

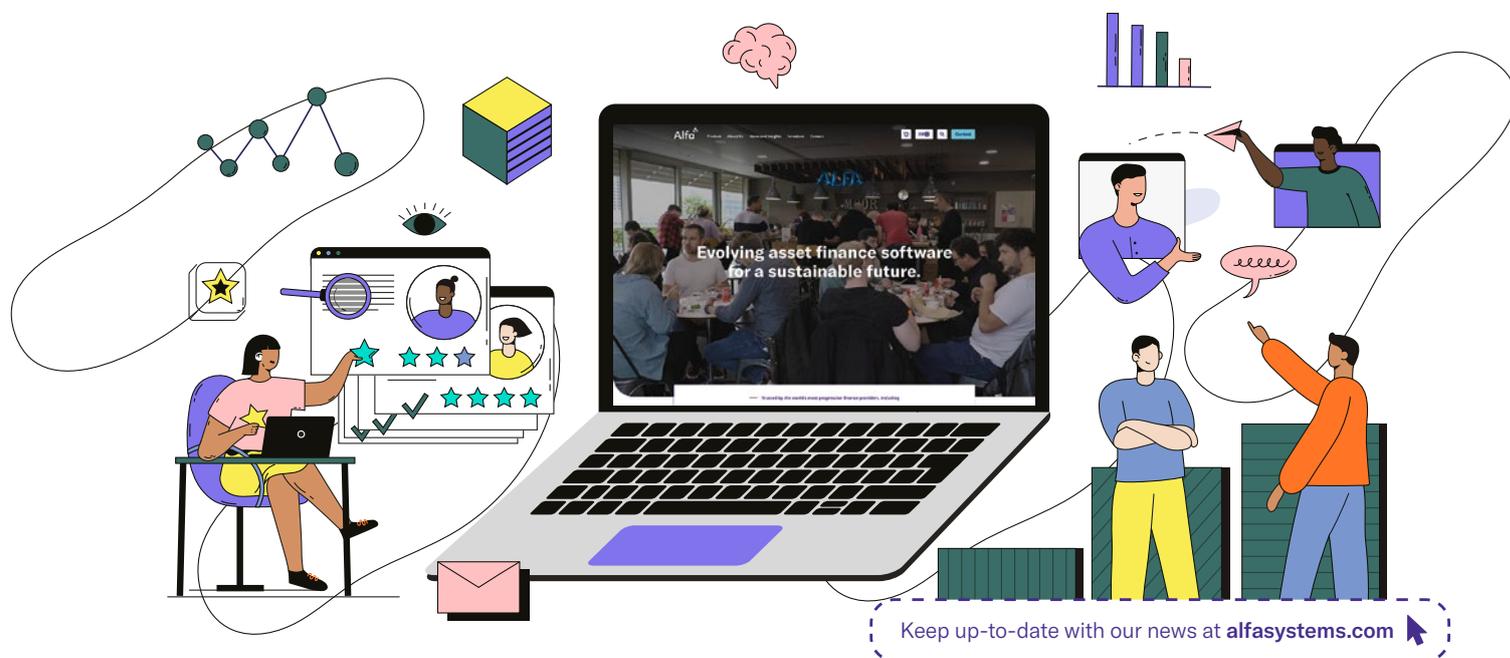
# Alfa<sup>^</sup>

## Forward, with purpose



## 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.



### Content

#### Strategic report

- 1 Highlights of the year
- 2 At a glance
- 4 What Alfa does
- 6 Investment Case
- 7 CEO Q&A
- 8 CEO review
- 12 Market overview
- 14 Business model
- 16 Strategy in action
- 26 Key performance indicators
- 28 Financial review
- 32 Risk management
- 36 Principal risks and uncertainties
- 45 Viability statement
- 48 Engaging with our stakeholders
- 48 Section 172 Statement
- 54 Environmental, Social and Governance
- 70 Task Force on Climate-Related Financial Disclosures (TCFD)

#### Corporate governance

- 75 Chairman's introduction
- 78 Board of Directors
- 80 Company Leadership Team
- 81 Our governance framework
- 83 Division of responsibilities
- 85 Board leadership and Company purpose
- 88 Composition, succession and evaluation
- 91 Nomination Committee Report
- 95 Audit and Risk Committee Report
- 103 Directors' Remuneration Report
- 106 Directors' Remuneration Policy
- 115 Annual Report on Remuneration
- 129 Directors' report
- 134 Statement of Directors' responsibilities

#### Financial statements

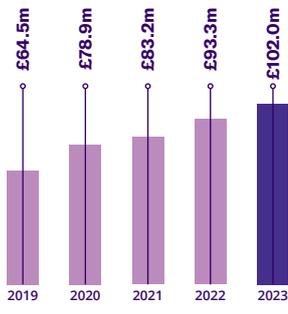
- 136 Independent auditor's report
- 144 Consolidated statement of profit or loss and comprehensive income
- 145 Consolidated statement of financial position
- 146 Consolidated statement of changes in equity
- 147 Consolidated statement of cash flows
- 148 Notes to the consolidated financial statements
- 184 Company statement of financial position
- 185 Company statement of changes in equity
- 186 Notes to the Company financial statements
- 191 Five year history

#### Other information

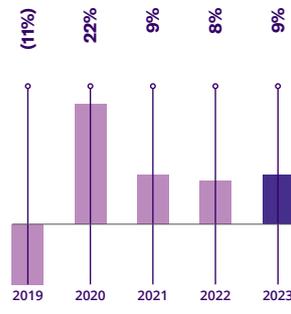
- 192 Shareholder information

# Highlights of the year

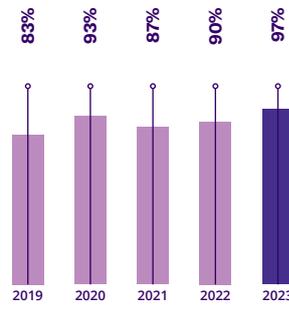
Group revenue (£m)



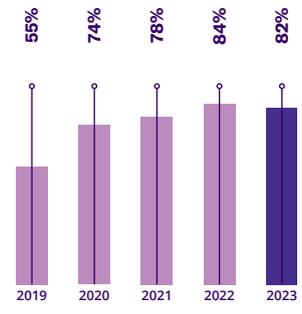
Revenue growth at constant currency (%)



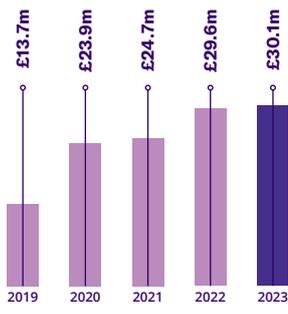
Employee retention (%)



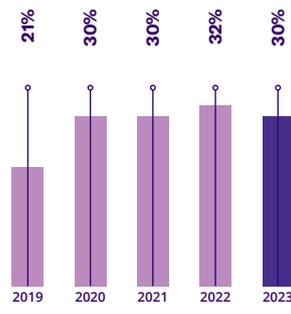
Employee engagement (%)



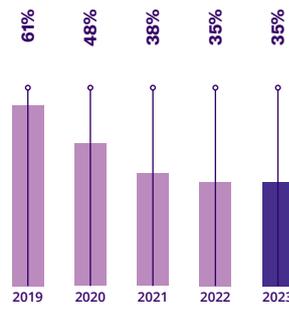
Operating profit (£m)



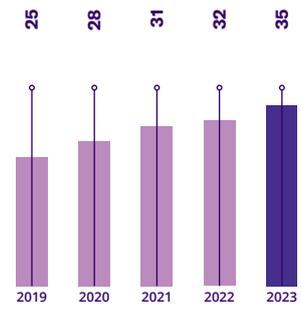
Operating profit margin (%)



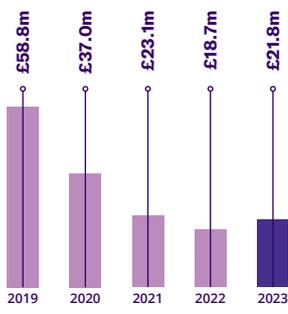
Customer concentration (top 5) (%)



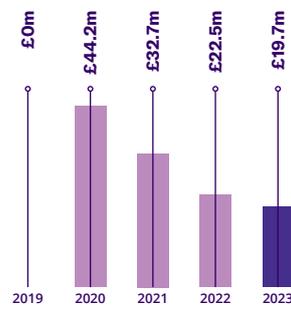
Number of subscription customers



Cash (£m)



Dividends paid (£m)



## Awards

- 2023 Diversity Focused Company through Corp! Magazine's 16th annual 'Salute to Diversity' Awards
- Winner in the Social category at the Asset Finance Connect Summer Awards
- Newsweek's Most Loved Workplace
- Monitor's Most Innovative Companies

## ESG



## 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 vision

To grow our company, and to grow our impact faster than our headcount, whilst retaining our culture. Key to achieving this is delivering more concurrent Alfa implementations, more efficiently, with our 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.

### 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.

*Make it  
better  
together*



*Let  
great  
ideas  
grow*



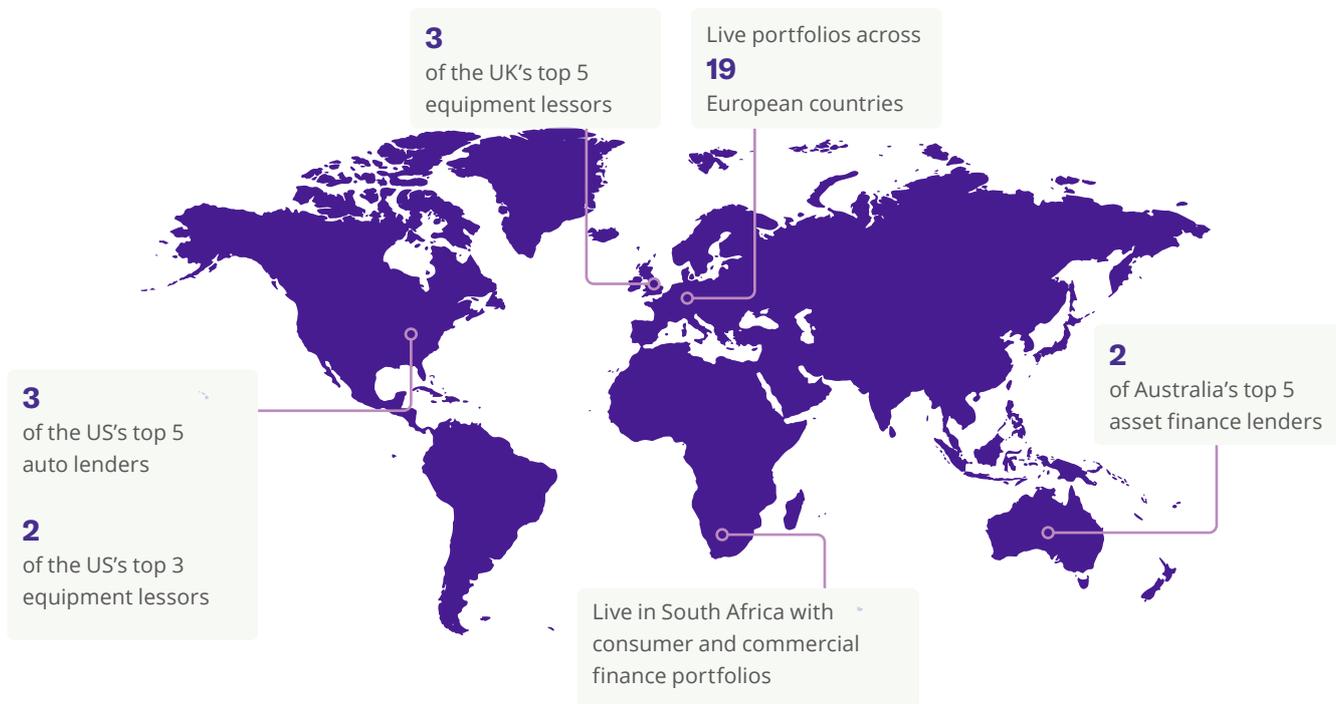
*Challenge  
without  
being  
challenging*



*Create  
a  
positive  
impact*



### Diversified customer base at the heart of Alfa resilience



### What we do

#### Subscriptions

Subscription services are regular payments which cover licence, maintenance and Alfa Cloud.

**13** live hosted clients      **16%** growth in revenue



#### Software

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

**13** new versions released      **35** deliveries



#### Services

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

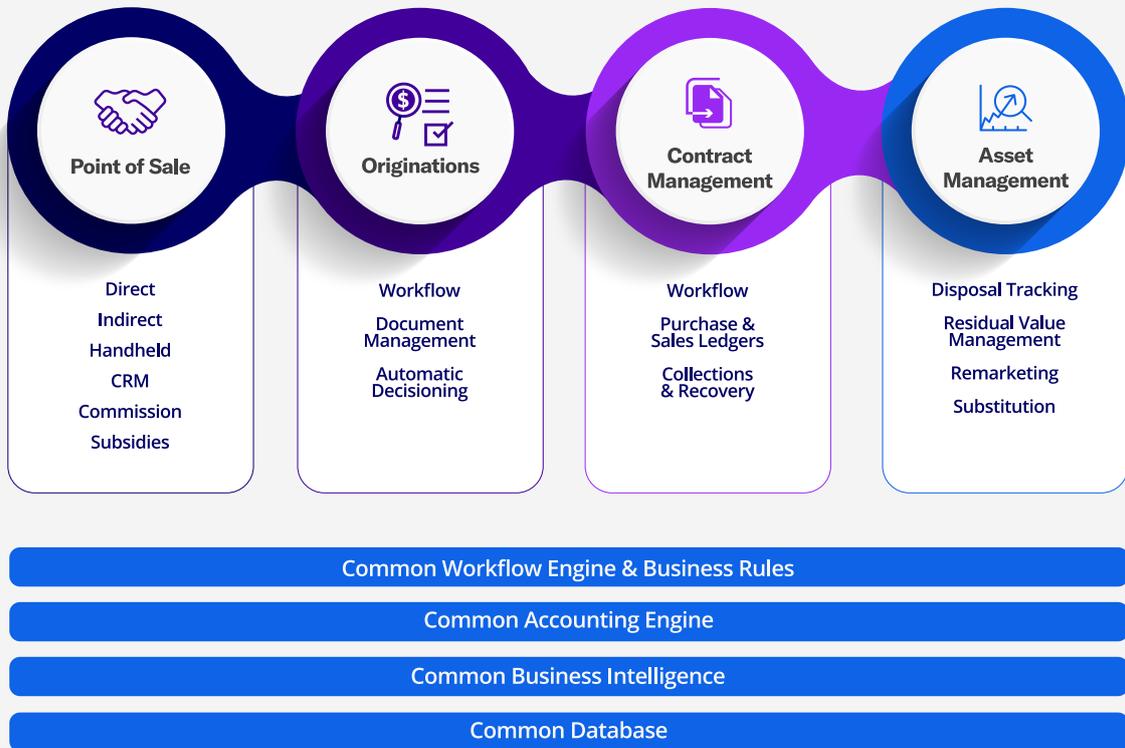
**37** customers      **6** new implementations



## What Alfa does

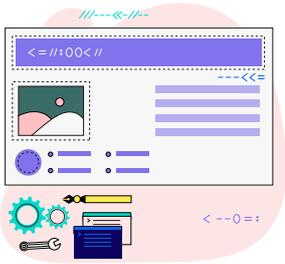
Alfa Systems satisfies requirements of all sizes: as an integrated point solution, a rapid off-the-shelf implementation, or an end-to-end platform for the complex global enterprise.

# Alfa<sup>^</sup> systems



Single Platform

# What Alfa does differently



## Product

### Functional depth that eclipses our rivals.

Alfa Systems offers exceptional functional depth and a bulletproof accounting engine, developed together with Alfa's customers over our 30+ years in the industry. Our customers benefit from complete application ownership, enabling total control of the contract lifecycle, as well as all matters of configuration and integration. Ensuring stability, scalability and robust performance, Alfa Systems just works.

### Proven, time after time.

Live with more than 30 current customers and in 37 countries, Alfa Systems is proven with customers large and small, at volume, at great complexity, and across borders. Our status as a PLC provides transparency and financial robustness, enabling us to deliver excellence for customers in the long term.

### Cloud-native and secure Software-as-a-Service.

The Alfa Cloud hosting service deploys our software platform securely in the AWS public cloud, providing geographical flexibility and rapid deployment, while removing from our customers the responsibilities of application support, monitoring and availability.

### Extensible software, embedded in the systems landscape.

Alfa Systems has been designed to enable our customers to extend and embed functionality throughout their ecosystems, using modern technologies and approaches.

### Flexible and configurable product structures.

Alfa Systems supports both retail and corporate business, including complex leases and loans, usage-based products and risk-free rates.

### Simplified countries and regions, all on one system.

Multi-country and multi-jurisdiction features in Alfa Systems cover all of the languages, currencies and accounting standards required by a complex, geographically dispersed business.

### Processes as workflows and business rules.

Alfa provides exceptional experience in converting high-level processes into configured workflows and business rules, minimising manual intervention, reducing operating costs and enabling better customer service.

### Built for finance and accounting professionals.

Alfa Systems is built with flexibility in mind, especially for those who face a host of intricate business challenges and increasing regulatory complexity.

## Delivery

### An unrivalled track record in project delivery.

With more than 30 blue-chip customers and over 100 portfolio migrations, we maintain exceptional customer satisfaction and always deliver on project objectives. Our customers stick with us for the long term.

### Rapid, preconfigured delivery model.

Using a predefined, best-practice configuration and process catalogue, the Alfa Start methodology delivers Alfa Systems rapidly and at entry-level cost, allowing asset finance operations of all sizes to take full advantage of our market-leading software platform.



## People

### Alfa's people: the best in the business.

We put our performance prowess down to our project teams. In choosing Alfa, customers benefit from some of the brightest people in the industry, with unrivalled understanding and experience.

### A passion for sustainability.

Ever since the Company was founded, Alfa has focused on creating a positive, sustainable impact on society – through social and environmental activities, as well as responsible development. The Alfa Systems software platform is continually enhanced to address the industry's green challenges and opportunities.

## 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.



### Diversification

Alfa continues to win customers, broadening across sectors and company size.



### Recurring revenues

Embedded customer relationships drive strong recurring revenues, augmented by Alfa Cloud.



### Exceptional IP

Strong existing IP being continually enhanced with new IP including Alfa iQ.



### Cash-generative growth

Clear strategy, which can be self-funded, to deliver continued growth and dividends to shareholders (£119m in dividends paid out from 2020 to 2023).

# Alfa

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\*.

\* A Deloitte view of the asset finance software industry (2022)



### 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 create a significant barrier to entry to new software providers.



### Market-leading software

Alfa Systems 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.

## Q What are you most proud of in 2023?

A There are many to choose from but if I had to sum it all up, it would be the performance of the Alfa people. We started the year with very high levels of inflation and, during the summer, we had the uncertainties that arose from two possible offers for the Company, but despite this, the Delivery teams achieved a record number of deliveries in the year, the Engineering teams have worked with Markets and Products to launch Alfa Systems 6 and we have won some really prestigious new customers. On top of this, the Alfa culture has shone through in the activities in our communities and, in particular, the work initiated by the Environmental Impact team a few years ago culminated in our commitment to our net-zero journey. We therefore enter 2024 in really good shape to continue our growth trajectory.

## Q How is the move to a subscription model going?

A It is only really in the last three years that we have moved to a Cloud First sales approach, and given the sales cycles in enterprise software, it can take time for the impact to filter through, but we are now seeing tangible financial evidence of our success here. Subscription revenues were up 16% in 2023 driven by very strong sales of Alfa Cloud and growing licence revenues. TCV grew even more strongly, up 28%, and this shows the strength this will bring to our business in the future.

## Q How will Artificial Intelligence (AI) impact Alfa?

A We see that AI can provide significant benefits to help customers' workflow and decision making as well as for enhanced testing, and to potentially improve the help function within the system, and these are the areas that we will be investigating. We don't however see it having a significant impact on how we or others will develop asset finance software, as a lot of the skill in developing good systems comes from understanding the issues and thinking of ways it can be tackled, with the pure coding element being a relatively small piece.

## Q What excites you most about 2024?

A I am really looking forward to starting work with the new customers we have recently won and seeing what Alfa Systems 6 will bring to these and our existing customers. We have never lost a customer who implemented v5 since it was launched in 2010 and so we know the benefits we can bring to our customers and that these relationships will last many years. Critical to this is a successful start to these projects, both with new and existing customers, working closely with them in a true spirit of partnership, delivering new functionality to support their business objectives. So 2024 will not only provide exciting and challenging opportunities for Alfa people but will provide a great platform for many years to come.



