions continued

#### 2.3 Other sources of estimation uncertainty

##### Revenue recognition – Number of forecast implementation and development days

The Group estimates the number of days required to complete the relevant implementation work and software customisation effort at the outset of each project and on an ongoing basis including at each consolidated statement of financial position date. Estimates of total project days required for a relevant project are based on historical evidence of past implementations, knowledge of the customer's systems being replaced and scope of customisation being requested. The Group applies the percentage-of-completion method when calculating implementation and development services revenue and updates estimates at each quarter end accordingly. Therefore, a significant movement in total planned days would result in volatility in implementation and customised licence revenue.

### 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	Cash flow forecasting and foreign exchange sensitivity	Natural hedging from localised cost base and prompt conversion of foreign currency cash balances into pound sterling
	Monetary assets and liabilities denominated in a currency other than the entity's functional currency.		Use of forward contracts to manage some of the foreign exchange risk
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 checks and contractual payment terms
		Credit ratings	
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 Chief Financial Officer. 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 US dollars 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 during the year to hedge against foreign currency exposure during the current year (2021: no hedging arrangement entered into). The Group does not have any outstanding commercial foreign exchange contracts at 31 December 2022 or 31 December 2021. No hedge accounting has been applied in the year.

A 10% increase in the USD:GBP exchange rate in the year ended 31 December 2022 would have increased revenue and profit by 4% and 8% respectively. Management believe 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 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 impaired.

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 licence and maintenance 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 Group has concluded that the expected loss rates for trade receivables are less than the loss rates for the accrued income.

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 2022 or 31 December 2021 respectively and the corresponding historical credit losses experienced within this period. The historical loss rates would then be 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 as all trade receivables have been collected in the past 24 months. Therefore on this basis, the loss allowance as at 31 December 2022 and 31 December 2021 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.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 3. Financial risk management continued

#### 3.3 Liquidity risk

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

The capital structure of the Group consists of cash and cash equivalents (note 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.

£m	31 December 2022					
	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	7.6	7.6	–	–	–	–
Lease liabilities – future lease payments	10.9	0.9	0.9	1.7	4.6	2.8

£m	31 December 2021					
	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	6.9	6.9	–	–	–	–
Lease liabilities – future lease payments	20.3	1.3	1.4	2.7	7.4	7.5

### 4. Segments and principal activities

#### 4.1 Revenue by stream

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

£m	2022	2021
Subscription	27.4	23.5
Software	16.3	13.6
Services	49.6	46.1
<b>Total revenue</b>	<b>93.3</b>	<b>83.2</b>

#### 4.2 Operating profit

The following table reconciles profit for the period attributable to equity holders to Operating Profit for the periods presented:

£m	2022	2021
Profit for the year	24.5	19.2
Adjusted for:		
Net loss from joint venture	0.1	0.1
Taxation	4.4	4.6
Finance expense	0.6	0.8
<b>Operating profit</b>	<b>29.6</b>	<b>24.7</b>

### 4.3 Non-current assets geographical information

Non-current assets attributable to each geographical market:

£m	2022	2021
UK	34.4	41.3
USA	1.2	0.8
Rest of World	0.3	0.5
<b>Total non-current assets</b>	<b>35.9</b>	42.6

Revenue by geographical market is contained within note 5.3. The table above excludes deferred tax assets for both 2021 and 2022.

## 5. Revenue from contracts with customers

### 5.1 Customer concentration

Customers with revenue accounting for more than 10% of total revenue in the current year are as follows:

£m	2022	2021
Customer A	<b>11%</b>	10%

See note 20 for outstanding trade receivables from those customers with revenue accounting for more than 10% of total revenue.

### 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 segments:

2022 £m	Subscription	Software	Services	Total revenue
At a point in time – time and materials	–	8.9	33.1	42.0
At a point in time – fixed price	–	0.4	0.4	0.8
Over time – time and materials	–	6.1	16.1	22.2
Over time – fixed price	27.4	0.9	–	28.3
<b>Total revenue</b>	<b>27.4</b>	<b>16.3</b>	<b>49.6</b>	<b>93.3</b>

2021 £m	Subscription	Software	Services	Total revenue
At a point in time – time and materials	–	5.6	25.2	30.8
At a point in time – fixed price	–	2.1	–	2.1
Over time – time and materials	–	4.1	19.8	23.9
Over time – fixed price	23.5	1.8	1.1	26.4
<b>Total revenue</b>	<b>23.5</b>	<b>13.6</b>	<b>46.1</b>	<b>83.2</b>

All goods and services are sold directly to customers.

### 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	2022	2021
UK	31.0	30.0
USA	33.6	28.9
Rest of EMEA (excl. UK)	21.3	18.7
Rest of World	7.4	5.6
<b>Total revenue</b>	<b>93.3</b>	83.2

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 5. Revenue from contracts with customers continued

#### 5.4 Revenue by currency

Revenue by contractual currency is as follows:

£m	2022	2021
GBP	39.0	35.9
USD	34.3	30.0
Euro	12.6	11.6
Other	7.4	5.7
<b>Total revenue</b>	<b>93.3</b>	<b>83.2</b>

#### 5.5 Liabilities from contracts with customers

£m	2022	2021
Contract liabilities – deferred licence	8.6	5.3
Contract liabilities – deferred maintenance	6.2	5.7
<b>Total contract liabilities</b>	<b>14.8</b>	<b>11.0</b>

##### 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 2022 and 31 December 2021 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

The majority 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 2022 and 31 December 2021 therefore represents the Group's unsatisfied period 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 2022 is £6.2m (2021: £8.4m). We expect to recognise £2.2m in each of the next two financial years and then 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 2022 that relate to the licence customisation for those 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 2022, the Group also has unsatisfied or partially satisfied performance obligations at 31 December 2022 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 customer 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 2022 is £11.0m (2021: £11.1m). 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.

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 and services).

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 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 in the table below:

£m	2022	2021
Research and development costs	2.2	1.6
Depreciation of property, plant and equipment	0.5	0.4
Depreciation of right-of-use lease assets	1.7	1.9
Amortisation of intangible assets	0.8	0.8
Foreign exchange (gain)/loss	(1.1)	0.2
Share-based payments (including social security contributions)	1.8	1.5

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 7. Personnel-related costs

£m	2022	2021
Wages and salaries	34.8	31.8
Social security contributions (on wages and salaries)	4.4	3.9
Pension costs	2.6	2.1
Profit share pay*	3.5	3.1
Share-based payments**	1.8	1.5
<b>Total employment costs</b>	<b>47.1</b>	<b>42.4</b>

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

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

#### Average monthly number of people employed based on location of home office (including Executive Directors)

	2022	2021
UK	307	282
USA	75	71
Rest of World	38	30
<b>Total average monthly number of people employed</b>	<b>420</b>	<b>383</b>

At 31 December 2022 the Group had 441 employees (2021: 382).

### 8. Key management

Key management compensation (including Directors):

£m	2022	2021
Wages, salaries and short-term benefits	2.7	3.1
Social security contributions	0.3	0.4
Post-employment benefits	0.1	0.1
Share-based payments*	1.1	0.9
<b>Total key management compensation</b>	<b>4.2</b>	<b>4.5</b>

\* This includes the related social security contributions.

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	2022	2021
<b>Audit fees</b>		
<b>RSM UK Audit LLP</b>		
Audit of the consolidated financial statements	0.2	0.2
Audit of subsidiaries	0.2	0.2
<b>Total audit fees</b>	<b>0.4</b>	0.4
<b>Audit-related assurance fees</b>		
Review of interim financial report	0.1	0.1
<b>Total audit-related assurance fees</b>	<b>0.1</b>	0.1
<b>Non-audit services</b>	–	–
<b>Total audit and non-audit-related services</b>	<b>0.5</b>	0.5

## 10. Finance income and expense

£m		2022	2021
<b>Finance income</b>			
Interest income on cash or short-term bank deposits		–	–
£m	Note	2022	2021
<b>Finance expense</b>			
Interest on lease liabilities	24	(0.6)	(0.8)
<b>Total finance expense</b>		<b>(0.6)</b>	(0.8)

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 11. Income tax expense

#### Analysis of charge for the year

£m	2022	2021
Current tax:		
Current tax on profit for the year	5.2	4.5
Adjustment in respect of prior years	(1.4)	(0.5)
Foreign tax on profit of subsidiaries for the current year	0.3	0.3
<b>Current tax</b>	<b>4.1</b>	<b>4.3</b>
Deferred tax:		
Origination and reversal of temporary differences	0.2	(0.1)
Adjustment in respect of prior years	0.1	0.6
Effect of changes in tax rates	–	(0.2)
<b>Deferred tax</b>	<b>0.3</b>	<b>0.3</b>
<b>Total tax charge in the year</b>	<b>4.4</b>	<b>4.6</b>

The effective tax rate for the year is lower (2021: higher) than the standard rate of corporation tax in the UK. The effective tax rate for the year ended 31 December 2022 was 15.2% (2021: 19.3%). The effective tax rate for the year is impacted by favourable adjustments in respect to prior years totalling £1.3m (2021: unfavourable adjustment of £0.1m), due to the benefit of the UK R&D claim for 2021 of £0.9m and favourable adjustments in respect of prior year provisions of £0.4m (2021: increased tax costs for prior year of £0.2m, an adjustment in respect to deferred tax on share awards of £0.5m, less the benefit of the UK R&D claim for 2020 of £0.6m). Given the changes in the UK R&D tax regime, the benefit to Alfa is expected to reduce in the future and as a consequence the effective tax rate will trend towards the UK statutory tax rate.

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

#### Analysis of charge for the year

£m	2022	2021
Profit on ordinary activities before taxation	28.9	23.8
Profit on ordinary activities at the standard rate of corporation tax – 19%	5.5	4.5
Tax effects of:		
Effect of different tax rates of subsidiaries operating in other jurisdictions	0.1	0.1
Adjustment in respect of prior years	(1.3)	0.1
Impact of tax rate changes	–	(0.2)
Other	0.1	0.1
<b>Total tax charge for the year</b>	<b>4.4</b>	<b>4.6</b>

## 12. Earnings per share

	2022	2021
Profit attributable to equity holders of Alfa (£m)	24.5	19.2
Weighted average number of shares outstanding during the year	296,309,874	296,709,610
Basic earnings per share (pence per share)	8.24	6.49
Weighted average number of shares outstanding including potentially dilutive shares	302,038,789	301,505,177
Diluted earnings per share (pence per share)	8.09	6.39

The weighted average number of ordinary shares in issue excludes 3,690,126 (2021: 3,290,390) shares, being the weighted average number of shares held by the Group under the employee benefit trust and in Treasury as a result of the share buyback programme. The diluted number of ordinary shares outstanding, including share awards, is calculated on the assumption of conversion of all 5,728,914 (2021: 5,470,741) potentially dilutive ordinary shares. The increase in both Basic EPS and Diluted EPS in the current year is impacted by the Group's share buyback programme that commenced in 2022.

## 13. Financial assets and liabilities

£m	Note	2022	2021
<b>Financial assets</b>			
Financial assets at amortised cost:			
Trade receivables	20	8.9	6.0
Other financial assets at amortised cost	21	6.7	7.3
Cash and cash equivalents	22	18.7	23.1
<b>Total financial assets</b>		<b>34.3</b>	36.4
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
Trade and other payables	23	7.6	6.9
Lease liabilities	24	9.3	17.1
<b>Total financial liabilities</b>		<b>16.9</b>	24.0

## 14. Goodwill

£m	2022	2021
<b>Cost</b>		
At 1 January	24.7	24.7
<b>At 31 December</b>	<b>24.7</b>	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 12.2% (2021: 11.0%) 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% (2021: 2.0%) 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.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 15. Other intangible assets

£m	Computer software	Internally generated software	Total
<b>Cost</b>			
At 1 January 2021	1.5	2.2	3.7
Additions	0.1	0.9	1.0
At 31 December 2021	1.6	3.1	4.7
<b>Amortisation</b>			
At 1 January 2021	0.8	0.7	1.5
Charge for the year	0.1	0.7	0.8
At 31 December 2021	0.9	1.4	2.3
<b>Net book value</b>			
At 31 December 2021	0.7	1.7	2.4
<b>Cost</b>			
At 1 January 2022	1.6	3.1	4.7
Additions	0.1	1.5	1.6
Disposals	–	(0.3)	(0.3)
<b>At 31 December 2022</b>	<b>1.7</b>	<b>4.3</b>	<b>6.0</b>
<b>Amortisation</b>			
At 1 January 2022	0.9	1.4	2.3
Charge for the period	0.1	0.7	0.8
Disposals	–	–	–
<b>At 31 December 2022</b>	<b>1.0</b>	<b>2.1</b>	<b>3.1</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>0.7</b>	<b>2.2</b>	<b>2.9</b>

### Significant movement in other intangible assets

During 2022, Alfa developed new internally generated software at a cost of £1.5m (2021: £0.9m). This software will be amortised over three to five years.