“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.”

## CEO review



“Overall we expect 2024 revenue growth to be mid to high single digits driven by continuing strong growth in subscription. Our confidence in the outlook and our strategy means that we continue to invest in the business ahead of the expected growth.”

**Andrew Denton, CEO**

### Strong performance

In 2023, we remained focused on continuing to drive the business forward, delivering growth and at the same time making strong strategic progress towards a subscription-based business. One of our differentiators is the quality of our delivery record, and in the year we saw a record of seven go-live events and a total of 35 delivery events. We have also continued to develop and enhance our software and the launch of Alfa Systems 6 in Q4 2023, the sixth major version of our software, has been enthusiastically received by customers and sees ten new modules available for customers to implement.

Financial performance was strong with revenue up 9% to £102.0m (2022: £93.3m) with particularly strong growth in subscription revenues, up 16%. Operating profit was £30.1m (2022: £29.6m) after the costs of investing into people as we build for future growth. Cash conversion was extremely strong at 115% (2023: 102%) with a high level of receipts just before year end and we finished the period with net cash of £21.8m (31 Dec 2022: £18.7m). We expect this very strong position to partially unwind in 2024, with the long-term average trend being c100%.

We have had a very strong pipeline for some time now, and it was very pleasing

that we converted two prospects into wins before the end of the year with Total Contract Value (“TCV”) growing 16% to £165m (2022: £143m) at 31 December 2023. This increase in TCV has been driven by 28% growth in our subscription revenues showing how the transition to a subscription model is underpinning future revenues. The two recent wins are for major customers with multi-phase rollouts and these along with prospects we expect to convert in the late-stage pipeline will provide revenues for the business for years to come.

We had 19 customers (2022: 17) contributing revenues of more than £2m in the year, up from just seven in 2019. We have significantly reduced our customer concentration, with our top five customers now representing 35% of our revenues in 2023, compared with 61% in 2019. Our largest customer now represents less than 10% of our revenues for the first time in over 8 years.

As expected, following very strong recruitment for the previous two years and as a result of our improved and very high retention rate of 97% (2022: 90%), we deliberately slowed recruitment in 2023. This was to ensure the quality of the experience for new joiners as we consolidate experience levels within the team as a whole. Headcount at



31 December 2023 was up 8% at 475 (2022: 441). Average headcount in the period of 463 (2022: 420) was a 10% increase on last year.

The Company received two approaches from Private Equity houses in the summer. Neither approach led to a formal offer, and the business continued to focus on delivering against its objectives.

## Net-zero commitment

Our Environmental Impact community was created six years ago and in 2023 a major milestone was achieved with the company committing to a net-zero target. We performed a detailed analysis of our emissions, including calculating the emissions from our supply chain, supported by some external specialists, following which we decided to align our ambitions with those of the Science Based Target initiative (SBTi). We submitted our targets to SBTi and had them validated. We have formally committed to reducing our Scope 1 and Scope 2 emissions by 42% by 2030, along with a commitment to achieve net-zero by 2050, which entails at least a 90% reduction in emissions with the remainder offset by carbon removal credits.

## Strategic progress

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

Our vision is to grow our Company and grow our impact faster than headcount, always retaining our underlying culture. Key to achieving this is delivering more concurrent Alfa implementations, more efficiently with our world-class Alfa Systems product. We will have a big company impact, but a small company feel.

Our strategic priorities are to:

- Strengthen
- Sell
- Scale
- Simplify

We have continued to make good progress in all these areas in 2023, but there are three areas where we have made particularly strong progress:

- Growth in subscription revenues
- Launch of Alfa Systems 6
- Improvement of the Alfa Development Model

All three areas are covered in more detail below.

## Subscription – Strong growth in subscription revenues and TCV

Alfa has been on a journey transitioning from the on-premise perpetual licence environment to a subscription-based Cloud model. In 2017 we started to offer Alfa Cloud, a hosted solution and in 2020 won our first Alfa Start customer, which has the benefit of the speed of implementation of a pre-configured system hosted in Alfa Cloud paid for on a subscription basis. The demand from all customers for a subscription-based Alfa Cloud solution, incorporating the automated monitoring, patching, scheduling and security features, has increased since then with all of the wins in 2023 being subscription-based Alfa Cloud solutions. Looking forwards 90% of our late-stage pipeline are looking to adopt Alfa Cloud and all new customers are looking for a subscription-based pricing model. We are seeing the strongest growth in our revenues from the Subscription revenue stream and expect this to continue as momentum builds.

We have a single-tenant SaaS solution. We and our customers benefit from a single standard code-set and database, but with multi-layer data segregation as

opposed to code-based segregation used in multi-tenant SaaS models. One of the big benefits of this approach is that customers can control their release cycles rather than having a timetable dictated to them. We mitigate the extra cost from this approach by encouraging customers to share branches and release dates.

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

Subscription revenues grew strongly in the period, up 16%, with TCV increasing 28%. The growth in revenues was particularly strong from Alfa Cloud supplemented by a growing licence base. All customers upgrading from v4 to v5 have moved to Alfa Cloud. We have 13 customers using Alfa Cloud for their live production environments and have another 3 customers taking hosting services during the design and implementation phase. Maintenance revenues also grew strongly with the benefit of price rises and also from the net increase in live customers.

## Software – Exciting roadmap of development

Software revenue for the year was down 4% on 2022. Following a very strong first half of customer funded development days, in the second half, we saw a reduction as attention moved towards investment for the launch of Alfa Systems 6.

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 increase that lead, through a

## CEO review continued

balance of customer funded development and self-funded development.

Despite having what we believe is the industry's leading software, we continue to look for ways to improve our software and also the way we develop the software. During 2023, we ran a project to refine our Alfa Development Model. This has resulted in a number of actions being taken, including reorganising the structure of the Engineering teams to align under product areas, and reviewing the way we communicate and collaborate to improve the workflow through the development process. We are already seeing the benefits of this with improved speed and quality of development.

We release an upgrade every four weeks and periodically we release a new version of Alfa Systems which highlights the step change functional and technical advancement that has been made since the last version. During 2023, we made progress in several valuable and eye-catching new areas, such as Alfa Compose and Environmental Accounting, which are headline items for our next major version. Alfa Systems 6 is the sixth major release since Alfa was formed 33 years ago. Announced in the autumn of 2023, Alfa Systems 6 is a functional upgrade, giving customers access to ten additional modules, and is being released through the usual four-week upgrade cycle over a number of months, so can be implemented like any other upgrade and will be frictionless for customers.

### Services – High quality services with a record seven go-live events

Overall services revenue was up 10% on 2022, with strong chargeability during the first half but with lower chargeability in the second half due to the successful delivery of a number of go-lives. We continue to implement a number of v4 to v5 upgrades, and these accounted for 17% (2022: 14%) of total services revenue. Other work for existing customers

accounted for 50% (2022: 52%) of our services revenue, with the balance of 33% (2022: 34%) from new implementations. There were sixteen new implementations and v5 upgrades during 2023, with seven of these having go-live events in the year. We have a number of large customer projects that we expect to start up during H1 2024.

We had seven go-live events in the year: two UK Alfa Start projects, three automotive finance projects across three continents and two v4 to v5 upgrades in the UK for equipment finance. In addition, we had an existing customer go live in a new country, Mexico, although one customer exited a small market resulting in the total number of countries where we are live remaining at 37. We also went live with our first African commercial asset finance portfolio, just over two years after we went live with the customer's retail portfolio.

Increasing our use of partners is a key element of our longer-term strategy for increasing the number of implementations we can deliver and providing us with a more flexible implementation resource. Our programme is well developed in Europe and now we have two partners in the US supporting us on two different client projects. At the moment, partners augment our existing resources on projects, but very much work under our direction. We continue to work towards setting up the training, processes and tooling that would allow partners to lead on implementations. For the first time, we have enabled a partner team member to work on an Alfa Start implementation.

### Artificial Intelligence

2023 has seen a rapid growth in interest in how AI may change the ways companies work, with a particular focus on Generative AI use cases. Alfa has been a leader on AI for many years: both directly supporting our customers' digitalisation journeys with AI-based Know Your

Customer (KYC) and Anti-Money Laundering (AML) checks and through our Alfa iQ joint venture.

We set up Alfa iQ over three years ago as a joint venture with Bitfount to explore the opportunities in the auto and equipment finance markets. Given the success of our work in Alfa iQ on credit decisioning, delinquency prediction and business process analytics, we have now consolidated its activities into Alfa and ended the joint venture relationship.

As AI increasingly becomes a key focus of the customer journey, we believe the advantages of integrating the thinking and expertise into Alfa outweigh the advantages of keeping it as a separate standalone entity. We will continue to build on the strong base of products and modelling techniques that we have developed in Alfa iQ, and also leverage the tighter integration into the core Alfa Systems product.

### Strong engagement with our people

We have continued to ensure timely and clear communications with our employees, which was particularly important during 2023 where there were two possible offers for the Company. We are delighted to see that our retention rates have improved and now sit at 97%. We are focusing on enhancing our training programmes both for technical development and to develop our leaders of the future.

We have settled into a post-COVID working pattern, making the most of in-person events to maintain our culture, whilst also being thoughtful on our travel and the emissions footprint that this generates. We continue to assess the ways we work to ensure that they work for both the individual and for the team as a whole.

### Capital return

We remain a strongly cash-generative business, with cash conversion of 115% in

2023 being the fourth year in a row in excess of 100%. We continue to generate more cash than we need for our growth plans and continue to return excess cash to shareholders.

Our main mechanism for returning capital is the payment of a regular dividend, and our policy is to grow this progressively. In the year we paid an ordinary dividend of 1.2 pence or £3.5m.

We have also made one-off returns of capital through special dividends. In the year, we paid special dividends of 5.5p per share or £16.2m. This took total special dividend payments over the last three years to 37.0 pence or £109m.

In addition to the dividend payments, we announced in January 2022 an 18 month share buy-back programme which came to an end on 30 June 2023. In 2023, we purchased 1.9m shares at a cost of £3.1m. This took total purchases since the programme started to 4.8m shares at cost of £7.7m. All of the purchased shares are currently held in Treasury.

Having executed this share buyback programme, we currently believe the quickest and simplest mechanism for returning cash to shareholders is via special dividends, but we will keep under review whether another share buy-back program should be launched.

Even after paying dividends of £19.7m and share purchases of £4.8m, we finished the year with a strong balance sheet with net cash of £21.8m. As a consequence, the Board is proposing a final dividend of 1.3 pence per share, 8% up on last year (2022: 1.2 pence per share), with an ex-dividend date of 30 May 2024, a record date of 31 May 2024 and a payment date of 27 June 2024. In addition, the Board has decided to declare a special dividend of 2.0 pence per share, with an ex-dividend date of 2 May 2024, a record date of 3 May 2024 and a payment date of 30 May 2024.

The special dividend would amount to a total payment of £5.9m.

### Steady market conditions

The macro outlook remains uncertain at the moment, although the recent high levels of inflation have eased and interest rates may have peaked. Alfa Systems is operational in 37 countries; in automotive finance, equipment finance and wholesale and loan finance; for OEMs, banks and independents and across all asset classes. The breadth and diversity of Alfa's business interests help to insulate us from economic uncertainty in individual geographies and sectors of our business.

Along with Alfa's diverse revenue sources providing insulation against the current economic uncertainty, the market itself provides protection. The asset finance market is a more secure form of lending and it has a history of gaining market share in uncertain times compared with non-asset backed lending markets. 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 more flexible modern systems.

We believe that the asset finance software market will remain robust. We continue to see new opportunities entering into our sales pipeline which supports this. With our functional, flexible, modern, cloud-native system, we continue to be well positioned to capitalise on that end market demand.

### Strong pipeline

We are pleased to have converted two prospects in the late-stage pipeline in recent months with up to four more expected to convert in the near future. In total, we have 11 prospects in the late stage, ten of which are at preferred supplier status and five where we are already performing paid work under letters of engagements on implementations as we finalise commercial contracts. We also continue to see new prospects coming into the early-stage pipeline, showing that the buying dynamics of the market remain unchanged. It was also pleasing to see the speed at which we won an Alfa Start project and completed the implementation, all within the calendar year.

Overall, we remain confident in both the demand for our software and our ability to win work in the market.

### Outlook

The asset and automotive finance markets have continued to remain strong through 2023 despite broader macro uncertainty with demand for software remaining robust. Alfa continues to see software projects proceed, new sales close and new opportunities enter our pipeline.

We expect 2024 revenue growth to be mid to high single digits driven by continuing strong growth in subscription. Within this performance, we anticipate a greater weighting in the second half of the year as new sales come fully on stream. Our encouraging new business pipeline, confidence in the outlook and our strategy means that Alfa will continue to invest in our technology and people, whilst continuing to return cash to shareholders through our sustainable, progressive dividend.

**Andrew Denton**  
Chief Executive Officer  
13 March 2024

# Market overview

## Overview

Life is never boring within asset finance as the industry needs to keep changing to keep pace with the needs of its customers.

Changing regulations and rising interest rates, alongside the fear of recession and increasing delinquencies, have been push factors for change. On the flip side, the need to support new business models, enabling more flexible usage of assets over their lifecycle and incorporating additional add-on services and fees, plus the need to maintain a stronger relationship with the end customer, have been key drivers for innovation.

Alfa continues to listen closely to our clients and engage with the market to better understand what we can do to help them achieve their strategic goals. We have continued to be headline sponsors of some major industry events, where we have spoken as part of expert panel discussions, and we have taken an active part in industry association committees in order to understand and drive forward the agenda for change.

2023 has been focused on designing and enhancing the product for the launch of Alfa Systems 6, which will deliver solutions to meet the learnings and requirements gained from these ongoing interactions with the asset finance market participants and especially our valued clients.



## Europe

### Sustainability requirements

European environmental regulations and requirements are promoting a faster market shift than in other parts of the world. Upcoming regulations as part of the Corporate Sustainability Reporting Directive (CSRD) and the need to increase the proportion of electric vehicles (EVs), while balancing this with high outright cost and high interest rates, have necessitated a shift in the business model of the original equipment manufacturers (OEMs). Finance companies and their vendors are being asked to support wider use cases to enable affordability of EV assets and extend their lifecycle. Alfa has been investing in several areas to support these sustainability initiatives. This includes working with stakeholders across our customer base on creating a robust Scope 3 emissions reporting tool and investing in functionality to allow a shift to more active asset lifecycle management and usage-based products.

### Digital Operational Resilience Act

Another area of focus is the regulation coming from the Digital Operational Resilience Act (DORA), which financial services firms need to be in full compliance with by Q4 2024. These requirements apply to all critical systems of financial services companies and the impacts of this on information security are being analysed. While the Act could lead to enhanced requirements, Alfa already has strong information security procedures and policies. In fact, DORA could benefit Alfa by increasing barriers to market entry for smaller technology vendors.

### Consumer Duty Regulations

The UK market has been affected by the Consumer Duty regulations which became active in mid 2023. Whilst Alfa has not had to make significant software changes to support this, the indirect effects are being seen as some players move out of the consumer markets (benefiting our customers whose market share increases). Others need to focus on efficiency and cost cutting to adjust to the higher levels of risk and associated costs which drives them to consider new systems. Basel 3.1 (capital requirements standards in relation to risks) implementation in 2024 could add to the regulatory burden and cost of lending to consumers and small and medium-sized enterprises (SMEs).

## America

### Changing US regulations

The US market drivers vary by sector and size of organisation. Larger banking clients are focused on proposed changes to capital requirements, which accentuate the need to reduce operating costs, increase efficiency and scale operations. Equipment finance companies have been concerned about regulatory change from Dodd-Frank section 1071 mandating additional data capture and reporting requirements from credit applications. A nationwide injunction to this in October has allowed the industry to focus on other things for the time being, although it may emerge again as a risk at the end of 2024.

The launch of Alfa Compose at the end of 2023, which allows clients to create highly personalised screens for specific case processes and users, has gained much traction as a tool to increase efficiency and allow clients to scale.

### Economic environment

The global environment of rising interest rates and increasing costs has also had an impact in the US market, with finance providers needing to find additional sources of income as well as reduced costs through operational efficiency. To extract additional revenue, this includes incorporating extra fees or add-on services and subscriptions to the finance contracts.

The need for data to drive customer insights, increase revenue opportunities including add-on sales, and drive performance has led to an increased desire for finance providers to have more opportunities for direct customer interaction. Nevertheless, indirect sales through dealerships and dealer portals still continue to play an important role and, for this channel, speed and price are the main drivers of success.

To facilitate this trend, Alfa continues to invest in scaling the performance and use of Alfa Systems. Priority investments for 2024 are to complete the enhancement to allow full 24/7 operations and to enhance performance of key processes including the integration into US dealer portals for bulk origination processes.

## Australia and New Zealand

### Sustainability initiatives

Electric vehicles (EV) incentives passed by the Australian Government in November 2022 made it more beneficial for commercial finance companies to offer novated leasing for EVs. This led to a triple fold increase in EV uptake in the first half of 2023, with novated leasing through commercial finance companies (fleets) accounting for 80% of EVs financed.

Other initiatives such as AFIA's Sustainable Finance Taxonomy and the National Reconstruction Fund (for renewable and low emission investments) are driving the way forward towards net-zero.

As mentioned previously, Alfa has been investing in several areas to support sustainability initiatives and announced new functionality in 2023 to help its customers track and report their portfolios' Scope 3 greenhouse gas (GHG) emissions.

### Economic environment

Australia, alongside the rest of the world, is suffering from uncertainty, high inflation and interest rates. This has led to a challenging environment for commercial real estate, leading to banks and finance companies diversifying into asset finance, increasing competition and dampening the effect of the cut in government tax incentives for the sector.

As part of Alfa Systems 6, Alfa further improves efficiency of processes, through the launch of Compose and enhancements to Case Management functionality.

## Technology

### AI and machine learning

One of the prominent trends in 2023 has been the rapid growth of interest in AI and machine learning-based functionality.

AI and machine learning have been around for many years and are used in a variety of existing processes within the asset finance industry from fraud detection and cyber security to credit decisioning support. There is a wish to further develop the usage of these models to improve process efficiency and improve the success of delinquency and collections processes. Alfa has taken the decision to incorporate Alfa iQ into the core Alfa Systems product as machine learning becomes an expected capability for a software platform. The specialist team will work alongside those with asset finance specific knowledge to integrate functionality into Alfa Systems.

Generative AI and the usage of large language models (LLMs) is an emerging area of interest for the asset finance industry. Pilot use cases are emerging within automated testing or utilising retrieval augmented generation (RAG) techniques to improve the user experience when accessing knowledge bases. However, data governance and uncertain regulation mean that there is low uptake of this technology for business processes. There are paths forward: these use cases can be delivered using privately deployed foundational LLMs with commercial usage rights from cloud providers. Innovation at Alfa is driving forward internal pilots utilising this approach, building functionality which could be extended in 2024 to client-facing products.

### Flexible ecosystems

The increasing trend of flexible APIs with easy (and no-code) integration allows operators to build a flexible ecosystem and take advantage of new fintech technologies at different stages of their processes. This allows Alfa to concentrate on its core functionality and create partnerships and defined interfaces with best-in-breed software providers of specialist services. This strategy will continue into 2024 with the aim of organically growing a network of add-on features provided by partner providers.

# Business model

## Our resources



### Partnerships

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



### Employees

With more than 450 employees worldwide, our people are our greatest asset, developing organically from graduate to seniors.



### Financial strength

Strong balance sheet driven by organic growth at good margins with disciplined capital allocation drives excellent cash generation.