The total research and product development expense for the period was £2.2m (2021: £1.6m).



## 16. Property, plant and equipment

£m	Fixtures and fittings	IT equipment	Total
<b>Cost</b>			
At 1 January 2021	1.2	3.3	4.5
Additions	–	0.3	0.3
Disposals	–	(0.1)	(0.1)
At 31 December 2021	1.2	3.5	4.7
<b>Depreciation</b>			
At 1 January 2021	0.7	2.9	3.6
Charge for the year	0.1	0.3	0.4
Disposals	–	(0.1)	(0.1)
At 31 December 2021	0.8	3.1	3.9
<b>Net book value</b>			
At 31 December 2021	0.4	0.4	0.8
<b>Cost</b>			
At 1 January 2022	1.2	3.5	4.7
Additions	0.4	0.3	0.7
Disposals	(0.1)	–	(0.1)
<b>At 31 December 2022</b>	<b>1.5</b>	<b>3.8</b>	<b>5.3</b>
<b>Depreciation</b>			
At 1 January 2022	0.8	3.1	3.9
Charge for the year	0.2	0.3	0.5
Disposals	(0.1)	–	(0.1)
<b>At 31 December 2022</b>	<b>0.9</b>	<b>3.4</b>	<b>4.3</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>0.6</b>	<b>0.4</b>	<b>1.0</b>

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 17. Right-of-use assets

£m	Motor vehicles	Property	Total
<b>Cost</b>			
At 1 January 2021	0.2	17.9	18.1
Additions	0.2	1.3	1.5
At 31 December 2021	0.4	19.2	19.6
<b>Depreciation</b>			
At 1 January 2021	0.1	3.2	3.3
Charge for the year	0.1	1.8	1.9
At 31 December 2021	0.2	5.0	5.2
<b>Net book value</b>			
At 31 December 2021	0.2	14.2	14.4
<b>Cost</b>			
At 1 January 2022	0.4	19.2	19.6
Additions	0.1	–	0.1
Disposals	–	(8.3)	(8.3)
<b>At 31 December 2022</b>	<b>0.5</b>	<b>10.9</b>	<b>11.4</b>
<b>Depreciation</b>			
At 1 January 2022	0.2	5.0	5.2
Charge for the year	0.1	1.6	1.7
Disposals	–	(2.6)	(2.6)
<b>At 31 December 2022</b>	<b>0.3</b>	<b>4.0</b>	<b>4.3</b>
<b>Net book value</b>			
<b>At 31 December 2022</b>	<b>0.2</b>	<b>6.9</b>	<b>7.1</b>

The disposal relates to the assignment of the lease to the 9th floor of Moor Place, 1 Fore Street Avenue, London. Refer to note 32.

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	2022	2021
Depreciation	(1.7)	(1.9)
Interest expense	(0.6)	(0.8)
Short-term lease expense	(0.2)	(0.2)

### Sub-lease rentals

One of the leased properties was being sub-leased to tenants under operating leases, with rentals payable quarterly. This sub-lease ended during 2022. Minimum lease payments receivable on these sub-leases of property are as follows:

£m	2022	2021
Within one year	–	–
Later than one year but not later than five years	–	–
Later than five years	–	–
<b>Total sub-lease payments receivable</b>	<b>–</b>	<b>–</b>
Income from sub-lease in the year	0.5	0.5

## 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	2022	2021
Balance as at 1 January	1.8	1.8
Effect of changes in tax rates	–	0.2
Adjustments in respect of prior period	(0.1)	(0.6)
Deferred income taxes recognised in the consolidated statement of profit or loss and comprehensive income	(0.2)	0.1
Deferred tax on share-based payments recognised in reserves	0.1	0.3
<b>Balance as at 31 December</b>	<b>1.6</b>	<b>1.8</b>
Consisting of:		
Depreciation in excess of capital allowances	(0.1)	–
Other timing differences	1.7	1.8
<b>Balance as at 31 December</b>	<b>1.6</b>	<b>1.8</b>

Deferred income tax liabilities have not been recognised for the withholding tax and other taxes that would be payable on the unremitted earnings of certain subsidiaries as the Group is able to control the timing of these temporary differences and it is probable that they will not reverse in the foreseeable future. Unremitted earnings totalled £4.1m at 31 December 2022 (2021: £3.4m).

At the reporting date, 75% (2021: 72%) of the provision for deferred tax relates to the UK.

## 19. Interests in joint venture

At the beginning of May 2020, the Group formed Alfa iQ, a joint venture established to greatly enhance Alfa's ability to develop artificial intelligence solutions for the auto and equipment finance industry. The joint venture was set up 51:49 between Alfa and Bitfount, a company founded by Blaise Thomson. The financial and operating activities of the Group's joint venture are jointly controlled by the participating shareholders. The participating shareholders have rights to the net assets of the joint venture through their equity shareholdings.

The interest in the joint venture consists of part investment and part loan to joint venture accounted for as set out in note 1.2.

### Investment

£m	2022	2021
Carrying amount as at 1 January	0.2	0.3
Share of net loss from the joint venture	(0.1)	(0.1)
<b>Carrying amount as at 31 December</b>	<b>0.1</b>	<b>0.2</b>

### Loan to joint venture

£m	2022	2021
Carrying amount as at 1 January	0.1	0.1
Interest	–	–
<b>Carrying amount as at 31 December</b>	<b>0.1</b>	<b>0.1</b>

The total loss from interest in joint venture is £0.1m (2021: £0.1m) and the total interest in the joint venture is £0.2m (2021: £ 0.3m).

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 20. Trade receivables

£m	2022	2021
Trade receivables	8.9	6.0
Provision for impairment	–	–
<b>Trade receivables – net</b>	<b>8.9</b>	6.0

### Ageing of trade receivables

Ageing of net trade receivables £m	2022	2021
Within agreed terms	6.4	4.1
Past due 1-30 days	2.4	1.2
Past due 31-90 days	0.1	0.6
Past due 91+ days	–	0.1
<b>Trade receivables – net</b>	<b>8.9</b>	6.0

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

### Currency of trade receivables

£m	2022	2021*
GBP	4.5	3.4
USD	2.7	2.4
Other	1.7	0.2
<b>Trade receivables – net</b>	<b>8.9</b>	6.0

\* The 2021 USD figure was originally stated to be £0.9m and included only USD balances held in the US subsidiary. This has been restated to £2.4m to include USD balances within UK subsidiaries as well with a corresponding reduction in the GBP balances, and so has no impact on the overall total.