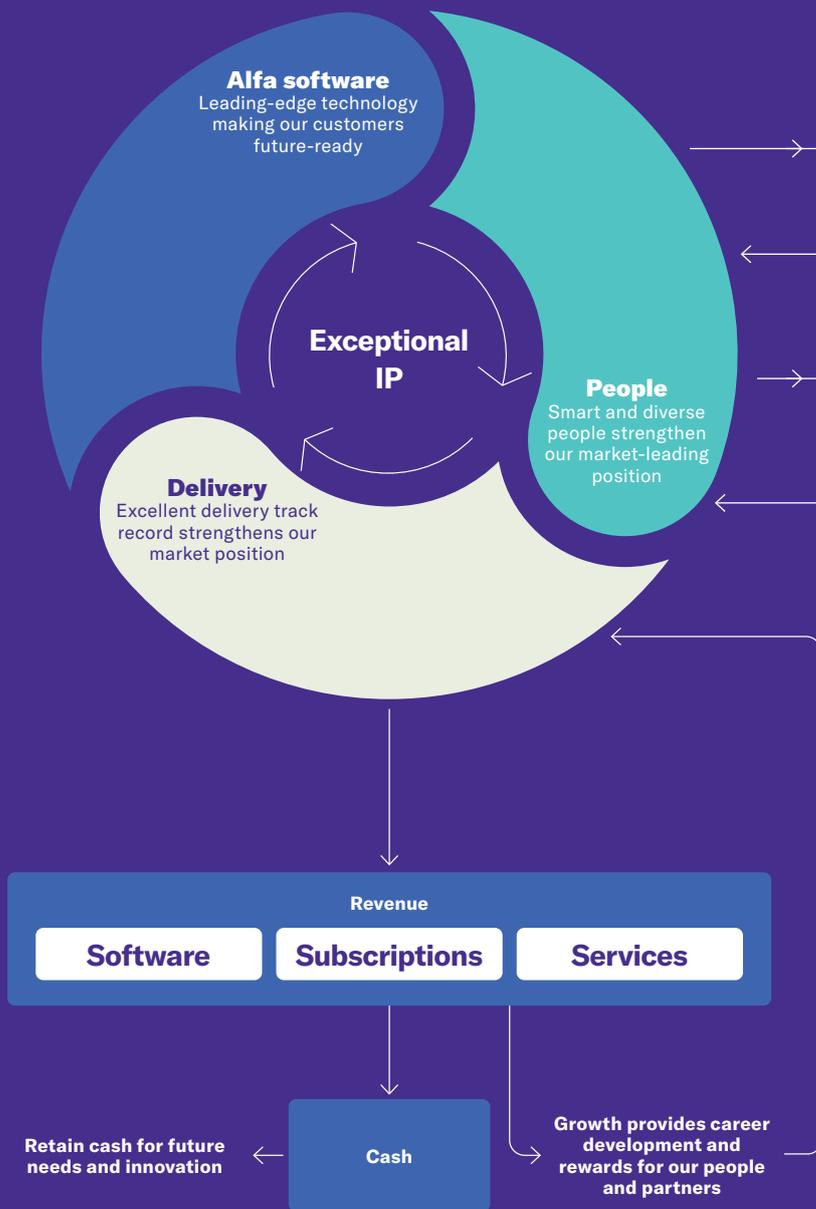


### Innovation

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

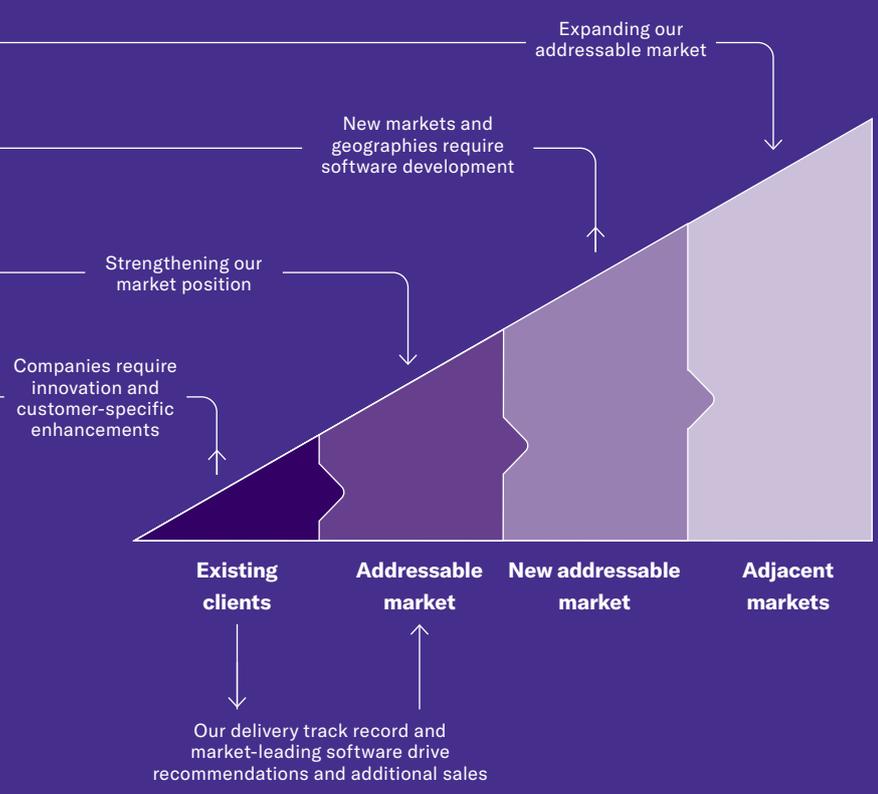
[Read more about our market overview on pages 16-17](#)

## Value creation and delivery



## Our growth

Our exceptional IP drives our growth



## Value creation

### Employees

Alfa has Investors in People gold accreditation and other awards.

### Contribution to SDGs

### Shareholders

Strong cash generation and £119m of dividends since 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 2023, we raised over £50,000 for charities.

### Contribution to SDGs

[Read more, including about the SDGs, in the ESG section on page 55](#)

# Strategy in action

Everything we do supports our growth and strategy.  
Our strategy for creating long-term, sustainable business value is:

## Strengthen

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

- Investing in our **smart, diverse team**;
- Investing in our **product**;
- Investing in our **delivery** methodology and tooling;
- Exploring **acquisitions and joint ventures**.

➔ Read more on pages 17-19

## Scale

Increase our capacity for developing and delivering Alfa Systems, by:

- Developing our **smart, diverse team**;
- Leveraging **global talent** sources to enhance our competitive position;
- Growing our **partner ecosystem**;
- Expanding our **addressable market**.

➔ Read more on pages 22-23

## Sell

Enable profitable growth by focusing on:

- Alfa Systems on **Alfa Cloud**;
- **Subscription** revenue;
- **Incremental sales**;
- Commitment to our chosen **target markets**.

➔ Read more on pages 20-21

## Simplify

Enable more concurrent Alfa Systems implementations, more efficiently, by:

- Simplifying our **product**;
- Simplifying our **implementations**;
- Simplifying our **processes** across our organisation;
- Expanding our **Alfa Start** offering.

➔ Read more on pages 24-25



## Highlights

This year, we have delivered some significant Learning & Development projects, including the enhancement of training tools and opportunities through new libraries of content (featuring hundreds of self-serve learning courses such as technical demos, techniques for asking for help, writing skills and project management) and easy-to-access programmes, made graduate programme improvements and end-of-placement process changes, as well as embedding our leadership development offering.

Our focus on career progression centred on launching a new hub of content for colleagues' entire talent journey, and clear explanation of how to own their career, as well as how to have great development conversations.

Employee engagement remains strong, with our Pulse survey garnering consistently strong results over the year. Our popular company events and social talks gave us all a chance to connect and learn. Event highlights included our annual regional conferences, which were enjoyed in Brighton (UK), Byron Bay (Australia) and Charlotte, North Carolina (US) in 2023.

2023 saw the introduction of benefits-focused communications, helping colleagues get the most out of the many things we offer.

When it comes to Inclusion & Diversity, we launched our first diversity, equity, and inclusion (DEI) survey in 2023, and have delved into gender pay gap findings, action planning and having positive conversations around all facets of diversity at Alfa. We were proud to win Corp! magazine's diversity award in the US this year. We were delighted to have been recognised, for the second year running, in Newsweek's Most Loved Workplaces UK, 2023, and were ranked number 11 in the top 100. We were also crowned winners of the Social Award at the Asset Finance Connect Summer Awards 2023.

## Plans

Next year, we'll maintain our focus on making Alfa a great place to work, improving diversity and inclusion with various initiatives and targets, and keep up the things that make our Alfa culture so special. We have a rich calendar of company events for the year ahead, including an EMEA company conference taking place in Amsterdam. We look forward to developing our people with even more learning offerings and programmes. We'll update our DEI pledges, continue to partner with great organisations and encourage our Alfa Communities to keep up their important efforts, with central support and guidance.



# #11

In Newsweek's Most Loved Workplaces UK, 2023

## Mentoring opportunities

We have had a real focus on mentoring in 2023, both internally and externally. We have prioritised getting our Women's community mentoring scheme up and running to support professional development and help with narrowing the gender gap in leadership.

Our partnership with upReach, which helps students from lower income backgrounds access top graduate jobs, continued in 2023. We provided mentors, held Insight Days and ran the Alfa Work Experience programme with upReach candidates.

We were delighted to support The Women's Association's Executive Challenge, which gives girls aged 15-19 insight and connection into the world of work. We provided mentors, meetings and experience days – and we have committed to do the same again in 2024.

# Strengthen | Product

## Highlights

In 2023, we designed and progressed development of the next version of Alfa Systems software, Alfa Systems 6, delivered in a series of six releases. The ultimate goal is to strengthen the Alfa product offering to enable it to meet the developing business needs of our clients and the wider market. This allows us not only to continue to offer the premier platform for our core market but increase our addressable market. Alfa Systems 6 has enabled us to focus on what Alfa Systems needs to be and focus investment initiatives in key areas. One of the areas we have been investing in is enabling the business models focused around EVs and enabling finance companies to manage contracts for these new assets, which could necessitate different assets and services.

## Plans

2024 looks to be a very busy year for the Alfa Systems product. Alfa Systems 6 functional releases will be completed in Q4 2024, and will include multiple new features for users and allow continued extension of our addressable markets. These will include functionality for 24/7 support, asset lifecycle management, subscription services and automation.

Extending Alfa Systems 6 Total Capability will include investment in the Originations process. Multiple clients, globally, use Alfa Systems to support their contract originations; however, we are still more widely known as a servicing provider. In 2024, we will be enabling our clients, worldwide, to benefit from best-in-class functionality through their direct and in-direct sales process.

Additionally, we will be building upon our superior pricing and in-life management capabilities to support a wider range of financial products and services for our clients within the commercial loan space.

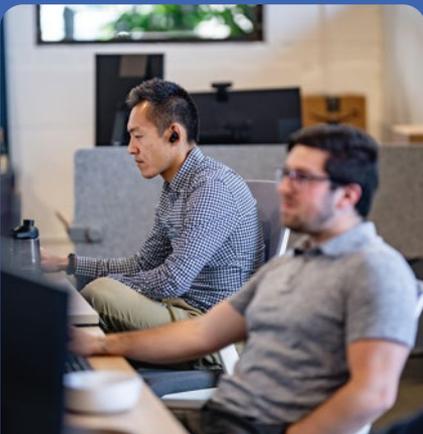
**10**  
modules are part of  
Alfa Systems 6 launch

## Incorporating AI into Alfa Systems

We have grown our expertise and gained a strong position in AI, so now is the right time to bring all forms of AI, including generative and predictive AI, into our main product strategy at Alfa. Product initiatives will be encouraged to utilise our Alfa iQ experience to allow clients to benefit from greater automation of processes while ensuring that Alfa upholds its strong guiding principles and AI values.

Any AI solution will ensure ethical standards are maintained by ensuring explainability of decisions.

Alfa Innovation processes have been used to allow a wider participation in developing use cases and building our experience and knowledge in generative AI. Combining Alfa iQ's leading edge R&D with Alfa's track record for delivery has led to a robust, secure framework to be built out to allow some productionisation of uses within 2024.



## Highlights

In 2023, Alfa continued its trajectory of success, marked by several significant milestones as part of our future-facing approach. We demonstrated our commitment to delivering cutting-edge solutions as we achieved a record seven new customer go-lives across the globe. This expansion aligns with our dedication to bringing innovative asset finance technology to a broader global audience.

We have delivered two new Alfa Start projects in 2023, allowing our clients to take advantage of Start's greatly reduced implementation times and quickly begin to realise the benefits that Alfa's out-of-the-box solution can provide in just a matter of weeks.

Alfa charted new territories by launching into Mexico with an existing global automotive manufacturer, as well as the first Alfa Systems v5 client in the Asia Pacific region. We are looking to start a new project in the Asia Pacific region with a global agricultural equipment manufacturer who is already live with Alfa Systems in two continents, thereby cementing our partnership with them.

At the same time, our further product expansion in South Africa to cover commercial lending as well as retail underscores our adaptability and versatility within the financial technology sector, and broadens our market scope.

Another achievement this year was the migration of over half a million stocking finance contracts to Alfa for a client we have been working with for many years. Not only are we forging stronger bonds within our long-standing relationships, but our enhanced portfolio makes us a more competitive and attractive partner for new clients seeking best-in-class delivery.

Alfa is making strides with numerous upgrade projects across all of our territories. We have recently completed an Alfa Systems v3 to v5 upgrade with one long-standing client, and have several other Alfa Systems v4 to v5 upgrades in progress.

## Plans

As we move forward, Alfa remains dedicated to breaking new ground, exceeding expectations, and shaping the future of asset finance technology on a global scale. We look toward the opportunities and challenges that lie ahead, poised for continued success in an ever evolving market.

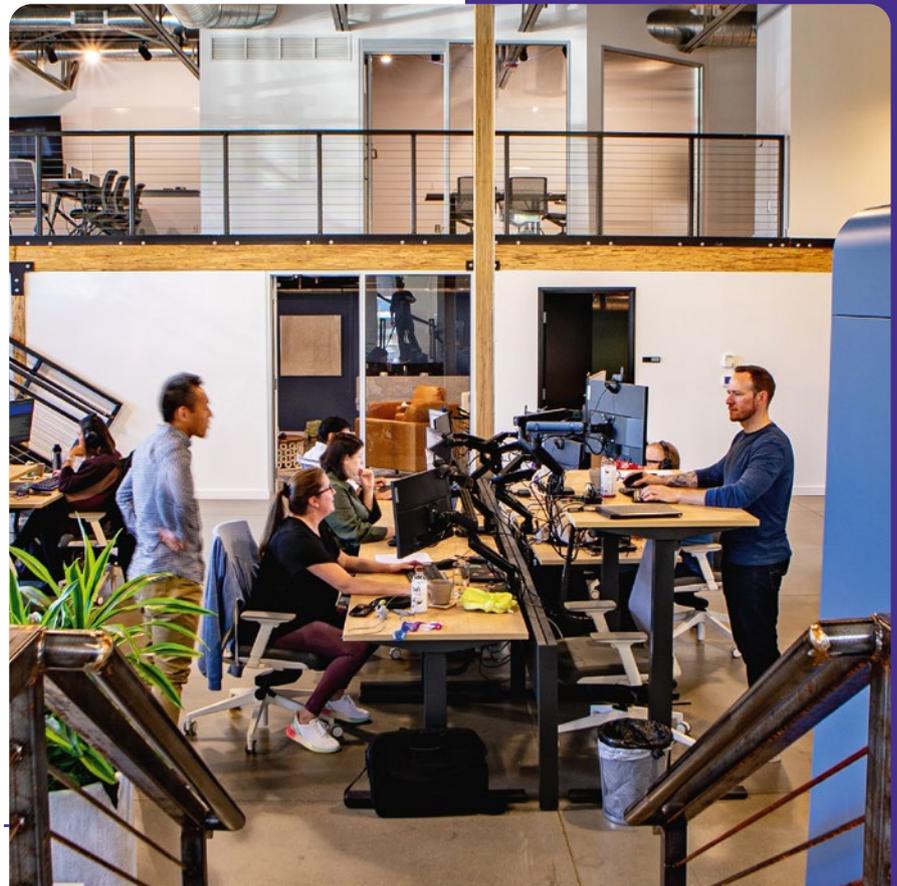
**v5 of Alfa Systems is now live with**

**27**  
customers

## Alfa Start is live with Bibby Financial Services

“We’re delighted to partner with Alfa to enhance the service we provide to clients. Alfa Start is widely regarded as the ‘gold standard’ within the industry and, once fully embedded, the platform will reduce manual processing, allowing our teams to spend more time delivering value for our clients, brokers, vendors and business partners.”

Sean Neville,  
Managing Director at  
Bibby Asset Finance



# Sell

## Highlights

Thought leadership has remained a key focus for Alfa in 2023, with the completion of our five-part series covering Innovation in Implementation and the publication of blogs providing insight into the benefits of asset finance software in the automotive finance industry and how the transition to electric vehicles can provide a number of additional revenue opportunities.

We continue to have a strong presence at key industry events, including leading panel discussions and presenting insights in technology in the leasing industry, such as AI and robotics. We are also delighted that a member of our revenue team has been appointed onto the Equipment Leasing and Finance Association (ELFA) Emerging Talent Advisory Council (ETAC), ensuring we are well positioned to gain insight and provide influence within the US Equipment Finance industry.

The sales pipeline has remained strong throughout 2023, with a significant number of prospects in the late-stage pipeline. With a focus on subscription and particularly our Cloud First strategy, it is notable that more than 90% of the prospects in the late-stage pipeline are opting for an Alfa Cloud deployment model.

One of the highlights in 2023 was the official rebrand of Alfa Hosting to Alfa Cloud. On the surface, this might seem like a minor change, but for Alfa and our customers and prospects, it more clearly describes our offering as a Single Tenant Software-as-a-Service (SaaS) Product.

As part of that single product, we have continued to roll out new features which we make available to all of our customers – including storage of backups in Microsoft Azure, cloud SaaS escrow, improved Recovery Time Objective (RTO) and Recovery Point Objective (RPO) for failure scenarios, Amazon SQS support, and additional customer portal features to name a few. These new features were stress tested in our annual Disaster Recovery testing, which was the most extensive to date.

We have seen six new customers enter live operation on Alfa Cloud, taking the total to 13, upgraded many others and onboarded three for the early stages of

implementation. Alongside this, we have continued to roll out frequent patches to all components of the solution, including a database upgrade to the latest Aurora PostgreSQL versions, which will unlock an array of new capabilities including serverless databases and faster reads for reporting use cases.

Alfa Cloud runs on AWS and can be scaled to meet the demands of our highest-volume customers. Alfa Systems is designed to be a cloud-native application that can automatically leverage available compute capacity to offer maximum performance. During 2023, we ran a large-scale internal performance exercise to update benchmarks and demonstrate that the traditional performance and scalability concerns of fixed infrastructure on-premise installations aren't limitations in our cloud-native SaaS solution, even for the largest auto and equipment finance portfolios.



## Plans

With the groundwork laid in 2023, we are expecting to start to roll out the use of Aurora Serverless databases through 2024. This will bring additional processing capacity and throughput to our customers at peak times whilst helping to reduce the wasted compute when running provisioned databases of a fixed size.

In preparation for the first tranche of ultra-high volume customers running in production on Alfa Cloud, we're continuing to invest in our offering, bolstering our team capabilities and adding features for our growing customer base. This will ensure that we are always able to meet our customer needs around deployment and work scheduling.

# 90%

of new late-stage pipeline  
intending to use Alfa Cloud



### Alfa Cloud security

Today, more than ever, core applications such as Alfa Systems are being deployed in public cloud environments and are increasingly providing internet-facing APIs to digital customer-facing platforms and applications. This level of openness significantly improves the experience for end customers, and the opportunity for our customers, but, at the same time, increases the workload for teams responsible for cyber security.

When customers select Alfa Cloud, they are able to delegate responsibility for security monitoring and response to the Alfa Cloud team and our partners, such as Fortra Alert Logic. Our automated infrastructure-as-code approach to deployment means that every customer environment is deployed with the same layered and independently verified security architecture, significantly reducing the chances of a vulnerability being exploited; and our single-tenant SaaS model reduces the 'blast radius' of a theoretical attack, reducing the overall risk to both

us and our customers. Using our central deployment platform, we are able to respond to potential issues by bulk applying security mitigations, such as path or IP blocks, and quickly rolling out software patches to our customers' environments.

Self-managed Alfa customers typically take significantly longer to respond to security incidents in their Alfa Systems environments. This is not unexpected and is usually a result of overheads and handovers of code and information to multiple teams often distributed across different countries and timezones. Coordinating and delivering the response from within a single team results in faster resolution and overall more secure deployments.



### Highlights

We know our power is in our people at Alfa, and we want the best talent to work for us. We attended numerous recruitment events throughout the year in the UK and US, and hosted several Insight Days – giving potential applicants the opportunity to experience Alfa prior to applying for a role. These events contributed to more than 800 individuals applying to our next graduate programmes. We made 52 appointments throughout the year and ended 2023 with a total global headcount of 475.

We have continued our employer brand activities with employee story campaigns, celebrating our people, and have shared life at Alfa on our socials all year, giving insight into our workplace and what we offer. Our recently updated website features careers pages showcasing core benefits and what to expect at Alfa, and now integrates with our recruitment platform for a seamless candidate experience.

Our Leadership Development programmes are enabling colleagues to further develop and hone the key skills, traits and characteristics needed to effectively lead others, helping us grow a culture where individuals and teams thrive. Partnering with various organisations (such as Bright Network and UpReach) gives us great exposure to new audiences too.