### Trade receivables due from significant customers

Customers with revenue accounting for more than 10% of total revenue in the current year have outstanding trade receivables as follows:

£m	2022	2021
Customer A	0.7	0.8

As at issuance of these financial statements, all amounts relating to customers accounting for more than 10% of total revenue had been collected.

### 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	2022	2021
Accrued income	6.5	6.3
Prepayments	4.5	3.2
Corporation tax recoverable	0.2	–
Other receivables	0.2	1.0
<b>Total other receivables held at amortised cost</b>	<b>11.4</b>	<b>10.5</b>

Accrued income represents fees earned but not yet invoiced at the reporting date which has no right of offset with contract liabilities – deferred licence amounts.

Accrued income increased by £0.2m. The current year balance represents unbilled professional fees for work in progress, and £0.5m of one-off licence revenue items where there is contractual agreement to invoice in subsequent periods.

Prepayments include £1.7m (2021: £1.1m) of deferred costs in relation to costs to fulfil contracts – see note 1.5. During the year £0.3m (2021: £0.2m) relating to costs to fulfil contracts has been recognised within cost of sales.

## 22. Cash and cash equivalents

£m	2022	2021
Cash at bank and in hand	18.7	23.1
<b>Cash and cash equivalents</b>	<b>18.7</b>	<b>23.1</b>

### Currency of cash and cash equivalents

£m	2022	2021
GBP	10.0	14.9
USD	4.3	4.4
AUD	2.1	1.3
EUR	1.9	2.0
Other	0.4	0.5
<b>Cash and cash equivalents</b>	<b>18.7</b>	<b>23.1</b>

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

## 23. Current and non-current liabilities

£m	2022	2021
Trade payables	0.8	0.8
Other payables	8.7	8.5
Corporation tax	–	1.8
Contract liabilities – deferred licence	8.6	5.3
Contract liabilities – deferred maintenance	6.2	5.7
Lease liabilities (note 24)	9.3	17.1
Provisions for other liabilities	0.9	1.4
<b>Total current and non-current liabilities</b>	<b>34.5</b>	<b>40.6</b>
Less non-current portion	(8.9)	(16.6)
<b>Total current liabilities</b>	<b>25.6</b>	<b>24.0</b>

Other payables includes amounts relating to other tax and social security of £1.9m (2021: £2.4m). Of the remainder, £5.3m (2021: £4.1m) relates to amounts due as part of payroll.

The corporation tax payable of £1.8m in 2021 is a receivable in 2022 (see note 21).

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 24. Lease liabilities

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

£m	2022	2021
Lease liabilities recognised at 1 January	17.1	17.5
Additions	0.1	1.5
Disposals	(6.3)	–
Interest charge	0.6	0.8
Payments made on lease liabilities	(2.2)	(2.7)
<b>At 31 December</b>	<b>9.3</b>	17.1

Additions to lease liabilities include extensions to existing lease agreements. Refer to note 32.3 for more information on the disposal. Total lease payments in 2022 were £2.4m (2021: £2.9m).

Below is the maturity analysis of the lease liabilities:

£m	2022	2021
Non-current	8.0	15.2
Current	1.3	1.9
<b>Total lease liabilities</b>	<b>9.3</b>	17.1
No later than one year	1.8	2.7
Between one year and five years	6.2	10.1
Later than five years	2.9	7.5
Total future lease payments	<b>10.9</b>	20.3
Total future interest payments	(1.6)	(3.2)
<b>Total lease liabilities</b>	<b>9.3</b>	17.1

The Group's net debt is made up of cash and cash equivalents and lease liabilities. 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 2021	1.4
Provided in the period	0.7
Utilised in the period	(0.1)
Released in the period	(0.6)
At 31 December 2021	1.4
Provided in the period	0.3
Utilised in the period	(0.3)
Released in the period	(0.5)
<b>At 31 December 2022</b>	<b>0.9</b>

Provisions for other liabilities comprise amounts for office dilapidations, employer taxes on share-based payments and legal matters. It is expected that these will be utilised by as follows: £0.2m in 2030 and £0.7m over various years.



## 26. Share capital

	2022		2021	
	Shares	£m	Shares	£m
Issued and fully paid				
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 the year ended 31 December 2022.

## 27. Translation reserve

£m	2022	2021
At 1 January	–	0.1
Currency translation of subsidiaries	0.4	(0.1)
<b>At 31 December</b>	<b>0.4</b>	<b>–</b>

## 28. Own shares

£m	2022	2021
Balance at 1 January	3.4	–
Acquired in the year	5.6	4.6
Distributed on exercise of options	(1.5)	(1.2)
<b>Balance at 31 December</b>	<b>7.5</b>	<b>3.4</b>

On 18 January 2022 the Group announced the launch of a share buyback programme. Refer to the Company website for more details.

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

- Purchased in the market and held by the Group's employee benefit trust to satisfy options under the Group's share options plans. The number of shares held at 31 December 2022 were 2,163,952 (2021: 2,590,260); and
- Purchased in the market and held by the Group as a result of the share buyback programme that was launched on 18 January 2022. The number of shares held at 31 December 2022 were 2,832,073 (2021: nil).

Own shares distributed relate to shares distributed to employees from the employee benefit trust for bonus awards under share schemes. As at 31 December 2022, the Group held 1.67% (2021: 0.86%) of its own called-up share capital.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 29. Share awards

The Group recognised total expenses relating to share-based payment of £1.8m (2021: £1.5m) in the current year. Of this, £1.6m (2021: £1.5m) relates to equity-settled LTIP schemes and £0.2m (2021: £0.0) relates to Employee Share Save 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 2022	Share options 31 December 2021
November 2019	Service Only	LTIP	November 2022	0p	–	1,113,909
June 2020	Service and Performance	LTIP	June 2023	0p	2,322,473	2,322,473
April 2021	Service and Performance	LTIP	April 2024	0p	1,070,668	1,121,104
November 2021	Service Only	LTIP	October 2024	0p	60,872	60,872
November 2021	Service Only	UK Employee ShareSave	January 2025	153.6p	397,228	774,659
November 2021	Service Only	US Employee ShareSave	January 2024	167.0p	70,515	77,724
April 2022	Service and Performance	LTIP	April 2025	0p	741,162	–
April 2022	Service Only	LTIP	April 2025	0p	237,965	–
April 2022	Service Only	US Employee ShareSave	December 2024	141.1p	36,731	–
May 2022	Service Only	UK Employee ShareSave	December 2025	132.8p	530,320	–
September 2022	Service Only	LTIP	September 2025	0p	5,917	–

The weighted average share price at the date of exercise for share options exercised during the period was 150.0p (2021: 130.4p). The options outstanding at 31 December 2022 had a weighted average exercise price of 27.1p (2021: 24.1p), and a weighted average remaining contractual life of 1.2 years (2021: 1.7 years). The opening weighted average exercise price at 1 January 2022 was 24.1p (1 January 2021: nil). The weighted average exercise price of options forfeited and exercised during the year was 128.5p (31 December 2021: nil). The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information.