**475**  
total global headcount

### Plans

2024 will be another busy year for the People teams. High on the agenda will be continuing to execute our plans to improve diversity, equity and inclusion across the organisation. We'll continue to partner with organisations that can help us access talent and boost our diversity, and we look forward to developing a new partnership with Niyo. Global connections will be improved with changes to our intranet – giving regional views as well as global news updates for everyone. We will kick off a new 'Alfa Alumni' programme to maintain relationships with valued colleagues and strengthen our employer brand. This will maintain connections with the extended Alfa network as well as support us in finding valuable referrals. Our ongoing 'Ways of Working' review will also help us to continue offering a flexible and supportive workplace that will retain our talent as well as attract candidates from a wider pool.

### Insight Days at Alfa

This year we hosted four Insight Days at our office in London organised by HR and the Alfa for Racial Equity Community. The aim of these events is to attract top graduates to apply to Alfa's graduate scheme, but also to give the students skills and knowledge they can add to their CVs while also helping us to increase the diversity of applicants. To do this, we include workshops focusing on two key areas of Alfa – Engineering and Implementation – which are run by colleagues working in these career paths. We also include a networking lunch to give the attendees a chance to meet people at Alfa and an applications session to go through CVs, cover letters and Alfa's application process.

Find out more about these recruitment events on pages 59-60.



## Highlights

This year, we successfully leveraged our partner relationships, onboarding partner intakes in EMEA and the US, and embedding partners in even more Alfa project teams and client-side/Systems Integrator (SI) roles. This year saw a record number of partner-assisted project go-lives. We have also benefited from increased sales channel opportunities via our partner relationships and the extended global reach they provide.

We have grown our partner ecosystem by agreeing engagement terms with Teamwill US, strengthening our delivery capacity in North America. We have also partnered with a market leader in software quality and test automation with a proven track record supporting our customers. We have continued to explore new partnerships in strategic geographies that can help us in sales opportunities and delivery.

We have continued to invest in our partner programme, extending our partner support team and further developing our partner training – this included course material improvements and implementing a digital credentials platform to formalise our SI partner training certification. Improved access to supporting information and tooling has brought increased efficiencies and opened up new roles for partners. Moreover, we have started to execute our plan for moving to more advanced partner sales and delivery models, making good progress on the enabling investment.

## Plans

In 2024, we will continue to scale our existing partnerships and evaluate other potential partners to further strengthen our partner ecosystem and market coverage.

As staff augmentation partnerships mature and partner resources gain expert Alfa Systems implementation knowledge and experience, we will continue to advance them towards a joint delivery model.

2024 will see significant investment in our partner programme including:

- Opening up more roles for partners;
- Improving partner onboarding, including implementation of a Learning Management System for managing training courses, scheduling, reference materials, testing, and integration with our digital credentials platform for certification;
- Completing the programme of enabling investment for partner-led delivery of our Alfa Start product in our home market.

We will continue collaborating on business development 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.

# 10

partner relationships

# 5

partner assisted project go-lives in 2023

# 12

ongoing partner assisted projects

## Strengthening our delivery capacity in North America

Looking to replicate the success of our partnership and staff augmentation collaboration in EMEA, this year we partnered with Teamwill US, strengthening our delivery capacity in North America.

“Delighted to share a major milestone in our journey! As Teamwill, we have been long-standing partners with Alfa Financial Software. We are excited to announce the expansion of our partnership into the US market with Teamwill USA, our new office in Dallas. Together, we will leverage our expertise in integration and consulting, as well as market insights in equipment finance and auto finance, to deliver unparalleled value to our US clients. Stay tuned as we embark on this exciting journey of collaboration and innovation!”

Zied Bach Hamba,  
Managing Director at Teamwill US

## Highlights

Building on our container deployment strategy, we have facilitated the transition for on-premise clients to use those containers and proven the value of these in the fast-moving security environment, by proactively responding to newly announced industry vulnerabilities through our secure development pipelines.

Our leading-edge software development lifecycle (SDLC) and tooling for large-scale code reorganisation have enabled us to keep moving with new versions of Java. This has also allowed us to simplify our cross-platform compatibility testing, resulting in a greater level of consistency and assurance.

When it comes to delivery, we have created the ability to migrate back book portfolios via a spreadsheet upload, including repeatable processes, fully documented cutover activity and out-of-the-box reconciliation reports. We are also utilising innovation and ideas from the experience we have within our Delivery workforce and will be investing in simplification ideas in the areas of testing, documentation, processes and Alfa Cloud.

## Plans

Migration is one of the most complex tasks within a project, and with that in mind, in 2024, we plan to continue to invest in this area, both from a product and tooling perspective.

Capitalising on the personalised user experience, we will be building further market and product use-case specific components and enable targeted editability and actions. Further access to runtime customisation options will also accelerate the trialling and adoption of new features or market functionality as part of a streamlined upgrade process.

## Evolving Alfa Development Model

In 2023, we set ourselves a challenge: we knew that we had the best software in the business but we also knew that the way we worked together to enhance that software could be even better.

We've grown significantly and some of our software development processes have evolved organically, rather than by design. We met this challenge by working to improve flow across our development model, ultimately aiming to improve the flow of value to our customers.

Flow is the speed and efficiency with which high-quality work moves through an organisation. We have thus made significant changes to the structure of our Product Engineering group, making it much easier to work with, and have brought more clarity to the roles involved in changing our core product.



## Highlights

Expansion and growth have been the themes of the year on Alfa Start, both in terms of new markets as well as functional coverage in our existing Start products.

In October, we announced the launch of Alfa Start for US Equipment, the preconfigured software platform built for financial organisations in that market. Built on Alfa's extensive experience supporting the top providers of equipment finance in the US, Alfa Start delivers best-in-class business processes, required by operations of all sizes. This becomes our third Alfa Start accelerator, alongside US Automotive and UK Equipment, which enable rapid implementation and early business value for our clients at entry level costs.

On the automotive side, we have expanded our process catalogue by configuring and documenting new business processes in areas such as management of aftermarket products, securitisation, and increased handling for bankruptcy. In addition, we have

partnered with the team developing Alfa Compose to define user perspectives for the retail automotive industry. This new feature will enable the configuration of a more targeted view into the system, tailored to simpler products and different user roles so that users can complete their work more efficiently.

Our latest out-of-the-box implementation has expanded the Alfa Start implementation methodology to facilitate a hybrid project team leveraging our strong partner network. Enabling our partner network to assist in the delivery of Alfa Start will provide the opportunity to commence projects more reactively, further reducing the time between a sale being agreed and the client realising the business benefits of Alfa Systems live in production.

## Plans

Building on our success in 2023, we expect 2024 to be another busy year as we focus on expanding the out-of-the-box capabilities of Alfa Start across the contract lifecycle. We plan to leverage internal investment initiatives across Alfa to bring new capabilities into Alfa Start

that will enable Alfa Start projects to deliver our tried and tested product even more efficiently.

Building on our initiative to leverage trusted partner resources for Alfa Start projects, we will look to continue to build on this model, continuing the mission to enable rapid and cost-effective Alfa implementations.

Furthermore, we look to continue to transition some of the newest Alfa Systems functionality into the Alfa Start product offering. This is likely to include Alfa One (an implementation simplification initiative) to remove unnecessary differentiation between Alfa Systems implementations, and Alfa Compose to bring process-specific information straight to end users' fingertips in conjunction with Alfa workflow.

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

# 22 weeks

## US Equipment Alfa Start

Alfa Start is now available for the US Equipment market. Designed to accelerate systems change programmes, Alfa Start's process catalogue, pre-configuration and associated documentation acts as a project accelerator, enabling faster implementations, maximising value and minimising risk. More than 40 back-office business processes have been configured across a standard product set, each supported by predefined workflows, business rules, document generation and user roles. Alfa Start is supported by a suite of documentation including industry-standard process

maps, and description documents for each business process and integration. Finance organisations choosing Alfa Start also benefit from an expedited methodology, which focuses on a quick, efficient implementation, and is backed by the Alfa Cloud hosting service, making application environments available on day one.



# Key Performance Indicators

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

## 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.

**Headcount:** Represents the number of Alfa employees under contracts of employment as at 31 December of each year.

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

**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". The figures shown are for the last survey of the year.

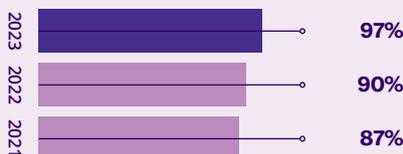
**Operating free cash flow conversion:** Calculated as cash generated from operations, less capital expenditures, less the principal element of lease payments in respect of IFRS16. Operating free cash flow conversion represents operating free cash flow generated as a proportion of operating profit.

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

- (i) an assumption of three years of Subscription payments (including maintenance, Cloud

## Operational

**Retention rate (%)** **97%**



**2023 performance**  
Our employee retention rate has been very strong in 2023, reflecting our continued investment in learning and development, and continued strong employee engagement scores. Retention in 2021 dipped in the immediate aftermath of the pandemic lockdown easing.

**Why do we measure this?**  
Our deep expertise in the industry and our ability to service our customer relationships are driven by the quality of our people. A higher retention rate demonstrates sustained engagement and maintenance of key skills and knowledge.

**Linked to remuneration:** Yes

**Links to strategic priorities:**

- 1** **3**

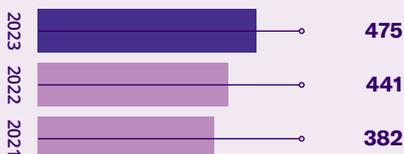
Hosting and subscription licence) assuming these services continued as planned (actual contract length varies by customer);

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

As TCV is a reflection of future revenues, forward looking exchange rates are used for the conversion into GBP.

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

**Headcount** **475**



**2023 performance**  
Headcount has increased due to planned recruitment and a strong retention rate throughout 2023.

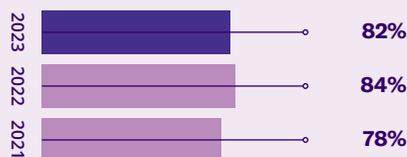
**Why do we measure this?**  
Our revenue growth and ability to win new business is heavily dependent on the number and deep expertise of our people and therefore growing our team for the future is key to this goal.

**Linked to remuneration:** No

**Links to strategic priorities:**

- 1** **3**

**Employee engagement (%)** **82%**



**2023 performance**  
Employee engagement remains strong, boosted by our continued focus on internal communications and engagement, and supporting our communities to further their ESG initiatives.

**Why do we measure this?**  
Employee engagement 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.

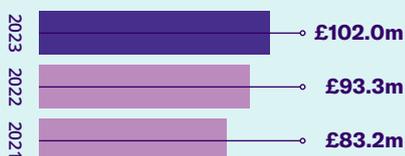
**Linked to remuneration:** Yes

**Links to strategic priorities:**

- 1** **3**

## Financial

### Group revenue (£m) **£102m**



#### 2023 performance

Group revenue grew by 9% (also 9% on constant currency basis), with particularly strong growth in our subscription stream driven by growth in subscription-based customers as well as a number of perpetual customers moving into post go-live support. Services revenue grew by 10% reflecting growth in our delivery capabilities, while Software is slightly down as a result of our transition to a subscription model.

#### Why do we measure this?

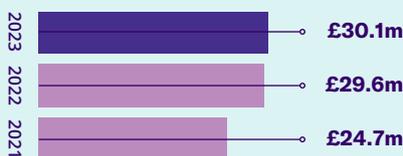
Growing revenue is a measure of customer and business success. It is central to our objective of growing by maintaining our leading competitive position through differentiation of People, Product and Delivery.

Linked to remuneration: Yes

Links to strategic priorities:



### Operating profit (£m) **£30m**



#### 2023 performance

Operating profit increased from last year as a result of growth in revenues, partially offset by increased salary, hosting and internal computer costs. The margin was lower this year due to favourable items in the prior year.

#### Why do we measure this?

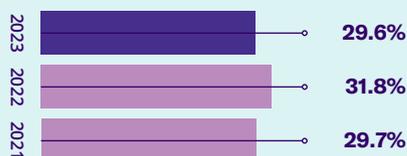
Operating profit is an indicator of the Group's profitability. It can be used to analyse the Group's core operational performance without the costs of capital structure and tax expenses impacting profit.

Linked to remuneration: Yes

Links to strategic priorities:



### Operating profit margin (%) **30%**



#### 2023 performance

Operating profit margin declined following some favourable items in 2022 including a one-off gain on lease assignment and favourable foreign exchange.

#### Why do we measure this?

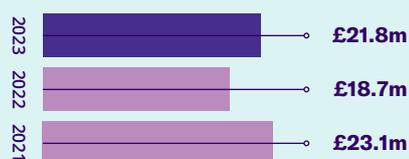
Operating profit margin is a measure of how effectively we sell Alfa Systems and manage our cost base. It also allows comparison across different companies and sectors.

Linked to remuneration: Yes

Links to strategic priorities:



### Cash (£m) **£22m**



#### 2023 performance

Cash generated from operations remained strong in 2023 with over 100% cash conversion, allowing for the payment of further special dividends totalling £16.6m.

#### Why do we measure this?

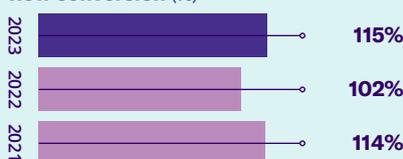
Cash is critical to allow the Group to cover its expenses, provide funds for investment, growth and to meet its long-term needs. Cash generation is a good indicator of the underlying health of the business.

Linked to remuneration: Yes

Links to strategic priorities:



### Operating free cash flow conversion (%) **115%**



#### 2023 performance

Operating free cash flow conversion for 2023 was very strong, due to favourable billings and early collections in the final months of the year.

#### Why do we measure this?

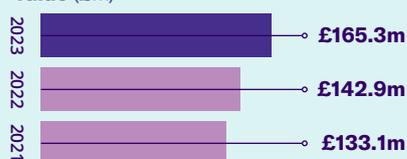
A strong unencumbered balance sheet position is key to growing the business in the future. Our business has always been cash-generative and this KPI allows us to monitor cash flows before investment in capital projects. The calculation of the KPI is included on page 30.

Linked to remuneration: Yes

Links to strategic priorities:



### Total contract value (£m) **£165m**



#### 2023 performance

Total TCV has seen strong growth since 31 December 2022, driven by our subscription stream, with two new customers being fully contracted in Q4. This is offset by a drop in software TCV as a result of our transition from perpetual to subscription licences, and services is slightly down due to some new Alfa implementations, including one of the customers contracted in Q4, completing during 2023. See page 29 for further detail.

#### 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 page 29 for a detailed explanation of the calculation.

Linked to remuneration: No

Links to strategic priorities:



## Financial review

“We saw another strong cash performance with 115% cash conversion supporting £24.5m of cash returns to shareholders.”

Duncan Magrath, Chief Financial Officer



### Financial results

	2023	2022	Movement %
Revenue	102.0	93.3	9%
Gross profit	63.7	59.9	6%
Operating profit	30.1	29.6	2%
Profit before tax	29.6	28.9	2%
Taxation	(6.1)	(4.4)	39%
Profit for the period	23.5	24.5	(4)%
Basic EPS	7.99p	8.24p	(3)%
Diluted EPS	7.90p	8.09p	(2)%

Revenues increased by 9% or £8.7m to £102.0m in the 12 months ended 31 December 2023 (2022: £93.3m). Growth at constant currency was also 9% – see page 26 for the definition.

Gross profit increased 6% to £63.7m (2022: £59.9m) slightly behind the increase in revenue mainly due to increased headcount and salary inflation, with operating profit increasing by 2% or £0.5m to £30.1m (2022: £29.6m) with profit before tax of £29.6m (2022: £28.9m).

The Effective Tax Rate (ETR) for 2023 is 20.6% (2022: 15.2%) which increased over 2022 largely due to the increase in the UK Corporation Tax rate. The resulting profit for the period was £23.5m (2022: £24.5m).

Revenue – by type £m	2023	2022	Movement %
<b>Subscription</b>	<b>31.8</b>	27.4	16%
<b>Software</b>	<b>15.6</b>	16.3	(4)%
<b>Services</b>	<b>54.6</b>	49.6	10%
<b>Total revenue</b>	<b>102.0</b>	93.3	9%

### Subscription revenues

Overall subscription revenues increased strongly by 16% to £31.8m (2022: £27.4m), with growth across all three elements of licence, maintenance and hosting driven from both existing and new customers. All new customers in the late-stage pipeline are looking for a subscription licence contract, with 90% looking to utilise Alfa Cloud.

### Software revenues

Software revenues of £15.6m were down £(0.7)m or 4% on last year (2022: £16.3m), due to a reduction in the recognition of customised licences from perpetual licence customers, as we focus on moving customers to a subscription model. Development work for existing customers was heavily weighted towards the first half of the year, but overall was in line with 2022. There were one-off licence revenues of £0.5m (2022: £0.4m).

### Services revenues

Total services revenues increased by 10% to £54.6m (2022: £49.6m) at actual exchange rates. Growth was broadly spread and came from both implementation revenues for new customers and also from existing customers, either going through v4 to v5 upgrades (which accounted for 17% of total services work versus 14% last year) or ongoing services work.

### Total contract value (TCV)

TCV – by stream £m	2023	2022	Movement %
<b>Subscription</b>	<b>119.5</b>	93.3	28%
<b>Software</b>	<b>17.8</b>	20.1	(11)%
<b>Services</b>	<b>28.0</b>	29.5	(5)%
<b>Total TCV</b>	<b>165.3</b>	142.9	16%

Total contract value (TCV) increased over last year by 16% to £165.3m, significantly boosted by two large contracts signed in the year offset by the completion of one large project. Subscription TCV has increased 28%, driven by strong growth in both hosting and licence subscriptions. There was a 11% decrease in Software TCV, principally from a reduction in the as yet unrecognised customised licence as

we transition to subscription licences. Services TCV of £28.0m was down 5% versus this time last year due to a lower level of activity in advance of new contracts being signed and started.

TCV – by stream for next 12 months £m	2023	2022	Movement %
<b>Subscription</b>	<b>37.1</b>	30.1	23%
<b>Software</b>	<b>8.7</b>	10.2	(15)%
<b>Services</b>	<b>21.2</b>	24.7	(14)%
<b>Total TCV</b>	<b>67.0</b>	65.0	3%

Of the TCV at 31 December 2023, £67.0m (31 Dec 2022: £65.0m) is anticipated to convert into revenue within the next 12 months. Within this subscription TCV is up strongly by 23% to £37.1m (2022: £30.1m) on the back of two new contracts, software TCV of £8.7m (2022: £10.2m) is down 15% due to the reduction in unrecognised customised licence, with services TCV down 14% to £21.2m (2022: £24.7m). We expect this to increase as new contracts start.

### Operating profit

The Group's operating profit increased by £0.5m, or 2%, to £30.1m in 2023 (2022: £29.6m) primarily reflecting the net benefit of increasing revenues net of operating costs.

Headcount numbers were up 8% at 31 December 2023 at 475 (2022: 441), with average headcount of 463 up 10% on last year (2022: 420). Staff retention rate was very strong through 2023 and was at 97% at 31 December 2023 (2022: 90%).

## Financial review continued

Expenses – net £m	2023	2022	Movement %
<b>Cost of sales</b>	<b>38.3</b>	33.4	15%
<b>Sales, general and admin expenses*</b>	<b>34.0</b>	32.1	6%
<b>Other income, FX and one-off costs*</b>	<b>(0.4)</b>	(1.8)	(78%)
<b>Total expenses – net</b>	<b>71.9</b>	63.7	13%

\* FX gains and losses and fair value movement on FX forward contracts as well as the one-off aborted transaction costs have been removed from SG&A to better show underlying costs, and have been shown together with other income in the table above.

Cost of sales increased by £4.9m to £38.3m (2022: £33.4m) to support the growth in the business. This was due to higher headcount, in both our implementation and engineering teams along with pay increases. Hosting costs increased from the strong growth in Alfa Cloud.

Sales, general and administrative (SG&A) costs increased to £34.0m in the year (2022: £32.1m). Salary costs were up 12% in the period to £46.8m (2022: £41.8m) due to higher headcount and pay increases. Profit Share Pay, including employer's costs, in the period was £3.8m (2022: £3.5m). Share-based payment charges have decreased over last year at £1.6m (2022: £1.8m), principally due to lower provision for NI costs from a lower share price at year end. Other costs increased 11% to £15.6m (2022: £14.0m) with cost patterns returning to normal along with the impact of inflation.