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

£m	2022	2021
Employee share schemes – value of services	1.5	1.1
Expense in relation to fair value of social security liability on employee share schemes	0.3	0.4
<b>Total cost of employee share schemes</b>	<b>1.8</b>	<b>1.5</b>

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

	2022	2021
Outstanding at 1 January	5,470,741	6,139,161
Conditionally awarded in year	1,552,095	2,034,359
Exercised	(1,032,382)	(2,575,681)
Forfeited or expired in year	(516,603)	(127,098)
<b>Outstanding at 31 December</b>	<b>5,473,851</b>	<b>5,470,741</b>
<b>Exercisable at the end of the year</b>	<b>–</b>	<b>–</b>

## 29.1 LTIPs

The 2019 November LTIP awards vested during the year. The exercise of these awards had a net impact of £0.4m on own shares and £1.3m on retained earnings.

The 2020 June LTIP and 2021 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 / Black Scholes model at the grant date.

The 2021 November LTIP awards 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 (three years). 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 2022 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 share schemes with market-related vesting conditions, the fair value has been determined using the Black Scholes at the grant date. For share options issued with EPS (non-market) performance vesting conditions, the fair value of the underlying option is equal to the grant date share price. The following table lists the inputs to the model used for the awards granted in the year ended 31 December 2022 based on information at the date of grant:

LTIP awards (granted in April)	TSR element	EPS element
Share price at date of grant	164p	164p
Award price	0p	0p
Volatility	57.8%	0.0%
Embedded TSR	13.9%	–
Average correlation	39.3%	–
Life of award	3 years	3 years
Risk-free rate	1.53%	–
Fair value per award	88p	147p

In April and September 2022, the Group awarded to certain employees a LTIP conditional on employment only. The fair value of these awards on the date of grant is 147p, discounted by the expected 12-month dividend yield to reflect the lack of dividend accrual over the vesting period (three years).

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

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 29. Share awards continued

#### 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 US. The scheme started in 2021 but there were new grants in 2022 as well. 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 have been determined using the Black Scholes model at the grant date.

	31 December 2022			
	SAYE		ESPP	
	Number of share options	Exercise price	Number of share options	Exercise price
Outstanding at beginning of year	774,659	154p	77,724	167p
Conditionally awarded in year	530,320	138p	36,731	141p
Forfeited or expired in year	(243,732)	154p	(7,209)	167p
Replaced in year (i.e. left the 2021 plan to join the 2022 plan)	(133,699)	154p	–	–
<b>Outstanding at the end of the year*</b>	<b>927,548</b>	<b>145p</b>	<b>107,246</b>	<b>158p</b>
<b>Exercisable at the end of the year</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>

\* 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 2022	ESPP 31 December 2022
Share price	184p	164p
Exercise price	138p	141p
Expected volatility	56.8%	58.5%
Expected life	36 months	24 months
Risk-free rate	1.67%	1.51%
Expected dividend yields	3.40%	3.40%

## 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

As part of the share buyback programme, the Company has acquired shares in Alfa Financial Software Holdings PLC in the period between 1 January 2023 and 1 March 2023. See [alfasystems.com/investors](https://alfasystems.com/investors). There have been no other reportable subsequent events.

## 31. Dividends

A 2021 ordinary dividend of 1.1 pence per share was paid on 24 June 2022 amounting to £3.3m (2021: £3.0m).

A special dividend of 3.0 pence per share was paid on 16 June 2022 amounting to £8.9m (2021: £29.7m).

A 2022 special dividend of 3.5 pence per share was paid on 7 October 2022 amounting to £10.3m (2021: £nil).

Subject to approval at the Annual General Meeting on 26 April 2023, a 2022 final dividend of 1.2 pence per share will be paid on 26 June 2023 to holders on the register on 26 May 2023. The ordinary shares will be quoted ex-dividend on 25 May 2023. In addition, the Board has decided to declare a special dividend of 1.5 pence per share, with an ex-dividend date of 13 April 2023, a record date of 14 April 2023 and a payment date of 9 May 2023.

## 32. Related parties

### 32.1 Controlling shareholder

The ultimate parent undertaking is CHP Software and Consulting Limited (the 'Ultimate Parent'), which is the parent undertaking of the smallest and largest group in relation to these consolidated financial statements. 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.

	Registered address and country of incorporation	Principal activity	Held by Company 2022	Held by Group 2022	Held by Company 2021	Held by Group 2021
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%	–	–
Alfa iQ	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Software and services	–	51%	–	51%

Alfa Financial Software International Limited was established in February 2022.

## Notes to the consolidated financial statements for the year ended 31 December 2022 continued

### 32. Related parties continued

#### 32.3 Transactions with related parties

Full details of the Directors' compensation and interests are set out in the Directors' Remuneration Report on pages 97 to 120.

See note 8 for further detail on remuneration of key management (including Directors).

Dividends to the amount of £15.0m were paid to the Ultimate Parent (2021: £21.7m).

Dividends of 3 pence, 1.1 pence and 3.5 pence per share were paid to all shareholders in 2022 (2021: 1 pence and 10 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 on page 117.

The balances outstanding from the Ultimate Parent at 31 December 2022 and 2021 were £nil and £nil respectively.

In 2020 the Group invested £0.4m in Alfa IQ consisting of: a capital contribution of £0.3m; and an interest-free loan fair valued at £0.1m. At 31 December 2022 the value of the investment is carried at £0.1m (2021: £0.2m) and the loan fair valued at £0.1m (2021: £0.1m).

On 9 February 2022, the Company entered into a short-term rental agreement with the Ultimate Parent for rental of the 9th Floor of Moor Place. The resulting rental income for 2022 was £0.4m (2021: £nil).

The Company also received rental income of £3,718 (2021: £34,610) in the year relating to its prior arrangement with the Ultimate Parent for the rental of a meeting room on the 9th Floor of Moor Place.