Other income, FX and one-off costs decreased by 78% since 2022. Included within this is £0.5m (2022: nil) of income related to the Research & Development expenditure credit ("RDEC") scheme which we qualified for in 2023 for the first time, with reduction in sub-letting income in FY 23 due to be office space being assigned in 2022. Legal & other costs related to

possible offers for the company were £0.6m (2022: £nil). There was a net gain of £0.3m (2022: £1.1m) from FX gains and losses and fair value movement on FX forward contracts.

We have continued to invest in our product, with total investment increasing in 2023 to £35.0m (2022: £29.1m). This investment is calculated based on the total time spent by people in our Product Engineering team working on Alfa Systems product either for specific customer developments, which are largely chargeable, or internal investment and enhancement of the product. It does not include time spent on implementing or maintaining and supporting systems for customers. It includes salary costs and a full overhead allocation, and includes amounts shown as R&D expense and costs that have been capitalised.

### Profit before tax

Net finance costs reduced to £0.2m (2022: £0.6m) benefiting from a full year of reduced lease costs and interest income of £0.3m (2022: £nil). Overall Profit before Tax of £29.6m was up 2% on last year (2022: £28.9m).

### Profit for the period

Profit after taxation decreased by £1.0m, or 4%, to £23.5m (2022: £24.5m). The Effective Tax Rate (ETR) for the year increased to 20.6% (2022: 15.2%) as a result of the increase in the UK corporation tax rate, net of the benefit from prior year credits of £1.2m principally due to the last year of operating under the R&D tax credit scheme. For the full year 2024, we expect the ETR to be around 26% due to the full year effect of the increase in the UK Corporation Tax rate to 25% along with the loss of the R&D tax credit which has been replaced by RDEC scheme, which is shown in other income and not within the tax charge.

### Earnings per share

Basic earnings per share decreased by 3% to 7.99 pence (2022: 8.24 pence) on the increased tax charge. Diluted earnings per share decreased by 2% to 7.90 pence (2022: 8.09 pence).

### Cash flow

Cash generated from operations was very strong at £39.2m in the period (2022: £34.0m) up £5.2m on last year. Net cash generated from operating activities was also very strong at £32.2m (2022: £27.2m) with tax payments of £6.5m up on the £6.2m for 2022.

Net cash (including the effect of exchange rate changes) increased by £3.1m to £21.8m at 31 December 2023. In the year the 2022 final dividend and two special dividends were paid, totalling £19.7m (2022: £22.5m). In addition, the purchase of own shares was £4.8m (2022: £5.6m) for both the share buy-back, which ended in June 2023, and to fund the Employee Benefit Trust (EBT). Net capital expenditure of £3.4m was up on last year (2022: £2.3m) with increased capitalisation of software, as expected, up to £2.8m (2022: £1.5m) and with other capex of £0.6m (2022: £0.8m) principally due to investment in IT equipment.

Operating free cash flow conversion £m	2023	2022
<b>Cash generated from operations</b>	<b>39.2</b>	34.0
<b>Adjusted for:</b>		
<b>Capital expenditure</b>	<b>(3.4)</b>	(2.3)
<b>Principal element of the lease payments in respect of IFRS 16</b>	<b>(1.3)</b>	(1.6)
<b>Operating free cash flow</b>	<b>34.5</b>	30.1
<b>Operating profit</b>	<b>30.1</b>	29.6
<b>Operating free cash flow conversion</b>	<b>115%</b>	102%

The Group's Operating Free Cash Flow Conversion (FCF) of 115% (2022: 102%) was very strong, benefiting from extremely prompt payment by customers at year end. As noted before, over time the ongoing trend for 12 month cash conversion will be around 100% as we move to a subscription model.

## Balance sheet

The significant movements in the Group's balance sheet, aside from the cash balance which is described above, from 31 December 2022 to 31 December 2023 are detailed below.

Other intangible assets have increased by £2.1m to £5.0m (2022: £2.9m) due to additions to capitalised development costs.

Right of Use Assets and total Lease Liabilities have decreased by £1.0m and £1.1m respectively due to depreciation charges and lease payments made in the year.

Trade receivables reduced by £3.3m to £5.6m at 31 December 2023 (31 December 2022: £8.9m) with very strong cash collection at year end. Accrued income reduced to £4.6m (31 December 2022: £6.5m) due to prompt billing.

Corporation tax receivable has increased to £1.9m (2022: £0.2m) due to tax payments made during the year and the impact of the R&D tax claims.

Trade and other payables balance increased by £0.5m to £10.0m at 31 December 2023 (31 December 2022: £9.5m).

Contract liabilities reduced slightly by £0.6m to £14.2m at 31 December 2023 (31 December 2022: £14.8m) due to a small reduction in the deferred licence balances.

## Capital allocation and distributions

The Group has had very strong cash generation over a number of years and we expect to continue to be cash-generative going forwards. The Group's capital allocation policy takes into consideration the need to continue to invest in our people and technology whilst maintaining strong liquidity. We wish to retain a degree of optionality for future investment which we can assess at the time.

Over the three years since November 2020, ordinary dividends of £9.8m and special dividends of £109.4m for a total of £119.2m have been paid. In addition, we purchased 4.8 million shares at a cost of £7.7m through the share buy-back programme which finished in June 2023. Therefore, over the last three years, there has been a return of over £125m to shareholders.

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

For 2023, we are proposing an ordinary dividend of 1.3 pence per share, amounting to £3.8m, with an ex-dividend date of 30 May 2024. In addition, we have declared a special dividend of 2.0 pence per share, amounting to £5.9m with an ex-dividend date of 2 May 2024.

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

## Subsequent events and Related parties

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

## 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 45 to 47.

## Duncan Magrath Chief Financial Officer

13 March 2024

# Risk management

Alfa's effective risk management provides a foundation for the safe pursuit of our strategic goals, innovation and opportunities.

## Introduction

2023 has seen our risk environment evolve, and our monitoring and mitigation has kept in step with this evolution, guided by our well-established risk management framework. Careful management of risks has helped to ensure that our operations and strategy have continued to prove their resilience towards external themes, such as the continuing global economic uncertainty, high interest rates and cost of living, and their potential impacts on the asset finance industry which we serve. Our principal risks, each categorised as external or internal, are explained on pages 36 to 44.

We have an established governance regime in place for risk management (see page 33), which puts assessment, monitoring and controlling of risks at the heart of our strategy. On behalf of the Board, and with oversight by the Audit and Risk Committee, the Risk Management function has focused in 2023 on identifying, understanding, monitoring and controlling risks, as well as providing direction on the level of risk that Alfa is willing to take to achieve our strategic goals.

Alfa puts considerable focus on our responsibility towards society and the environment, and we seek to make a positive impact across a broad range of ESG topics. As such it is vital that 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. Whilst we do not have any ESG-related principal risks, there is discussion of our ESG risk assessment on page 55.

## Our Risk Management Framework – how we identify and manage risks

Our risk management framework is designed to be flexible and proactive, and links tightly into our operations, strategy and decision-making. This allows 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 2023 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.



## Our risk management framework



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. Each identified risk is categorised into one or more business areas, and is assigned to the most appropriate business owner.



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 consider their level of impact to our organisation across these categories:

- Financial
- Operational
- Reputational
- Legal and regulatory
- ESG

The assessed risks are then reviewed by the CLT and the Audit and Risk Committee, to provide assurance over completeness and quality 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.



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. 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

## Governance and responsibilities

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>• Sets the tone for risk management including risk appetite</li> </ul>	<ul style="list-style-type: none"> <li>• Responsible for an effective system of internal controls</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 ratings</li> <li>• Reviews and challenges the risk appetite</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 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 CLT 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, and report such to operational management.</li> </ul>	<ul style="list-style-type: none"> <li>• Report inefficient, unnecessary or unworkable controls</li> </ul>

**Top down**  
Governance, identification and assessment of risk by senior management

**Bottom up**  
Identification, assessment, control and monitoring of risk by business areas

## 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. Our risk appetite is assessed across the following categories: strategic, financial, legal, operational and ESG. Each of these areas has different considerations, and it is important that we are setting the correct tone for decision making in each area. This is then consolidated up to determine our overall risk appetite.

In December 2023, 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.

Overall, 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 the principal risk A–socio-economic and geo-political risk, is currently showing outside of our acceptable risk appetite range, as it was in FY22. This risk is due to external factors, and we consider its heightened level to be somewhat outside of our control, and that this will be temporary. Our strategy for growth and diversification is a key mitigation, helping us to remain resilient, and adapt as this external risk evolves. We continue to monitor whether there are further actions we can take to mitigate this risk whilst it remains at an elevated level.

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

We put a particular focus on ESG-related risks, and in 2023, as part of our bi-annual risk reviews, we re-assessed these 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.

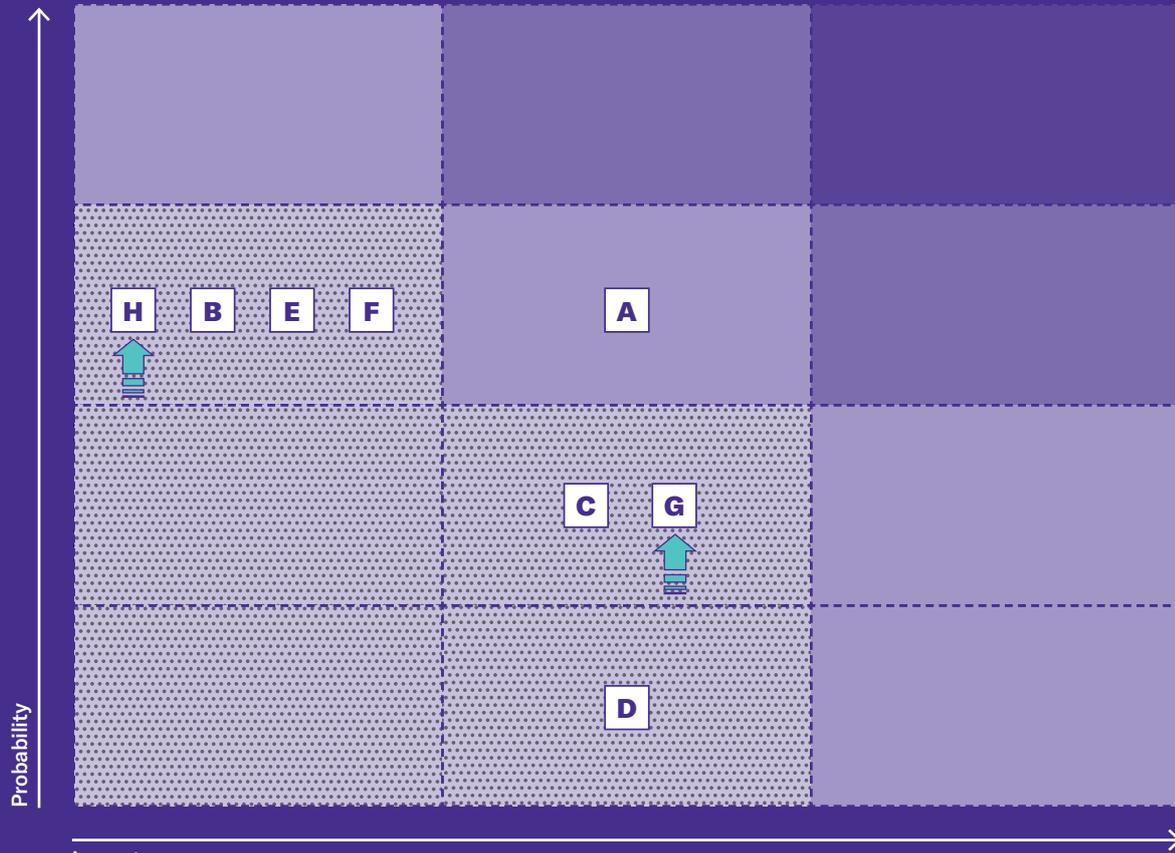
Refer to pages 70 to 72 (Task Force on Climate-Related Financial Disclosures) which discusses specific risks related to our climate change responsibilities. We will continue to risk assess this area as we progress our ESG objectives in 2024.

## Focus for 2024

- 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 effectiveness of controls.
- Information security, cyber security and data protection – maintain SOC1 Type 2, SOC2 Type 2 and ISO programme compliance, and continue to assess and strengthen our cyber security defences.
- Business continuity and disaster recovery scenario testing exercises, covering our operational systems, and Alfa Cloud.
- Internal audit – provides assurance on the adequacy of our risk management, governance and internal control arrangements.

# Principal risks and uncertainties

Principal risk heat map



Impact

Risks

- |  |  |   |
|--|--|---|
| <b>A</b> Socio-economic and geo-political risk     | <b>E</b> Foreign exchange rate uncertainty   | <b>H</b> Management and support for legacy versions of Alfa Systems |
| <b>B</b> Risk to people, team, capacity and skills | <b>F</b> Pressure on margin due to increased cost base, or through increased competition | Acceptable risk appetite  |
| <b>C</b> IT security and cyber risks               | <b>G</b> Competitive pressure may lead to a loss of market share in our target markets   | Risk movement since FY 2022   |
| <b>D</b> Business interruption and continuity      |  |   |

## 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 strategy

1 2 3

#### Movement

compared to FY22:  
Same level of risk

#### Potential impact

Major

#### Probability

Likely

#### How does it impact us?

2023 has seen a continuation of the uncertainty in the global economic outlook. This may impact demand for our services, or impact our margin, in one or more of our regions. This uncertainty is due to a variety of external factors, such as the geo-political tensions caused by the war in Ukraine, the war in the Levant, and the economic recovery following the COVID-19 pandemic.

The potential impacts of this risk are:

- Potential impacts of economic uncertainty on our customers and their markets may reduce their spend on our services. Noting that we have no customers nor operations in Ukraine nor in the Levant or elsewhere in the Middle East, so do not have direct exposure to those regions.
- Inflation remains at abnormally high levels in many of our regions (although this has cooled), 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 uncertainty, higher inflation and high interest rates may lead to reduced demand for consumer asset finance, and therefore a knock-on reduced demand for our services.
- High interest rates result in a high cost of borrowing for our asset finance customers, which may put pressure on their margins if they cannot pass those on to customers. This may reduce their ability to spend on technology change projects.

The above external factors have led to us assessing this risk as remaining at its previous level.

#### How we mitigate?

**Strategy for diversification:** Our strategy aims to diversify our 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 cyclical trend affecting the auto and equipment finance industry.

Additionally, our strategy aims to diversify our revenue streams to build further resilience, with our subscription Alfa Cloud offering now well established alongside our implementation professional services and ongoing development services.

**Financial robustness:** 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.

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

**Customer alignment:** 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 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.

## Principal risks and uncertainties continued

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

#### Link to strategy

1 2 3

#### Movement

**compared to FY22:**  
Same level of risk

#### Potential impact

Major

#### Probability

Likely

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.

#### Progress highlights in FY23

**Decreasing customer concentration:** The number of customers contributing more than £2m to annual revenue has grown from 17 in FY22 to 19 in FY23. This demonstrates the effect of our growing customer base on diversifying our exposure to our largest customers.

#### Strategy for diversification:

We have achieved substantial growth in our subscription revenue, largely through the success of our Alfa Cloud offering. Subscription now contributes 31% of our revenue (FY22: 29%).

We have reinforced our geographical diversification, with successful go-lives across all of our operating regions in 2023 (US, Asia Pacific and EMEA), and an implementation in a new country (Mexico).

#### Total Contractual Value (TCV):

Our TCV has grown from £143m in FY22 to £165m, giving some indication of the forward demand for our services.

#### Customer alignment:

Our markets and products team have worked closely with our client-facing teams and customers, hosting regular user group sessions, and a multitude of liaison and product strategy alignment sessions with our customers.

### 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.

## Risk B – Risk to people, team, capacity and skills

### Link to strategy

1 3

### Movement

compared to FY22:  
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, although this has reduced somewhat from peak levels.

As such, this risk remains at the same level as previously.

### How we mitigate?

**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.

**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.

**Learning and development:** 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 endeavour to maintain a culture centred around our principles and values, and we have a strong focus on employee satisfaction, wellbeing and engagement.

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

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

### Progress highlights in FY23

**Retention & employee engagement:** Retention has remained high, at 97% (higher than the FY22: 90%). Employee engagement has remained at similar high levels to 2022 (2023: 82%, 2022: 84%).

**Recruitment:** We have continued to strengthen and grow our team, with active recruitment of top quality talent across many areas of the business, in the US, Europe and Asia Pacific. This includes both experienced hires, and intakes into our graduate scheme.

**Learning and development:** We have further strengthened our culture of curiosity, with notable successes such as a new advanced leadership programme, and a series of important improvements to our graduate programme training curriculum. We have also introduced an extensive catalogue of training materials covering a very broad range of relevant skills.

# Principal risks and uncertainties continued

## Risk C – IT security and cyber risks

### Link to strategy

1 2 3 4

### Movement

compared to FY22:  
Same level of risk

### Potential impact

Major

### Probability

Possible

### How does it impact us?

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. A successful cyber attack could impinge upon our ability to operate our business, including our ability to continue providing support to our customers.

Our Alfa Cloud offering stores our customers' data on third party cloud hosting platforms. A security breach in our Alfa Cloud offering could result in compliance violations, identify theft, malware infections, diminished customer trust and loss of revenue.

There is a continuing global trend of cyber attacks against organisations, including large-scale, sophisticated and coordinated attacks.

### How we mitigate?

**Monitoring and control:** Our internal Information 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.

**Continuous improvement:** We implement continual improvements in our IT control environment.

**Employee education:** We maintain an annual education and training programme for all staff, covering Information Security, Data Privacy and Business Continuity.

**Customer assurance:** Our customers perform thorough assessments of the security of the Alfa Cloud platform during their system selection and implementation process, measuring our 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.

### Progress highlights in FY23

**Assurance around controls:** We have maintained our SOC2 Type 2, ISO27001 and ISO27018 compliance in 2023. We have also achieved SOC1 Type 2 accreditation, providing additional assurance around our controls.

**Monitoring and control:** We have implemented a range of continuous improvements to our cyber security processes and controls. We have further strengthened our security team in 2023 with recruitment of additional specialists.

## 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.

## Risk D – Business interruption and continuity

### Link to strategy

1 2 3

### Movement

compared to FY22:  
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.

### How we mitigate?

**Established procedures:** We have an established, detailed and tested incident management procedure and escalation process.

**Assurance around procedures:** We have a disaster recovery and business continuity plan which is reviewed and tested annually, and is included in the SOC 1 Type 2 and SOC 2 Type 2 audits. This includes an impact analysis exercise, which identifies key systems, and assigns clear ownership of each of those systems and their business continuity plans.

**Alfa Cloud procedures:** Where we provide Alfa Cloud hosting services, using third party cloud hosting suppliers, we have annually-tested disaster recovery plans which initiate automatically if a server or a region becomes unavailable. In addition, if a cloud provider ceases to operate, we have a continuity plan in place to transfer our customers' data to a similar supported environment.

**Global distribution:** 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.

### Progress highlights in FY23

**Testing:** We have successfully tested key business continuity processes, including system failover and disaster recovery, across both our corporate network and systems, and Alfa Cloud.

**Streamlining:** Business continuity and disaster recovery processes have been aligned between our internal teams and our Alfa Cloud offering, enabling streamlining and sharing of best practice.

**Assurance:** Our SOC1 Type 2 and SOC2 Type 2 reporting and complete failover testing has identified no significant required remedial actions.

## Principal risks and uncertainties continued

### Risk E – Foreign exchange rate uncertainty

#### Link to strategy

1 2 3

#### Movement

compared to FY22:

Same level of risk

#### Potential impact

Moderate

#### Probability

Likely

#### How does it impact us?

There has been considerable fluctuation and volatility in currency exchange rates throughout 2023, as a result of factors such as those listed in Risk A – Socio-economic and geo-political risk. There is a risk of continued volatility in 2024.

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

#### How we mitigate?

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

**Hedging:** 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.

#### Progress highlights in FY23

**Hedging:** As part of our foreign exchange risk management, in 2023 we entered into forward foreign exchange contracts to limit our exposure to exchange rate volatility.

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

#### Link to strategy

1 2 3

#### Movement

compared to FY22:

Same level of risk

#### Potential impact

Moderate

#### Probability

Likely

#### How does it impact us?

The current high inflation environment, coupled with high salaries in the technology industry, may 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.

#### How we mitigate?

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

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

**Differentiators:** 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.

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

#### Progress highlights in FY23

**Sales conversions and delivery successes:** We have converted three prospects into customers, and have had a record year for implementations, with 35 go-lives and upgrades (FY22: 28). This demonstrates the strength of our differentiators – our market-leading people, product and delivery.

### 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.

## Risk G – Competitive pressure may lead to a loss of market share in our target markets

### Link to strategy

1 2 3

### Movement

#### compared to FY22:

Newly-escalated to the principal risks in 2023

Increased probability

### Potential impact

Major

### Probability

Possible

### How does it impact us?

Our competitor landscape is evolving, with some M&A activity, and with competitors targeting new regions, and developing their product offerings.

There's also the possibility of disruptive competition, for example from big tech companies moving into auto sales (this is discussed as an emerging risk, see page 44).

This is a pre-existing risk which has been newly-escalated into the principal risks in 2023, as a result of a reassessment of the competition we are seeing at sales stage, for example aggressive sales tactics from competitors.

### How we mitigate?

**Differentiators:** Our strongest mitigations are differentiating features—the quality of our product, delivery record, and people. Our strategy aims to retain and develop these, enabling us to be the global platform of choice across the asset finance industry.

**Customer alignment:** We ensure that we are closely-aligned with customer needs, and hence with the market needs, through the active engagement with our customers, via our client-facing teams, and the Markets and Products team. This also guides our investment programme, allowing us to target our product investment on the areas of most interest to the market.

### Progress highlights in FY23

**Sales conversions and delivery successes:** As highlighted for Risk F, we have converted three prospects into customers, and have had a record year for implementations, with 35 go-lives and upgrades (FY22: 28). This demonstrates the strength of our differentiators – our market-leading people, product and delivery.

## Risk H – Management and support for legacy versions of Alfa Systems

### Link to strategy

1 4

### Movement

#### compared to FY22:

Newly-escalated to the principal risks in 2023

Increased probability

### Potential impact

Moderate

### Probability

Likely

### How does it impact us?

Legacy versions of Alfa Systems (pre-version 5) remain in operation for a small subset of our customers, who are not yet ready to upgrade.

Retaining the hardware and software needed to support and maintain these older version of Alfa Systems, may become expensive and time-consuming.

There is also a risk due to skillsets for supporting and maintaining these older versions being concentrated in a small team, leading to key person dependencies.

### How we mitigate?

**Decommissioning:** Ultimately we will seek to decommission the hardware and software specific to these older versions of Alfa, once all customers have moved off these older versions. We discuss decommissioning dates with our customers, and options for moving to the newest version of Alfa Systems.

**Cost recovery:** Provision is included in customer contracts for recovering increasing costs of maintaining older versions of Alfa Systems.

### Progress highlights in FY23

**Decommissioning:** We have upgrade projects in progress, moving customers onto Alfa Systems v5, for the majority of impacted customers. This includes the last customers on our managed service infrastructure for Alfa Systems v3 and v4, which will allow some important infrastructure decommissioning.

**Cloud infrastructure:** Options are being investigated for moving the remaining required hardware and software to cloud infrastructure, to enable easier maintenance and supportability.

## Principal risks and uncertainties continued

### Emerging risks

Emerging risks are those that, whilst not considered current, may become significant risks over a longer timeframe. We incorporate emerging risks into our regular bi-annual risk review exercises, and they are assessed in a similar way to the rest of the risks in the register, including the assessment, and identification of mitigating measures.

Our key emerging risks are presented below:

Emerging risk	Description	Mitigation	Time Horizon		
			Short < 2yrs	Medium 2-5 years	Long > 5 years
<b>Artificial Intelligence (AI)</b>	<p>There is a risk that AI will result in an acceleration of novel methods of cyber attack.</p> <p>There is also a risk of competition from novel AI products or technologies, which could reduce our market share.</p>	<p>Our Information Security team stays up-to-date with the latest security and threat environment, and we have specialist advisory assistance in this regard. This is considered a component of Risk G – IT security and cyber risks, and the steps taken for that risk are all relevant here.</p> <p>AI presents both risks and opportunities for our organisation, and we are actively engaged in strategic and innovative exploration and uses of AI (see page 13).</p>	<b>Y</b>	<b>Y</b>	<b>Y</b>
<b>Technology competition</b>	We may face competition from new entrants into the asset finance market, such as from big tech, who may disrupt the asset finance technology sector.	We are specialists in the asset finance industry, and our product strategy seeks to keep us in step with industry needs. We are closely engaged with our customers, to ensure that we can help them to remain on the leading edge of technology developments.	<input type="checkbox"/>	<b>Y</b>	<b>Y</b>
<b>Disruption of the global auto finance industry</b>	Our auto finance customers may face significant competition from new entrants into their markets, for example Chinese auto manufacturers disrupting the European electric vehicle market. This may reduce the market share held by our current core customers, thus reducing their spend on our services.	<p>We are closely monitoring change in the industries and markets we serve. Our Markets and Products team are closely-engaged with our customers, and with the wider industry, so that we can remain ahead and prepared for new trends.</p> <p>This risk also presents opportunity for us. Our customers will need to adapt, involving technology change, which we are the forefront of. In addition, new entrants to our markets means potential new prospects for us.</p>	<b>Y</b>	<b>Y</b>	<b>Y</b>

# 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:

- Grow differentiation of market leading People, Product, Delivery;
- Enable profitable growth by focussing on Alfa Cloud, Subscriptions, Incremental sales and our Target markets;
- Increase our capacity for developing and delivering Alfa Systems;
- Enable more concurrent Alfa Systems implementations, more efficiently.

During the year ended 31 December 2023, the Group generated profit before tax of £29.6m and was cash-generative with net cash generated from operating activities amounting to £32.2m. The Group was also able to pay special dividends in the year of £16.2m in addition to the ordinary dividend for 2022 of £3.5m.

Taking into account the Group's current position and its principal risks and uncertainties as described on pages 36 to 44 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 16 to 25 and 14 to 15 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 being delivered.

Detailed financial forecasts which include profit, cash flow and key financial ratios have been prepared for the three-year period to December 2026.

The first year of the financial forecasts forms the Group's 2024 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.

## Viability statement continued

### 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 36 to 44.

The Board has considered the Group's financial performance in 2023, and the risk factors noted above and consider that the key risks which could have a major impact on 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;
- Pressure on margins due to increased cost base, or through increased competition;
- Competitive pressure leading to a loss of market share in our target markets.

### 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 such a scenario crystallising 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 different levers that could be pulled 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 £9.4m.

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 2026.

## Scenario 1:

This scenario assumes no conversion of sales pipeline, a 25% reduction in uncontracted work for existing customers and prices held constant in order to retain customers, resulting in a 32% reduction from base case revenues by 2026.

Employee retention rates reduced by 12% p.a. resulting in a 20% reduction in headcount from base case by 2026 and partner usage is reduced by 60% from base case in 2026.

Direct costs relating to partner usage and Cloud hosting services are significantly reduced in line with customer activity, however salary costs per person increase as a result of labour market factors and the need to retain personnel. Overheads including SG&A salaries reduced in line with headcount, and the level of bonuses and profit share are also reduced in line with performance.

In this scenario there would be no payment of special dividends, however annual ordinary dividends and share purchases for option vestings would continue as planned and no other mitigating actions take.

## Scenario 2:

This scenario assumes no conversion of sales pipeline as well as a significant loss of customers including cancellation of two major ongoing customer projects during 2024 and termination of subscription contracts representing 20% of subscription revenues. This scenario results in a 50% reduction from base case revenues by 2025.

Employee retention declines by 17% from base case in this scenario but recruitment continues and no redundancies made; this results in a 29% reduction in headcount from base case by 2026. Partner usage is reduced by 65% from base case in 2026.

Direct costs are reduced further than in Scenario 1 as well as further reductions in operating and capital expenditure in line with headcount. Salary increases are maintained in order to retain personnel. No bonuses are paid and profit share reduced in line with performance.

In this scenario there would be no payment of special dividends, however annual ordinary dividends and share purchases for option vestings would continue as planned and no other mitigating actions taken with other operating costs remaining in line with the base case.

# Engaging with our stakeholders

## Section 172 statement

This section of the Strategic report and the pages to which it refers, comprise the Company's section 172(1) statement together with the statements set out earlier in this report as to how the Directors have engaged with employees and have regards to their interests, and how the Directors have had regard to the Company's business relationships with its customers, suppliers and external stakeholders.

The Board is responsible for leading stakeholder engagement and 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 positive and productive relations.

The Board, together with the Directors, considers any current risks or emerging risks with regard to each stakeholder group as part of the overall principal risk assessment, which is contained on pages 36 to 45.

For each matter that comes before the Board, the Board considers the likely consequences of any decision in the long term, identifies stakeholders that may be affected and carefully considers their interests and the potential impact of the decision-making process.

Engagement with our shareholders and wider stakeholder groups plays a vital role in Alfa's business. Alfa's key stakeholders and why they are important to us are set out opposite:



### Employees

Our employees are central to everything we do. Listening to our 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.



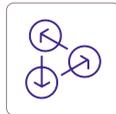
### Investors

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



### Customers

Our customers are central to our business and we aim to deliver our leading-edge technology to them making our customers future-ready.



### Communities and environment

We have a responsibility to add value to the communities in which we operate. We have employee-led community groups that are safe spaces for colleagues to promote issues, support each other and contribute to organisational change.



### Suppliers and Partners

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 fulfils its section 172 duties

### Our Directors

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.

### 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 the Strategic report and Corporate Governance sections of this Report.

### Establishing our culture, values and strategy

The Board is responsible for the long-term success of the Company, through setting, overseeing and driving the Company's culture, values and strategy. By discharging the above responsibilities effectively, all our stakeholder groups are impacted positively, whether it be by providing an environment where our employees thrive, or by requiring the highest standards of services and partnership to our customers and suppliers, or by managing the business effectively to generate returns to investors, and the communities we are part of.

### Information to the Board

The Board receives information on how we engage with our stakeholders, which they review regularly throughout the year, to ensure that the long-term impact on any of these groups is considered.

### Monitoring

Where the Board does not engage directly with our stakeholders, it is kept updated so that Directors maintain an effective understanding of what matters to our stakeholders and can draw on these perspectives in Board decision making and strategy development.

Stakeholder group



**Consistently strong employee engagement in 2023**

**82%**  
overall engagement

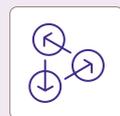
**83%**  
say excellent culture



**Three dividends paid, returning c. £20m to shareholders**



**Dedicated customer user focus groups**



**As part of our journey towards net-zero, our targets were validated by the Science Based Targets initiative (SBTi)**



**Launched the Alfa Suppliers Code of Conduct**

# Engaging with our stakeholders

## Stakeholder engagement

The following pages set out key stakeholder categories, the forms of Board engagement with those stakeholders, and the wider business engagement and the impact of such activities conducted during the year.



### Employees

#### Why we engage

Engagement with employees is paramount to maintaining the strong culture at Alfa. Employee engagement is fundamental to our success, employees who feel valued are more likely to contribute innovative ideas and solutions. We continue to cultivate a culture of innovation and empowerment and, we are proud that our people are highly engaged and supportive of each other and of the organisation's aims.

#### How the Company engages

- We maintain our commitment to diversity, equity and inclusion, keeping this front of mind when making decisions. We launched our diversity, equity and inclusion employee survey, which sought feedback from colleagues on how we're doing and suggestions for areas to work on.
- Internal communications are enhanced to consistently align with Alfa's strategy and core themes, providing clarity and focus.
- Regular global and regional Company meetings, conferences and Town Hall meetings are held to bring employees up to speed with the latest projects, strategy and performance. The objectives and progress of our corporate objectives were also cascaded to the wider management team for onward communication.
- We conduct a quarterly employee engagement Pulse survey. The survey is anonymous to encourage employees to be candid in their responses. Focus groups were established to look at particular topics arising from the survey. Output from the survey and focus groups is regularly provided to the Board by the CEO and CPO.
- We have a flexible inclusive working structure that creates opportunities for teams to come together to connect, collaborate, and innovate. Striking the right balance makes it possible for the Group to achieve great outcomes for colleagues, customers, and the community.

#### How the Board engages

- The Board reviewed the Gender pay gap report and initiatives identified by the action plan.
- Members of the Board attended the EMEA Company meeting, which provided interaction between the Board with a wide range of employees across functions, leading to a deeper understanding of the daily objectives, challenges and opportunities.
- The Board reviewed the results of the Pulse surveys during the year, which allows for greater insight into colleague sentiment across the Group and provides direct feedback on areas that can be improved.
- The Board attended an event which hosted a number of new hires and graduates.

### Gender pay gap and the Women's Community

During 2023, the People team collaborated with Alfa's Women's Community to gather feedback through focus groups, with input from female colleagues and allies that make up the Community's membership. Potential actions for reducing our gender pay gap were identified and explored, with open discussion and great ideas were tabled. The key relevant themes and action areas (such as career development and recruitment), have been built into a Gender Pay Gap Action Plan, which was presented to the Board by our Chief People Officer in December 2023. The Women's Community is continuing work alongside central teams to take the agreed actions forward in 2024 and we look forward to seeing the positive impact these initiatives will have.



## Investors

### Why we engage

Engaging with investors, ensures that the interest of our investors is aligned with the Company's strategic direction and purpose. Engagement helps our investors to understand Alfa's strategy, which, underpins our future growth plans and how the financial and operating performance of the business enhances long-term shareholder value and sustain growth.

### How the Company engages

- An open dialogue was maintained with institutional investors, updating investors on progress and keeping the Board informed about investors views and priorities.
- Shareholder engagement is the responsibility of the CEO and CFO, they manage and foster Alfa's relationships with investors and analysts.

### How the Board engages

- The 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.
- Capital allocation: the share buy-back programme concluded in June 2023, since the commencement of the share-buyback, the Company has repurchased 4,646,312 shares. The Company paid two special dividends and one final dividend, returning approximately £20m to shareholders.
- Held over 40 investor meetings plus Directors' Remuneration Policy consultation.
- Consultation with investors to discuss the unsolicited bid approaches. Individual meetings held with the Chairman, Senior Independent Director and the Chair of the Independent Bid Committee.
- At each Board meeting, the Board receives an Investor Relations update.
- The Company's brokers regularly attend Board meetings, and provide reports to those meetings, in order to keep the Board apprised of shareholder and wider market sentiment regarding the Company.
- At the Alfa 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.

## Q1 2023

- Preliminary results investor roadshows
- AGM engagement

## Q2 2023

- Meetings with investors – potential offer
- Investor office visit

## Q3 2023

- Interim results Investor roadshows
- Meeting with SID and ARC chair
- Meetings with Investors – potential offer

## Q4 2023

- Directors' Remuneration Policy consultation



# Engaging with our stakeholders

## Stakeholder engagement continued



### Customers

#### Why we engage

We engage to understand our customers better so we can provide a better product to them. This helps their business improve, and also helps Alfa by allowing us to identify new potential products and win new business. Our customers have direct channels to engage with all levels of the organisation and by actively listening to customer feedback and understanding their needs, Alfa can tailor our products to better meet individual customer requirements. We continue to build on our long-term relationships with our customers, which enables Alfa to anticipate and adapt to changing market demands effectively.

#### How the Company engages

- Our Markets and Products team has worked with our client-facing teams, and has led multiple user group sessions, along with a multitude of liaison and product strategy alignment sessions with our customers.
- We demonstrated our commitment to delivering cutting-edge solutions as we achieved a record seven new customer go-lives across the globe.
- Regular monitoring of customer focus groups helps Alfa to assess customer sentiment and identify areas where we can refine the customer experience.
- Investment prioritisation focuses on aligning the agile approach of our Alfa Development Model and optimising value, with committed resources for the top priority items and a longer tail of lower priority initiatives which will be delivered in smaller increments.
- We continue to innovate and evolve, empowering our customers to do more business and secure the edge over their competition.
- We released the first of the six pillars of Alfa Systems 6, which delivers important changes in performance and function to help address previous challenges and develop future opportunities.

#### How the Board engages

- Regular updates from the CEO and COO are provided to the Board on the operational priorities in place to deliver a high-quality customer experience.
- The Board hears regular updates on key customer measures across the Group and key themes from customer feedback.
- Regular cyber security updates are provided to the Board and this year the Board's understanding of Alfa's work to reduce cyber risks across the business was enhanced by an AI presentation in August 2023.
- An overview of Alfa Systems 6 was provided to the Board during the year to help Board members understand how the development of Alfa Systems were evolving to meet customer needs.



### Communities and environment

#### Why we engage

Making a meaningful contribution to the wider society enables us to create stronger communities and generate positive environmental and social impacts. Engagement with organisations such as non-governmental organisations and community groups helps us to address our impact on the wider society and support ways in which we can work together to make a valuable, positive contribution.

#### How the company engages

- Our Environmental Policy includes a commitment to continue to engage and educate employees on possible actions to combat climate change.
- Alfa demonstrates the pathway to achieve 2030 climate commitments through a robust net-zero Transition Plan. Alfa's emission targets were validated by the Science Based Targets initiative (SBTi) in 2023.
- 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 to 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.

#### How the Board engages

- The Board has oversight of the initiatives of the Alfa Communities and the impact they have on the external factors.
- The Board oversees the Company's broader sustainability reporting within the Annual Report and through the Audit and Risk Committee.
- Alfa was able to expand its TCFD disclosures after the progress made in strengthening governance and the integration of climate-related objectives in executive remuneration, leadership performance, and risk management.



## Partners and suppliers

### Why we engage

Engaging with our partners and suppliers is paramount for the development of our business relationships. Increasing our use of partners is a key element of our longer-term strategy for increasing the number of implementations we can deliver and providing us with a more flexible implementation resource. We are working with partners to help cultivate operational agility and engaging with suppliers to ensure that ethical and environmental standards are upheld.

### How the Company engages

- We launched our Supplier Onboarding process and Procurement Policy and Procedures. This ensures that 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.
- We launched a supplier review to ensure we are supporting carbon reduction projects across the world, with a level of transparency on what the project is doing.
- 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.
- We are focused on engaging with suppliers to understand our emissions data.

### How the Board engages

- 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.
- The Board has oversight of the road to net-zero, and is focused on regulatory, supplier and consumer pressures which are initiating changes to reporting, financial products and compliance.

## Key Board decision in 2023 and how stakeholders were considered

This statement describes a material example of how a principal decision was taken by the Board during 2023. Other key Board decisions are set out on page 87.

### Unsolicited offers for the Company

#### Board discussion

Following the unsolicited approaches from EQT Fund Management S.à r.l (EQT) and Thomas H. Lee Partners, L.P. (THL) regarding a possible offer for the Company, the Board was required to consider the impact on all stakeholders of its decision to recommend, or not recommend, the transactions to shareholders.

The Board was mindful of its duty under Section 172 of the Companies Act 2006 to promote the success of the Company for the benefit of its members as a whole and had regard to all the factors under Section 172 when reaching its decision, in particular the likely consequences of any decision in the long term. See below for further information on the specific factors considered.

Following the initial proposal from EQT, and the potential conflict of interest of the Company's controlling shareholder (whose directors are Andrew Page, Executive Chairman, and Andrew Denton, CEO), the Board approved the establishment of an Independent Bid Committee (IBC), and its members would comprise exclusively the Company's independent Non-Executive Directors. The role of the IBC was to principally decide whether or not to recommend the final terms of any offer to the Company's shareholders in accordance with the requirements of the City Code on Takeovers and Mergers.

#### Stakeholder considerations and impacts

Stakeholder impacts were considered throughout the offer periods. The interests of the Company's employees were considered at length, both in terms of the impact of negotiations with potential bidders as well as the impact of any potential transaction once completed. Updates were provided to employees on the situation as and when permitted under the City Code on Takeovers and Mergers. The proposals were considered in relation to the potential effects of the employees, including stability and long-term cultural fit of the Company. The Directors considered the impact on business relationships, in particular existing and late-stage pipeline customers. The Executive Directors communicated with the majority of customers to update them on the situation and reassure them that the Company would continue operating as usual.

The IBC thoroughly evaluated the offers, ensuring its commitment to treating all shareholders equally and maintaining the principles of equity and impartiality. The Senior Independent Director and Chair of the IBC, served as a point of contact for shareholders and provided oversight to ensure that governance practices remained robust and transparent. The Chair of the IBC facilitated communication between the IBC and the Board and ensured that Shareholder interests were protected and decisions regarding potential offers were made with their best interests in mind.

#### Stakeholder



#### Outcome

EQT announced that it did not intend to make a firm offer to the shareholders of Alfa. Alfa confirmed that it had terminated discussions with THL.