On 29 July 2022 the Group reached an agreement for the assignment of its lease to the 9th floor of Moor Place, 1 Fore Street Avenue, London to the Ultimate Parent. There is no consideration for the transaction, with the Ultimate Parent taking on all the rights and liabilities for the 9th floor from Alfa. The assignment of the lease resulted in the de-recognition of the right to use asset and lease liability, which resulted in a one-off gain of £0.6m which was fully recognised in the year.

There were no other outstanding receivable 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 2022 and 31 December 2021 in the consolidated statement of financial position.

31 December 2022 £m	Gross amounts	Amounts offset	Net amounts presented
Accrued income	15.6	(9.1)	6.5
Contract liabilities – deferred licence	(17.7)	9.1	(8.6)
31 December 2021 £m	Gross amounts	Amounts offset	Net amounts presented
Accrued income	14.0	(7.7)	6.3
Contract liabilities – deferred licence	(13.0)	7.7	(5.3)



## Company statement of financial position

£m	Note	2022	2021
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary companies	4	428.7	427.6
<b>Total non-current assets</b>		<b>428.7</b>	427.6
<b>Current assets</b>			
Other receivables	5	0.6	0.1
Cash and cash equivalents	6	0.3	0.1
<b>Total current assets</b>		<b>0.9</b>	0.2
<b>Total assets</b>		<b>429.6</b>	427.8
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Amounts owed to subsidiaries	7	3.1	39.9
Other payables	8	0.6	0.7
Accruals		0.4	0.4
<b>Total current liabilities</b>		<b>4.1</b>	41.0
<b>Non-current liabilities</b>			
Provisions	8	0.3	0.2
<b>Total non-current liabilities</b>		<b>0.3</b>	0.2
<b>Total liabilities</b>		<b>4.4</b>	41.2
<b>Capital and reserves</b>			
Ordinary shares	9	0.3	0.3
Own shares	10	(7.5)	(3.4)
Retained earnings		432.4	389.7
<b>Total equity</b>		<b>425.2</b>	386.6
<b>Total liabilities and equity</b>		<b>429.6</b>	427.8

Retained earnings includes a profit of £65.0m for the 2022 financial year (31 December 2021: £74.8m). See the statement of changes in equity on the next page for further detail.

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own profit and loss account.

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

The Company financial statements on pages 175 to 181 were approved and authorised for issue by the Board of Directors on 1 March 2023 and signed on its behalf.

**Andrew Denton**  
Chief Executive Officer

**Duncan Magrath**  
Chief Financial Officer

Alfa Financial Software Holdings PLC  
Registered number 10713517

## Company statement of changes in equity

£m	Note	Called-up share capital	Own shares	Retained earnings	Total equity
Balance as at 1 January 2021		0.3	–	347.7	348.0
Total comprehensive profit for the period		–	–	74.8	74.8
Employee share schemes – value of employee services	11	–	–	1.1	1.1
Dividends	12	–	–	(32.7)	(32.7)
Own shares distributed	10	–	1.2	(1.2)	–
Own shares acquired	10	–	(4.6)	–	(4.6)
Balance as at 31 December 2021		0.3	(3.4)	389.7	386.6
Total comprehensive profit for the period		–	–	65.0	65.0
Employee share schemes – value of employee services	11	–	–	1.5	1.5
Dividends	12	–	–	(22.5)	(22.5)
Own shares distributed	10	–	1.5	(1.3)	0.2
Own shares acquired	10	–	(5.6)	–	(5.6)
<b>Balance as at 31 December 2022</b>		<b>0.3</b>	<b>(7.5)</b>	<b>432.4</b>	<b>425.2</b>

As at 31 December 2022 £4.8m (2021: £3.4m) of the retained earnings balance relates to reserves held to settle the Alfa employee share schemes, and does not qualify as distributable reserves.

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

# Notes to the Company financial statements

## For the year ended 31 December 2022

### 1. Summary of significant accounting policies

Alfa Financial Software Holdings PLC is a public company limited by shares and is incorporated and domiciled in England. These financial statements are the separate financial statements for the Company.

The registered office is Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom. The registered no. of Alfa is 10713517.

The principal activity of the Company is as a holding company.

#### 1.1 Statement of compliance and basis of preparation

The financial statements of Alfa Financial Software Holdings PLC have been prepared in compliance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) and the Companies Act 2006.

The principal accounting policies applied in the preparation of these financial statements are set out in note 1 to the consolidated financial statements. These policies have been consistently applied to the years presented, unless otherwise stated.

These financial statements have been prepared on a going concern basis, under the historical cost convention. The Directors have used the going concern principle on the basis that the current profitable financial projections of the Company and its subsidiaries indicate they will continue in operation for the foreseeable future. As described in note 1.1 to the consolidated financial statements, this assessment includes downside stress testing in line with FRC guidance.

The Company financial statements have been prepared in pounds sterling which is the functional and presentational currency of the Company and have been presented in £m.

As permitted by FRS 102 the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, presentation of a Cash Flow Statement, share-based payments, the aggregate remuneration of key management personnel and related party transactions with other wholly-owned members of the Group.

This company meets the definition of a qualifying entity under FRS 102. Where required, equivalent disclosures are given in the Group accounts of Alfa Financial Software Holdings PLC.

The Company exercises control over the employee benefit trust because it is exposed to, and has a right to, variable returns from this trust and is able to use its power over the trust to affect those returns. Therefore the trust is consolidated by the Company.

#### 1.2 Investments in subsidiaries

Subsidiaries are all entities over which the Company has control. The Company controls an entity when the Company 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.

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 Company. The country of incorporation or registration is also each subsidiary's principal place of business.

Investments in subsidiary undertakings are stated at cost, including those costs associated with the acquisitions, less provision for any impairment in value. Where events or changes in circumstances, including an adverse movement in the share price, indicate that the carrying amount of an investment may not be recoverable, an impairment review is performed. An impairment write-down is recognised to the extent that the carrying amount of the asset exceeds the higher of the fair value less cost to sell and value in use.

Any subsidiary undertakings sold or acquired during the year are included up to, or from, the dates of change of control. Where control of a subsidiary is lost it is recognised in the profit or loss.

Amounts due to subsidiaries are unsecured, interest-free and repayable on demand. The carrying amounts of such payables are considered to be the same as their fair values due to their short-term nature.

## Notes to the Company financial statements

### For the year ended 31 December 2022 continued

#### 1. Summary of significant accounting policies continued

##### 1.3 Financial assets

Basic financial assets, including trade and other receivables, cash and bank balances and other receivables, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction.

At the end of each reporting period financial assets measured at amortised cost are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

##### 1.4 Financial liabilities

Basic financial liabilities, including trade and other payables and trading balances and loans from subsidiaries are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest. The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or expired.