# Environmental, Social and Governance

At Alfa, the pursuit of success goes beyond financial achievements. Our commitment to sustainability, responsible business practices, and solid corporate governance lies at the core of our operations. The Alfa culture underpins all that we do in the ESG space. We are pleased to present this dedicated section in our Annual Report, outlining our Environmental, Social and Governance (ESG) performance and initiatives.

We aim to have a small company feel, but make a big impact, wherever we work.

Our Employee Resource Groups (which we call 'Communities'), bring energy and passion to a host of causes.

This year we have made great strides in our journey to net-zero and we've taken leaps towards making our product more sustainable than ever before.

Our ESG initiatives align with our five chosen United Nations Sustainable Development Goals.

Alfa's ESG Steering Group, comprising colleagues from across the business globally and including our Chief Financial Officer and Chief People Officer, meets each month to focus on terms of reference, report and record progress, and to support the overall direction of ESG at Alfa.

## Materiality

In addition to our chosen UN SDGs, our ESG Steering Group also continues 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.

We invite you to explore this section of our annual report, from People to Planet to Product, and join us on our path towards a more sustainable and responsible future.



### People

We're growing – and not just in headcount. We are offering more development opportunities than ever before, and are focused on keeping our special culture alive.

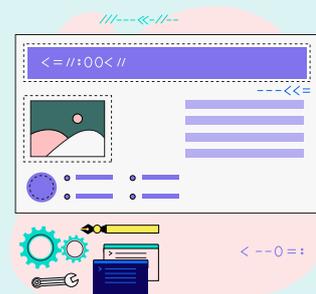
➔ Find out more on page 58



### Planet

2023 marked a pivotal moment for Alfa in our journey towards net-zero, as our targets were validated by the Science Based Targets initiative (SBTi).

➔ Find out more on page 66



### Product

We've launched new functionality within Alfa Systems, offering customers the ability to track and report on their portfolios' Scope 3 greenhouse gas (GHG) emissions.

➔ Find out more on page 68

## United Nations' Sustainable Development Goals

Goals

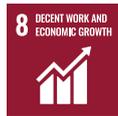


**Goal 5:**

### **Gender Equality.**

Achieve gender equality and empower all women and girls.

Read more about how we are tackling the gender pay gap and initiatives that will help us attract female talent on pages 62-63.



**Goal 8:**

### **Decent Work and Economic Growth.**

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

Diversity, Equity & Inclusion remains high on our list of priorities, with partnerships and projects to support making Alfa a great place to work. We attract, develop and retain the best in the business and celebrate diversity of thinking. Find out more on pages 58-61.



**Goal 10:**

### **Reduced Inequalities**

Reduce inequality within and among countries.

We're global in our thinking and streamline our policies around the world wherever possible. Alfa is proud to partner with several organisations that help us build relationships with those from any and all backgrounds.



**Goal 12:**

### **Responsible Consumption and Production**

Ensure sustainable consumption and production patterns.

Sustainability has always been a passion for Alfa and our people. From charity donations to new software functionality, read more about our practices on pages 64-69.



**Goal 13:**

### **Climate Action**

Take urgent action to combat climate change and its impacts.

This year we've made significant progress and commitments to taking climate action. Find out more on pages 64-69.

## Aspirations for 2024...

Next year we expect to publish our first standalone sustainability progress report.

We are exploring signing up to the United Nations Global Compact.

We will increase our focus on green and sustainable software engineering.

We will continue to explore partnerships with organisations that will support diversity in our recruitment opportunities.

We will create a detailed ESG strategy based on a chosen ESG framework, and begin to execute it.

Supplier Engagement will also be a key focus, partnering with customers to refine our emissions data.

Diversity, Equity and Inclusion will remain a pillar in our plans, with projects ongoing to improve gender representation and ethnicity pay gap reporting.

## 01

### January

- Come Dine With... Lunch for Chinese New Year

## 03

### March

- US Company Meeting
- APAC Company Meeting
- EMEA Company Meeting—featuring Change Please, The Food Foundation & ESG panel
- International Women's Day
- Pulse employee engagement survey for Q1
- Black Girls in Tech Fest
- Social Talk: All Things Ramadan

## 05

### May

- US Innovation Day
- Mental Health Awareness Week
- Cinco de Mayo Social
- Women's Community Mentoring kick-off
- US Town Hall
- Black Inclusion Week events
- Codebar workshop

## 02

### February

- Vegan Bake Sale
- Innovation Days
- Black History Month in US

## 04

### April

- Cambridge University Brown Girls Link Up Insight Day
- Leasing Foundation Ramadan Post
- Come Dine With... Lunch to celebrate Eid
- Easter treats in offices
- MS Society and Multiple Sclerosis Social Talk

## 06

### June

- Diversity, Equity & Inclusion Survey launch
- Pimm's My Pride
- Leasing Foundation & Alfa—The Rise of Transphobia
- EMEA Hackathon
- Social Talk: Clean Air Day, Singing for Breathing
- Social Talk: World Refugee Day
- Juneteenth—Cultural Day
- Bike servicing
- US Conference
- Pulse Q2



# 07

## July

- Come Dine With... & Podcast for South Asian Heritage Month
- SBTi submission validated
- Attack Hunger Detroit food and product donation drive
- US Leadership Social
- Quarterly Town Hall
- AsiaPac Matariki Cultural Lunch
- Alfa Work Experience



# 09



## Sept

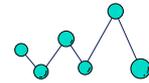
- ESEA Heritage Month & Mooncakes
- Cambridge University Brown Girls Link Up Insight Day
- Happiness at Work Happy Walls
- Codebar workshop
- Pulse Q3
- US Hackathon
- AsiaPac Conference & Hackathon
- Byron Bay Plogging
- Sydney Marathon
- In Conversation With... Alfa's CEO & CFO
- Detroit Zoo Volunteering Event
- Royal Oak 1 Year Anniversary cupcakes and tea
- US Women's Community Social
- US Cupcakes and Tea Tasting
- Leasing Foundation Race & Ethnicity in the Workplace seminar

# 11



## Nov

- Cough up for your coffee week
- Thanksgiving
- Diwali
- EMEA & US Innovation Days
- Vegan Bake Off
- Codebar workshop
- Come Dine With... World Vegan Day
- Movember/Men's Health
- US Adopt a Family
- Ways of working survey



# 08

## Aug

- EMEA Innovation Day
- Love Parks Plogging
- 2023 Commuting Survey
- Social Talk: Pollinators Garden
- US Graduates End of Training Celebration
- US Town Hall



# 10



## Oct

- EMEA Company Conference
- Melbourne Charity Marathon
- Auckland Charity Marathon
- In Conversation With... Inspiring Women Panel
- Mental Health Awareness Day – new Podcast on addiction
- Inclusion Week
- Denim Drive
- Black History Month UK
- Hispanic Heritage Month and Come Dine With... Mexico
- Menopause Awareness Month
- Detroit 5k fundraiser event US
- Inspiring Women Panel
- Matchable – new volunteering platform launch

# 12

## Dec

- Holiday treats – advent calendars
- December Company Meetings
- Pulse Q4
- AsiaPac December Meeting-Lego Charity activity
- US Teamwill Welcome Social
- Social Talk: Mental Health & work-life balance during the holidays



# Environmental, Social and Governance continued

## People



This year has seen the delivery of significant Learning & Development projects, including the enhancement of training tools and opportunities through new libraries of content—featuring hundreds of self-serve learning courses—and easy-to-access programmes. We made graduate programme improvements and end-of-placement process changes, as well as embedding our leadership development offering. We transferred all our historic training records to the new Learning Management System to give everyone a single view of their development journey.

Our Leadership Development programmes are enabling colleagues to further develop and hone the key skills, traits and characteristics needed to lead others effectively, helping us grow a culture where individuals and teams succeed.

Our focus on career progression centred on launching a new hub of content for our colleagues’ entire Talent Journey, and clear explanation of how to own their career, as well as how to have great development conversations.

### Goals



We welcomed

# 52

new colleagues throughout the year and ended 2023 with a total global headcount of

# 475



Retention for 2023 was

# 97%

**At Alfa, our people are at the heart of everything we do. We understand that attracting and retaining top talent is about creating an environment where individuals thrive, grow and feel valued. Our commitment to looking after our people is not just a statement; it’s a fundamental part of our culture. We believe that a supportive and inclusive workplace is crucial for recruitment, retention and, ultimately, our collective success.**

From day one, we prioritise the wellbeing of our employees. We offer comprehensive training and development programmes that enable continuous learning and career advancement. We believe in empowering our teams to reach their full potential by providing opportunities for growth and mentorship.

Alfa was one of the sponsors for the **STEMPossible** event in 2023, held at the Michigan Science Center. This was put together by United Way for Southeastern Michigan and Tech United, and included 650 students (4th and 5th grade) and 200 volunteers (including Alfa colleagues), allowing these students to explore science, technology, engineering and mathematics in a fun and engaging way, as well as learning about possible careers in these fields.

## Mental Health & Wellbeing

Wellbeing will always be an important focus for Alfa. We regularly review our benefits offerings and the work-life balance of our teams, offering up a host of resources and tools to support wellbeing for everyone.

Alfa offers 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 extended offerings from Gympass and Peppy Health (in the UK) – providing support for menopause, fertility and new parents. We're also proud to offer the Peppy Men service for all facets of men's health.

We have grown our network of trained Mental Health First Aiders around the world in 2023 – a safe and judgment-free first port of call for colleagues in need.

Our community of Mental Health Allies also publish a quarterly themed blog to share advice and resources to support an array of mental health considerations.

We tackle difficult subjects through social talks, blog posts and podcast episodes, and we are extremely proud that colleagues feel able to share their personal stories and experiences with each other at Alfa.

Our 2023 'Happy Wall' project saw colleagues sharing gratitude for things that make them smile, professionally and personally, and sent a wave of positivity through all Alfa regions.

## Diversity, Equity & Inclusion

Embracing diversity fosters innovation and creativity within our teams, driving us towards greater success.

In 2023 we launched our first-ever Diversity, Equity and Inclusion employee survey, seeking feedback from colleagues on how we're doing and seeking suggestions for areas to work on. Some great ideas were submitted and in 2024 we will enhance our DE&I plans to incorporate some of the themes raised, including a focus on raising awareness of parents within our network and some of the challenges they might face, as well as looking at voluntary diversity pay gap reporting and many more initiatives.

We recognise and celebrate differences, with the continuation of our flexible Cultural Day scheme – for colleagues to swap in and out of some public holidays that might match their beliefs or personal situations better.

The Company, supported by the Board, is passionate about providing an inclusive workplace that promotes and values diversity, which is described in greater detail on pages 62-63. However, the Company recognises that the composition of the Board is not aligned with the recommendations which aim to improve diversity on Boards. The Nomination Committee agrees strongly with the principle of increasing diversity on Boards and will consider the importance of diversity, for both gender and ethnicity, when recommending new board appointments as they arise. Our external and internal board evaluations continue to show that the current board is effective and contains the right blend of experience and skills to deliver the Company's objectives.

Alfa is involved with the Equipment Leasing & Finance Association (ELFA)'s Equity Committee in the US, which is committed to a continued focus on equity; is about developing a culture where everyone can feel valued, engaged and respected for what they do; and all are given the opportunity to achieve their career goals. By providing a platform to share experiences, we can learn from each other and make a real impact in removing barriers that limit the professional development of underrepresented minorities. Being an active member of the committee is one of the ways Alfa aims to help move our industry forwards, supporting and developing the diverse range of talent within our own organisation and in our network.

We take pride in our efforts to create a workplace that attracts talent, and retains dedicated individuals who contribute to our shared goals. Our focus on looking after our people isn't just an initiative; it's a continuous journey of improvement and support.

We attended numerous recruitment events throughout the year in the UK and US, as well as hosting several Insight Days which gave potential applicants the opportunity to experience Alfa prior to applying for a role. These events contributed to over 800 individuals applying to our next graduate programmes.

We have continued our employer brand activities with employee story campaigns celebrating our people, and have shared life at Alfa on our social channels throughout the year, giving insight into our workplace and what we offer.

# Environmental, Social and Governance

## People continued



We marked Engineering Day in November, raising public visibility of how engineers make a difference in the world, and celebrating how they shape the future.

At Alfa we have plenty of engineers to be very proud of, and we took the chance to share some employee stories on our social channels.

Colleagues also visited their children's schools to talk engineering and take part in careers conversations.



This year we hosted four Insight Days at our office in London, organised by HR and the 'Alfa for Racial Equity Community'. The aim of these events is to attract and encourage top graduates to apply to Alfa's graduate scheme in September, but also to give the students skills and knowledge they can add to their CVs while also helping us to increase the diversity of applicants. To do this, we include workshops focusing on two key areas of Alfa – Engineering and Consulting – which are run by colleagues working in these career paths. We also include a networking lunch to give the attendees a chance to meet people at Alfa, and an applications session to go through CVs, cover letters and Alfa's application process.

The Insight Days we ran were:

- Cambridge Brown Girls Link Up – April – CBGLU is a Cambridge University society whose purpose is to promote unity and empowerment among women and non-binary people of South Asian descent. We hosted an Insight Day for 15 members of this society.
- Female-only Insight Day – 20 female or non-binary students attended in September.
- UpReach Insight Day – 20 students from lower socio-economic backgrounds attended in October.
- NIYO insight day – November – NIYO is an organisation focused on the economic empowerment of black women. We invited 10 people who work with this organisation to attend this Insight day.

**Award winning!** We were delighted to be recognised with the following awards in 2023:

- 2023 Diversity Focused Company through Corp! Magazine's 16th annual 'Salute to Diversity' Awards
- Winner in the Social category at the Asset Finance Connect Summer Awards
- Newsweek's Most Loved Workplace
- Monitor's Most Innovative Companies

In 2024 we will continue to execute our plans to improve diversity, inclusion and belonging across the organisation. Global connections will be improved with joined-up messages and changes to our intranet – giving regional views as well as global news updates for everyone. We'll continue to partner with organisations that can help us access talent and boost our diversity, and we look forward to developing a new partnership with Niyo.

We will kick off a new 'Alfa Alumni' programme to maintain relationships and strengthen our employer brand. This will maintain connections with the extended Alfa network, as well as support us in finding valuable referrals.

## Culture

Our culture remains one of the things we are most proud of at Alfa. This year we have fostered global connections, worked on communicating and knowledge-sharing wherever we can, and enjoyed learning and networking at a host of social talks and events.

Our regular Town Hall updates and Company Meetings keep colleagues informed on all the news from around the business. Each region gathered for their annual two-day Company Conferences—in Charlotte, North Carolina for the US; in Byron Bay for Australia and New Zealand; and for EMEA in Brighton. These events always incorporate valuable time with colleagues, a chance to try something new, and networking opportunities to keep us all connected.

The US have held hugely successful 'office weeks' to encourage people to gather and work together during the days that surround in-person events. Of course, at Alfa, these involve treats and social time too. We will explore doing the same in the UK in 2024.

As Smart Working has now become the norm at Alfa, we are conscious of maintaining connections and ensuring everyone has what they need to work effectively and efficiently. We launched a Ways of Working survey towards the end of 2023, which will inform plans for the provision of support and tools that might be required, to make the most out of our hybrid working environment at Alfa.

We continue to encourage open and honest communication at Alfa, this year updating our various feedback routes to include a new anonymous and secure Employee Support Platform, for those that might need urgent support and don't feel able to use other channels.

Our quarterly employee engagement survey, Pulse, is an important tool for identifying areas for improvement and celebrating our achievements. Over the year we saw our engagement score climb from 78% in Q1 to 82% in Q4 2023.

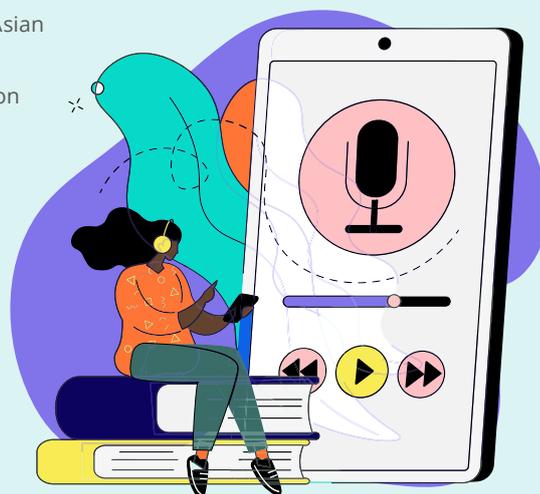
Each survey round featured an average return of over 100 positive shout-outs for colleagues doing great things and answers to the question 'What is Alfa doing well?'. A Pulse Review Group, made up of members drawn from across Alfa, meets to discuss themes and patterns that may present themselves, as well as respond to comments and take actions forward.

We introduced the concept of 'Flow' to the business in 2023. Flow looks at ways, in all areas, to support the fast and efficient movement of high-quality work through our organisation.

In 2024 we will embed this theme in all areas of Alfa, helping our global teams to collaborate and work more effectively wherever possible.

The Alfa Podcast library launched in 2022. We have enjoyed recording and sharing new episodes of our internal podcast throughout 2023.

- An introduction to The Alfa for Racial Equity Community
- Colleague stories for South Asian Heritage Month
- Mental Health Allies: Addiction & Recovery
- LGBTQ+ and Parenting
- What does Pride month mean to you?
- Innovation at Alfa and our Hackathon heroes



# Environmental, Social and Governance

## People continued

### Gender Equality

Goal



The gender pay gap analysis provided here is based on data reported in April each year. This data is up to and including 5 April 2023.

The gender pay gap (GPG) is the measure of the difference in average pay between all men and women across an organisation, regardless of their role, level, length of service or location and any other differentiating factors. The GPG is reported as a mean average and median average (midpoint) figure. The GPG is different to the concept of equal pay which requires that women and men are paid the same for doing the same job and it is unlawful to pay people unequally on the basis of whether they are a man or a woman.

### Gender Pay Gap %

This displays the median and mean (average) pay gap over the years

	2019	2020	2021	2022	2023
Median Pay Gap	23.5%	14.7%	15.3%	26.0%	17.3%
Mean Pay Gap	21.1%	15.3%	15.1%	17.8%	14.9%

### Gender Split in pay quartiles

This displays the % proportion of men and women in each pay quartile

	2023		2022	
	Female	Male	Female	Male
1st Quartile (Lowest)	44.0%	56.0%	47.0%	53.0%
2nd Quartile	38.0%	62.0%	32.0%	68.0%
3rd Quartile	19.0%	81.0%	19.0%	81.0%
4th Quartile (Highest)	25.0%	75.0%	19.0%	81.0%
<b>Total</b>	<b>31.0%</b>	<b>69.0%</b>	30.0%	70.0%

### Bonus Gap %

This displays the median and mean (average) bonus gap

Bonus Gap	Median Bonus Gap		Mean Bonus Gap	
	2023	2022	2023	2022
Alfa	45.9%	31.0%	36.0%	38.1%

### Bonus received

This displays the % proportion of men and women who received a bonus in 2023

Alfa	2023		2022	
	Female	Male	Female	Male
	72.0%	77.0%	73.0%	80.0%

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.

We have more men than women at all levels of the company, which is reflective of the overall challenge faced by the wider industry where typically fewer women are drawn to technology and STEM related disciplines. We recognise that there is a

higher proportion of women in business and support function roles in comparison to technology roles, a reflection of the ongoing challenge faced by the technology and STEM industry in general.

We have observed both a decrease in the mean gap from 17.8% in 2022 to 14.9% in 2023, and a decrease in the median gap from 26.0% in 2022 to 17.3% in 2023, suggesting that things are moving in the right direction.

The proportion of women at different levels throughout the company is a contributing factor to the gaps we are observing. There are fewer women in



senior leadership roles with associated higher levels of pay compared to men – 21% of our most senior leadership positions were held by women in 2023.

Our female talent pipeline continues to improve. In 2023, 42% of our new joiners were women and in the UK alone, 44% of our new joiners this year were women.

Another major factor impacting the gender pay gap figures relates to data excluded for the analysis. UK employees on parental leave, sabbaticals and overseas secondments, and employees who left/joined part-way through the snapshot month (ie April 2023) were not included in the pay and bonus gap data and should be acknowledged as contributing factors to the results.

### So what are we doing about the GPG at Alfa?

Work experience programmes – including our own Alfa Work Experience (AWE) programme, which involves inviting students from less privileged backgrounds and minority communities into the office for a 3-day long work experience. We continued our annual Women in Tech insight day and ran our first female-only insight day with NIYO bootcamps. We are pro-actively working with partners like upReach and the Women’s Association to widen our reach to people from minority communities.

Recruitment – we continue to sponsor female graduate recruitment events like Bright Network’s Women in Tech day and the STEM women “Women in Tec” event.