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

Payables are classified as current liabilities if receipt or payment is due within one year or less.

##### 1.5 Equity

###### Ordinary shares

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

###### Own shares

Own shares represent the shares of Alfa Financial Software Holdings PLC that are either held by the employee benefit trust, or acquired by the Group as part of its share buyback programme (see note 28 to the consolidated financial statements). Own shares are recorded at cost and deducted from equity.

##### 1.6 Employee share schemes

Grants made to subsidiary employees will not result in a charge recognised in the income statement, any charges for share-based payments are recognised as an increase in the cost of investment in subsidiaries (as a capital contribution). For full details of the Group's share-based payments, refer to note 29 to the consolidated financial statements.

##### 1.7 Dividends

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

#### 2. Critical accounting judgements and key sources of estimation uncertainty

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

The inputs applied in the impairment review for the value-in-use calculation for the investments in subsidiaries are considered to be a key source of estimation uncertainty. Refer to note 4 for more details.

There were no other critical accounting judgements that would have a significant effect on the amounts recognised in the parent company financial statements or key sources of estimation uncertainty at the reporting date that would have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 3. Financial risk management

The Company's exposure to financial risks is managed as part of the Group's financial risk management. Full details about the Group's exposure to financial risks and how these risks could affect the Group's future financial performance are given in note 3 to the consolidated financial statements.

### 4. Investments in subsidiaries

£'000s	2022	2021
<b>Cost</b>		
As at 1 January	427.6	348.7
Capital contributions to subsidiaries	1.1	0.9
Reversal of impairment	–	78.0
<b>As at 31 December</b>	<b>428.7</b>	427.6

The carrying amount of the investment is £428.7m at 31 December 2022 (2021: £427.6m). The recoverable amount of the investment was determined based on value-in-use calculations using cash flow projections of the Company and its subsidiaries from financial budgets and forecasts for a five-year period using a pre-tax discount rate of 12.2% (2021: 11.0%). Cash flows beyond these periods have been extrapolated using a steady 2.5% (2021: 2.0%) average growth rate which is reflective of management's best estimate at the time. In addition, the market capitalisation of the Company as at 31 December 2022 was £493m. As the recoverable amount, and the market capitalisation of the Company, are in excess of the carrying amount of the investment, no impairment charge has been recognised during the current financial year.

As the circumstances that resulted in an impairment charge in 2018 of £78.0m no longer applied, it was reversed in 2021.

### 5. Other receivables

At 31 December 2022, other receivables relate to prepayments of £0.6m (2021: £0.0m) and VAT receivables of £0.0m (2021: £0.1m).

### 6. Cash and cash equivalents

£m	2022	2021
Cash and cash equivalents	0.3	0.1

### 7. Amounts owed to subsidiaries

£m	2022	2021
Amounts owed to subsidiaries – current	3.1	39.9
Amounts owed to subsidiaries – non-current	–	–
<b>Total amounts owed to subsidiaries</b>	<b>3.1</b>	39.9

Current amounts owed to subsidiaries of £3.1m relate primarily to cash advanced by Alfa Financial Software Limited to the Company for operating costs payment (2021: £39.9m for dividend payments).

### 8. Other payables and provision for other liabilities

Other payables relate to accruals of social security and other taxes of £0.0m (2021: £0.0m), trade creditors of £0.1m (2021: £0.1m) and salary costs of £0.5m (2021: £0.6m).

Long-term provision relates to the employer national insurance contributions of £0.3m on the 2022, 2021 and 2020 share grant expense that relates to the employees of the Company (2021: £0.2m).

## Notes to the Company financial statements For the year ended 31 December 2022 continued

### 9. Called-up share capital

Each ordinary share has a par value of 0.1 pence. All shares are fully paid and have equal voting rights.

Issued and fully paid	Shares – ordinary	£m
At 31 December 2022	300,000,000	<b>0.3</b>
At 31 December 2021	300,000,000	0.3

### 10. Own shares

	2022 £m	2021 £m
Balance at 1 January	3.4	–
Acquired in the year	5.6	4.6
Distributed on exercise of options	(1.5)	(1.2)
<b>Balance at 31 December</b>	<b>7.5</b>	3.4

The own shares reserve represents the cost of shares in Alfa Financial Software Holdings PLC purchased in the market and held by the Company's employee benefit trust and by the Group as a result of its share buyback programme (see note 1.2 of the consolidated financial statements).

The number of own shares held by the employee benefit trust at 31 December 2022 was 2,163,952 (2021:2,590,260). The number of own shares held at 31 December 2022 by the Group as a result of its share buyback programme was 2,832,073 (2021: nil).

As at 31 December 2022, the Company held 1.67% (2021: 0.86%) of its own called-up share capital.

### 11. Employee share schemes

Under the rules of the Company's LTIP plans, on 1 November 2019, 2 June 2020, 30 April 2021, 30 November 2021, 12 April 2022 and 20 September 2022 selected employees of the Company's subsidiaries were granted awards in the form of nil cost options over ordinary shares in Alfa.

On 3 May 2022 (SAYE) and 12 April 2022 (ESPP), employees of the Company's subsidiary that met the set criteria were invited to join a ShareSave Scheme – the SAYE scheme for the UK employees and the ESPP scheme for the US employees. Under these schemes, eligible employees can save up to a set limit each month and at the end of the vesting period can use these savings to buy ordinary shares in Alfa (at a discount) or take these back as cash.

Refer to note 29 of the consolidated financial statements for more detail on these schemes. The cost of the share-based remuneration is passed to the relevant subsidiary.

### 12. Dividends

A 2021 ordinary dividend of 1.1 pence per share was paid on 24 June 2022 amounting to £3.3m (2021: £3.0m).

A special dividend of 3.0 pence per share was paid on 16 June 2022 amounting to £8.9m (2021: £29.7m).

A 2022 special dividend of 3.5 pence per share was paid on 7 October 2022 amounting to £10.3m (2021: £nil).

Subject to approval at the Annual General Meeting on 26 April 2023, a 2022 final dividend of 1.2 pence per share will be paid on 26 June 2023 to holders on the register on 26 May 2023. The ordinary shares will be quoted ex-dividend on 25 May 2023. In addition, the Board has decided to declare a special dividend of 1.5 pence per share, with an ex-dividend date of 13 April 2023, a record date of 14 April 2023 and a payment date of 9 May 2023.

Refer to note 31 of the consolidated financial statements for more detail.



### 13. Directors' remuneration

The Company has no employees other than the Directors. Full details of the Directors' compensation and interests are set out in the Directors' Remuneration Report on pages 97 to 120.

### 14. Events occurring after the reporting period

As part of the share buyback programme, the Company has acquired shares in Alfa Financial Software Holdings PLC in the period between 1 January 2023 and 1 March 2023. See [alfasystems.com/investors](https://alfasystems.com/investors).

There have been no other reportable subsequent events.

### 15. Related party and ultimate controlling party

The Company has taken advantage of the exemption under FRS 102:33.1A from disclosing transactions with other members of the Group.

The immediate and ultimate parent undertaking is CHP Software and Consulting Limited, which is the parent undertaking of the smallest and largest group to consolidate these financial statements. The registered office of the immediate and ultimate parent undertaking is Moor Place, 1 Fore Street Avenue, London EC2Y 9DT and copies of the financial statements of CHP Software and Consulting Limited can be obtained from this address. The ultimate controlling party is Andrew Page.

See a full listing of the Company's subsidiaries and joint venture in note 32.2 of the consolidated financial statements.

## Glossary of terms

**AGM:** Annual General Meeting.

**Alfa:** The Group or Alfa Financial Software Holdings PLC and its subsidiary undertakings (as defined by the Companies Act 2006).

**API:** Application Programming Interface.

**APM:** Alternative Performance Measure.

**Articles:** The Articles of Association of the Company.

**Banks:** Customers classified as banking institutions are finance entities associated with regulated banking groups.

**Basic earnings per share:** Calculated by dividing the profit attributable to equity holders of Alfa by the weighted average number of ordinary shares outstanding during the year.

**Board:** The Board of Directors of Alfa Financial Software Holdings PLC.

**CEO:** Chief Executive Officer.

**CFO:** Chief Financial Officer.

**CGU:** Cash-generating unit.

**CLT:** Company Leadership Team.

**Companies Act:** The Companies Act 2006 (as amended).

**Company:** Alfa Financial Software Holdings PLC, a company incorporated in England and Wales with registered number 10713517 whose registered office is at Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom.

**CODM:** Chief Operating Decision Maker.

**COO:** Chief Operating Officer.

**CSR:** Corporate Social Responsibility.

**Customer concentration:** The proportion of group revenues made up by the top 5 or top 10 customers, in each relevant period as stated.

**DBSP:** Deferred Bonus Share Plan.

**Directors:** The Directors of the Company whose names are set out on pages 74 to 75.

**Disclosure and Transparency Rules:** The Disclosure and Transparency Rules made under Part VI of the Financial Services and Markets Act 2000 (as amended).

**EMEA:** Europe, the Middle East and Africa.

**ESG:** Environmental, Social and Governance.

**EPS:** Earnings per share.

**EU:** European Union.

**EURIBOR:** the Euro Interbank Offer Rate.

**FCA:** Financial Conduct Authority

**FCF:** Free cash flow.

**FRC:** The Financial Reporting Council.

**FTE:** Full time equivalent.

**FVOCI:** Fair value through other comprehensive income.

**FVTPL:** Fair value through profit or loss.

**GHG:** Greenhouse gases.

**Group:** Alfa Financial Software Holdings PLC and its subsidiaries.

**HMRC:** Her Majesty's Revenue & Customs.

**KPI:** Key performance indicator.

**IP:** Intellectual property.

**IRT:** Incident Response Team.

**LIBOR:** London Inter-bank Offered Rate.

**LTIP:** Long-Term Incentive Plan.

**ML:** Machine Learning.

**OEMs:** Original equipment and automotive manufacturers.

**Operating free cash flow conversion:**

Operating free cash flow is calculated as cash from operations, less capital expenditures, less the principal element of lease payments in respect of IFRS 16. Operating free cash flow conversion represents Operating free cash flow generated as a proportion of Operating profit.

**PDMR:** Person Discharging Managerial Responsibilities.

**PDP:** Performance Development Plan.

**R&PD:** Research and product development.

**RFI:** Request for information.

**SDG:** Sustainable Development Goals.

**SECR:** Streamlined Energy and Carbon Reporting.

**SG&A:** Sales, general and administrative expenses.

**SI:** Systems integrator.

**SONIA:** Sterling Overnight Index Average. The effective overnight interest rate paid by banks for unsecured transactions in the British sterling market.

**STFR:** Single total figure of remuneration.

**TCV:** Total contract value.

**The Code:** The UK Corporate Governance Code published by the FRC in July 2018.

**TSR:** Total shareholder return.

**UAT:** User acceptance testing.

**UI:** User interface.

**VAT:** UK value added taxation.

**XaaS:** Everything as a service.

## Shareholder information

### Alfa Financial Software Holdings PLC

Registered Office  
Moor Place  
1 Fore Street Avenue  
London  
EC2Y 9DT

**[www.alfasystems.com](http://www.alfasystems.com)**

T+44 (0)20 7588 1800  
Registered Number: 10713517  
Stock code: ALFA  
ISIN: GB00BDHXPG30  
LEI: 213800C5UOZHUTNUGA28

### Investor relations

[ir@alfasystems.com](mailto:ir@alfasystems.com)

### Media relations

Teneo

### Auditor

RSM UK Audit LLP

### Brokers

Barclays Bank plc  
Investec Bank plc

### Corporate lawyer

White & Case LLP

### Remuneration advisors

Ellason LLP  
Tapestry Global Compliance LLP

### Registrar/shareholder queries

Equiniti Limited  
Aspect House,  
Spencer Road,  
Lancing, West Sussex  
BN99 6DA

Telephone 0371 384 2030 and outside the UK +44 (0)121 415 7047

Online: [help.shareview.co.uk](http://help.shareview.co.uk) (from here, you will be able to securely email Equiniti with your enquiry.)

This report is printed on 100% recycled paper, which is certified carbon balanced by World Land Trust Ltd.

Blackdog Digital is a carbon neutral company and is committed to all round excellence and improved environmental performance is an important part of our 'Go Green' strategy.

Luminous are certified in using Carbon Balanced paper for the Alfa Financial Software Holdings PLC Annual Report. This project has balanced through World Land Trust the equivalent of 210kg of Carbon Dioxide. This support will enable World Land Trust to protect 40m<sup>2</sup> of critically threatened tropical forest.



[www.carbonbalancedpaper.com](http://www.carbonbalancedpaper.com)  
CBP011490

*luminous*

Design and production  
[www.luminous.co.uk](http://www.luminous.co.uk)



**Moor Place**

1 Fore Street Avenue  
London EC2Y 9DT  
UK

+44 (0)20 7588 1800