Women’s Community and Initiatives – we support existing women, providing female role models internally and within the wider community, as well as raising the profile of key topics for consideration.

Women’s Association Partnership – empowering women to overcome preconceived ideas of what women are able to achieve. We’re involved in

mentoring and provided an executive work insight initiative and work experience programme for mentees.

Flexible Working – we offer paid carer leave, something we enhanced in response to COVID-19, and retained, to give parents and primary carers time to homeschool their children and care for their family members. We have also continued to offer sabbatical leave as a way to retain our female talent beyond their enhanced maternity leave period.

Wellbeing and support – we have continued our partnership with Peppy Health, who provide specialist support to women in the areas of pregnancy, parenting and menopause. We introduced this programme to help support women before and after they have returned from leave.

### International Women’s Day

For International Women’s Day 2023, we celebrated in several ways. We partnered with The Women’s Association, with 11 Alfa colleagues featured in their ‘For the Woman’ campaign which included interviews, billboard advertising in Leicester Square, London, and a significant press campaign.

Alfa’s Women’s Community laid on a social talk and afternoon teas in all offices.

We also shared a series of employee stories, giving insight into life at Alfa for some of our female talent, across all social media platforms.



# Environmental, Social and Governance

## People continued

### Giving Back & Volunteering

Goals



We proudly support charities and causes that align with all our chosen UN SDGs



We have partner charities in each of our regions, voted for by colleagues: in EMEA, The Food Foundation; in the US, a mental health charity; in Australia, Beyond Zero Emissions; and in New Zealand, KidsCan.



We raised a combined total of

# £54,000

for various charities around the world in 2023. This is up from just over £40,000 in 2022.

We donated £18,267 for the Food Foundation, £3,548 for our US named charity, £1,526 for Beyond Zero Emissions and £759 for KidsCan.

Outside fundraising drives, Alfa also donates £7.50 (or local equivalent) for every employee engagement survey returned during the year.

Whilst we have main charity partners in each of our Alfa regions, it's important to note that our colleagues raise money and awareness for dozens of additional charities too. Alfa often matches donations and as a community we are supportive of everyone's personal affiliations to many other good causes.

£29,986 was donated to a host of organisations outside our four main charity partners.

We've continued our partnership with Change Please, a charity that trains hundreds of previously homeless and unemployed individuals to become baristas, with over 85% going on to find ongoing employment, and that has provided thousands of nights of accommodation through fundraising. 100% of Change Please profits fight homelessness. We are delighted that we continue to offer work experience to Change Please baristas in our London office cafe.

When Alfa colleagues become new parents we send baby clothing gifts using From Babies with Love, an organisation that channels 100% of profits to support orphaned and abandoned children around the world.

At Alfa everyone gets three days each year to use for volunteering. Some of the volunteering and charity work we're most proud of in 2023 includes:

Alfa's Finance Team spent a day volunteering with London based charity The Children's Book Project. They sorted books, created bundles of books, compiled orders, made bunting, and helped get deliveries out.

The Children's Book Project seeks to tackle book poverty and to give every child the opportunity to own their own book. They believe in empowering children to choose a book they are motivated to read and in the power of reading communities.

In 2023 we, once again, took part in the Adopt a Family initiative in the US. Colleagues contributed to gift lists for deserving families and also spent time wrapping and delivering presents for recipients. Alfa increased the scope of this programme from previous years and was pleased to support four families in 2023.

This year we have introduced Matchable, a global volunteering platform that matches colleagues with an enormous range of opportunities, depending on preferences.

Matchable presents an array of tasks that match with colleagues' skills and interests or passions, identifies a suitable location to volunteer from (with many opportunities from home), and can offer short or long-term volunteering. All the volunteering opportunities align with our chosen UN SDGs.

We used our unspent Apprentice Levy funding for 2023 to support Making Space, a charity that provides adult health and social care services. We provided funding of £32,000 for their employees to complete adult care qualifications.

## Alfa Activity Challenge and Alfa Resolve

Alfa has always had physically and creatively active employees. We wanted to combine our passion for sport and activity with raising funds for our charities – and that's where Alfa Activity Challenge and Alfa Resolve were born.

Alfa supports this by pledging charity donations for each employee's participation in an initiative that runs in January and September each year. For every mile we run, or bike, or hike, or swim, and for each hour we work out, or do crossfit, or any time based activity, Alfa donates an amount. The initiative even rewards each repetition when weight-lifting, with the final repetition earning more, because that should always be the hardest one!

We are equally focussed on mental health at Alfa, so the initiative also rewards yoga, meditation, or any activity based on time spent that an employee feels benefits their mental wellbeing. Our Gympass membership provides some great options for meditation along with the obvious physical fitness related benefits.

Our Parents' Community also got involved, encouraging colleagues to participate with their families. As a reward for being active as a family, children taking part multiply the funds raised at the same rates as an Alfa employee. Family dogs don't earn extra donations for participation, but we know a walk makes everyone in the household happy.

Since we started the scheme:

- We've raised £10,000 for our partner charities.
- We've covered 15,000 miles under our own steam, more than the distance between our offices London and Sydney, and between London and Detroit combined.
- In just one month our 'Alfaletes' lifted over 200,000 kilograms in the gym.
- In September 2023 we logged 40 hours helping at the zoo, 70 hours working in our own gardens, and even had an Ironman logged.

It's exciting and rewarding learning what our team mates get up to, and we use the initiative to share and learn a little more about each other too.

A final element is 'Alfa Resolve'. This sees a smaller group of people come together as accountability buddies. They collectively commit to goals each week, share them, and support each other as they work towards them.

There's no defined criteria; it's a simple support community, which has been popular with those involved.

These are really rewarding initiatives for our team mates, which also benefit our charities as much as the activity benefits ourselves.

# Environmental, Social and Governance continued

## Planet



### Goals



We consider the planet and the way we use resources in everything we do.



We want to make a big company impact, but keep our valued small company feel.

Our Environmental Policy helps us 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 a host of activities that support our environmental goals.

### Alfa's Environmental Policy

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

### Carbon Emissions

In line with our chosen United Nations Sustainable Development Goals, as an organisation we want to ensure sustainable consumption wherever possible, and take action to combat climate change. It's important to us as a company, as individuals, and to our customers, that we do as much as we can to reduce emissions.

In 2023, Alfa's emission targets were validated by the Science Based Targets initiative (SBTi).

To comply with the requirements for our SBTi submission via the SME route, and ensure that this is aligned with restricting an increase in global temperatures to 1.5°C, Alfa has committed to:

1. Reducing Scope 1 and Scope 2 emissions by 42% by 2030 compared with 2022; and
2. Measuring and reducing Scope 3 emissions.

The above are the minimum requirements for the SBTi validation. However, we intend to progress even further by committing to a long-term net-zero target. Considering both the near and long term, Alfa will:

1. Reduce all Scope 1, 2 and 3 emissions by 90% by 2050 compared with 2022; and
2. Neutralise any remaining unabated emissions with carbon credits.

We will continue to work with EcoAct on initiatives to reduce our emissions and help us to achieve those targets, particularly engaging with our Supply Chain.

Alfa has already taken action that will reduce our emissions, including:

- Replacing our Company Car Scheme with a Salary Sacrifice Car Scheme in the UK, with reduced-emissions vehicles
- Initiated a new Supplier Onboarding Process, which involves assessing suppliers on a number of criteria, including ESG factors
- Being more conscious of the impact of our business travel, doing this only when necessary and considering locations for Company Conferences
- Looking at removing use of paper towels in toilets and switching to hand dryers to reduce environmental impact (in the UK, and exploring for other offices)
- Environmental Impact teams and other colleagues around the world support us all by introducing and suggesting other initiatives, such as refill stations, the Cycle to Work Scheme, bicycle servicing, improvements to office recycling and refill offerings, and lunch box schemes

There is much more to come from our Environmental Impact teams globally. Although some of the activities listed above might seem small, when they are combined together we can make a really positive impact.

### Carbon emissions: Ecologi and EcoAct

Since 2021 we have been working with Ecologi to support credible, impactful carbon offsetting projects. Initially we worked with broad estimates but, in partnership with EcoAct, and with the introduction of our twice-yearly colleague commuting survey, we have been able to refine our measurements and improve accuracy.

In late 2023 we kicked off a supplier review for our carbon-offsetting partner, to ensure we are:

- Supporting carbon reduction projects across the world, with a level of transparency on what the project is doing;
- Ensuring the CO<sub>2</sub>-reducing projects that we support are verified by a legitimate standards agency; and
- Not relying on tree planting (young trees are not sequestering enough carbon for offsetting).

### Refill station

We are delighted that our refill station for colleagues to re-stock household cleaning products remains popular and is expanding its offering.

### Equipment recycling and donations

We're proud to continue our partnership with KOcycle, which was founded on the principles of the highest levels of data security, along with a committed focus on sustainability and always having a positive impact on the environment and communities.

Across 2023 a total of 3,679 items were collected from Alfa by KOcycle. These included laptops, desktop PCs, phones, monitors and cables.

199 of these items were reused. 3,480 of the items were recycled.

500 trees were also planted on our behalf and the result of our total donations was an estimated 373,585KG CO<sub>2</sub>e offset/saving.

In addition to the donations we've made via KOcycle, we've also given refurbished laptops to Change Please (with whom we partner, offering work experience to their trainee baristas), and dozens of further laptops to other charities and schools.

### 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 initiatives for the purpose of increasing the business's energy efficiency in the relevant financial year:

- Maintained energy suppliers for the UK office, ensuring continued renewable electricity provision.
- New company car scheme with a green focus properly rolled out in 2023, ensuring the increased use of electric and hybrid vehicles.

Alfa has been rated by ESG rating agencies including ISS and CDP (formerly the Carbon Disclosure Project).



### Charity Partnership with The Food Foundation

"I was delighted when Alfa (EMEA) voted to partner with the Food Foundation this past year. Nominated by our Environmental Impact Team, we share the Food Foundation's commitment to sustainability with their incredible work dedicated to mitigating food poverty and promoting sustainable diets.

We have been fundraising throughout the year with our standout effort being the Vegan Bake Off competition promoting sustainable plant-based diets and raising awareness of the environmental impact of dietary choices.

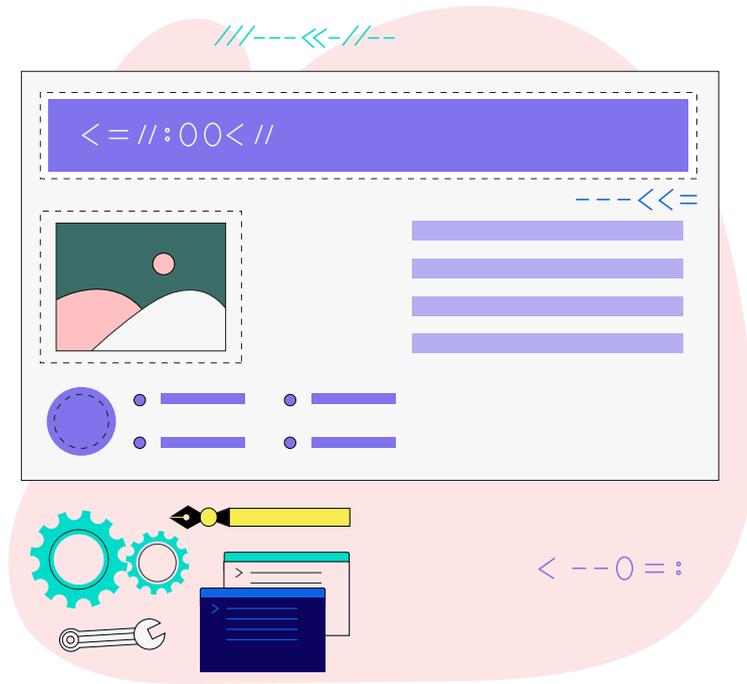
I am grateful to be part of an organisation where the Senior Leadership consistently endorses our team's sustainability campaigns and initiatives. A prime example is the highly successful Refill Station at our London office, targeting the reduction of single-use plastic waste, and our bicycle servicing initiative, promoting sustainable transport. All our campaigns align with one of our key goals: mitigating Scope 3 emissions."

Mabel Ellerker, Software Engineer and champion for Alfa Social Impact Community.



# Environmental, Social and Governance continued

## Product



### Sustainable practices within our core software

Alfa Systems implementations are 'cloud first'. 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.

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

Alfa is committed to ensuring Alfa Systems is as accessible as possible and has a dedicated UI/UX (User Interface/ User Experience) Design team who have accessibility as part of their core remit. This team carries 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). For new Alfa Systems components added to our Design System, we consider accessibility up-front, ensuring the correct ARIA attributes are added and we perform screen reader testing using the VoiceOver tool.

### Data Security

Every 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.

### Goals



The way we develop our product keeps climate in mind.



We challenge ourselves and our suppliers to work in ways that minimise any negative impact on the environment.

### Responsible Development

At Alfa we maintain focus 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

At Alfa we remain 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 Responsible Production and Consumption Sustainable Development and Climate Action UN SDGs.

We are proud that 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. See page 67 for more on our work with KOcycle.

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, SOC1 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

### Supply Chain

Alfa operates an ethical procurement policy and our key procurement personnel are trained in the relevant requirements and regulations. In EMEA, we aim to ensure that our contractor and subcontractor community pay the London Living Wage to those employees based in Greater London and UK Living Wage to those employees based outside Greater London.

In 2023 we launched our improved supplier onboarding and approval process, embedding more ESG factors into supplier selection across Alfa. At the end of the year, in the spirit of continuous improvement, we reached out to the organisation for feedback on enhancements to this process.

## Helping our clients to measure their GHG emissions

Alfa leads the market in many ways, and we are incredibly passionate about sustainability, so we're delighted that from Alfa Systems v5.7.15, launched in 2023, we offer our customers new functionality to track and report on their portfolios' Scope 3 greenhouse gas (GHG) emissions.

The new feature began as an innovation idea at one of our regular Hackathon events and, after being funded as an investment priority, has been designed and built as a collaboration between Markets & Products and Product Engineering, with input from more than 20 clients in every market and region.

### Scope 3 reporting made easy

The new Alfa Systems Scope 3 Reporting functionality calculates emissions at the asset level, based on actual or predicted usage, and is available for reporting or extraction from the Alfa Systems reporting database.

Both direct (from internal combustion engines) and indirect (from electrically powered vehicles) emissions are provided for, including support for plugin-hybrid EVs.

It's aimed at CFOs, data reporting teams and customer service representatives, who can now track the emissions for all financed vehicles in their portfolio. If telematic data feeds are available, then the actual usage can be updated automatically using web services. Alternatively, if actual usage data is unavailable, then estimated usage can be specified instead, ensuring that the most accurate picture possible of the environmental impact of the portfolio is generated, given the available data.

Scope 3 Reporting functionality applies to all types of vehicle, including both equipment and automotive portfolios. By including the feature in the existing Asset Management module, to which all clients already have access without needing to pay additional licence or maintenance fees, we are being as supportive as we can to our clients as they make their journeys to net-zero.

## Emissions Reporting Methodology

As a quoted organisation, 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 on page 73 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 2023. Part of our Scope 3 emissions inventory was also calculated. This process included the use of UK Government GHG Conversion Factors for Company Reporting 2023, IEA Emission Factors 2023 and CEDA Global Emission Factors. Any estimates included in the totals are derived from actual data extrapolated to cover missing periods or from benchmarks.

## 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, in line with the requirements of LR 9.8.6(8)R. Where we have not adopted TCFD recommendations in full, such as in Strategy (c), we have explained the reasons. 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.

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 136) meets this criteria and it is therefore the materiality we have applied. 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 were presented to the Audit and Risk Committee (made up of Board members) twice in 2023 (in June and December). In these meetings, the Board reviewed and discussed Management's assessment of climate risks and opportunities, and was also updated on related progress on climate-related matters such as Alfa's signing up to the Science Based Targets initiative (SBTi) – the details of which can be seen on page 66.</p> <p>We believe that the impact of climate-related risks is not material and so whilst the Board has received two briefings in the year on ESG matters, it has not spent significant time considering climate-related risks and opportunities.</p>
	b) Describe management's role in assessing and managing climate-related risks and opportunities.	<p>Climate-related risks and opportunities are embedded across our Operational Framework, including roles and responsibilities, key policies and processes. The CFO is responsible (at Company Leadership Team level) for the Group's Environmental Policy and climate change issues, and he is supported by the ESG Steering Group and the Environmental Impact team.</p> <p>In 2023, the CFO was closely involved in the climate-related risk assessment, the output of which was then discussed and debated with the rest of the CLT before being updated in the risk register. He also led the background work done behind Alfa's emissions targets being validated by the SBTi, and going forwards (from 2024 onwards), he will be responsible for overseeing the work being done by Alfa towards meeting these commitments.</p> <p>Our ESG Steering Group is made up of key individuals from different areas of the business globally, and it works on the development and delivery of ESG strategy, key policies and material commitments. Senior management, including the CFO and CPO, are part of this Group and brief the CEO and the wider CLT on the status and progress of projects. The ESG Steering Group discussed climate-related issues in nine meetings 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 by this team (and subsequently implemented at Alfa in 2023) can be seen on page 66 and included park clean-ups, bicycle servicing and introduction of Terracycle bins in the London office.</p> <p>Management is kept up to date on ESG matters in a number of ways – these are tailored by individual and, in 2023, included attending climate workshops and courses for professional development (such as Wired Impact and Asset Finance Connect: Transition from dirty assets to green).</p> <p>For our October 2023 UK Company Day, management invited a team of climate experts to give a workshop on climate change to our EMEA-based employees.</p>

Area	Recommended disclosure	Alfa disclosure
Strategy	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p>	<p>Management considered the risks outlined in Table A1.1 of the TCFD Implementation Guidance as part of carrying out this 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 which showed that, from an environment perspective, the key issue for our industry is Energy Management (which is in line with our current focus).</p> <p>In general, 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.</p> <p>Alfa's public commitment of signing up to the SBTi target reduction programme increases the reputation risk associated with not being able to reduce our emissions in line with our commitment – however, management is working closely with external advisors on our emissions reduction journey and is confident that Alfa will meet the targets set.</p> <p>In the short term (2024-2026, which is consistent with our viability assessment period – see page 45) another risk that remains is management not keeping up to date with the various climate-related regulations – again, we continue to mitigate this risk by working closely with external advisors. For example, we are working with them on the impact of the recent Energy Savings Opportunity Scheme (Amendment) Regulations published in November 2023 on Alfa's ESOS Phase 3 reporting.</p> <p>In the medium (2026-2030) to longer (2030-2050) term, we see more positives for Alfa than negatives. In 2023, we released a new functionality in our software that helps customers track and report on their portfolios' Scope 3 greenhouse gas (GHG) emissions – this new feature started out as a Hackathon innovation idea (see page 69) and, after being selected as an investment priority by management, went live for our customers in November. 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>b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.</p>	<p>Most of our operations are in the UK and USA, and therefore these geographies will have the most impact on our climate-related risks and opportunities. 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, and considering travel distances and modes of transport for the location of conferences.</p> <p>During 2023, we incurred expenditure related to reducing our emissions, e.g. in the US office, the lightbulbs were replaced to LED and a switch was made to new energy-efficient dishwashers. In the year we also purchased carbon offsets of 2,421 tCO<sub>2</sub>e from Ecologi – see page 67 for our approach to carbon offsetting.</p> <p>Our financial planning has also reflected our focus on climate. For example, our budget for 2024 has factored in additional costs for external advisors to carry out a supplier engagement exercise to help us get a better understanding of our supplier emissions.</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 continue to spend time understanding the ESG-related needs of our customers and investment required in the product (as seen in the new GHG functionality mentioned above). 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 2024, we will work on making our Scope 3 emissions more accurate (e.g. with the supplier engagement planned), which will allow us to improve the quality of our reporting and also help us with monitoring our emissions.</p>

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

Area	Recommended disclosure	Alfa disclosure
<b>Strategy</b> continued	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 conducted a high-level qualitative climate change risk and opportunity analysis to obtain a better understanding of the climate issues that could impact the business in the future. Given the nature of our operations, we do not believe there are material risks to our organisation, other than the overall risk to the world economy. We therefore believe that our strategy as discussed on page 16 is resilient to climate-related factors, and so have not carried out quantitative scenario analysis.</p> <p>Our focus in 2023 was to get a better understanding of our Scope 3 emissions, which means that we are now in a position to be able to report on all our relevant and key Scope 3 emissions for the first time (see page 73).</p>
<b>Risk management</b>	a) Describe the organisation's processes for identifying and assessing climate-related risks.	<p>Our approach to identifying, assessing and managing environmental risks, including climate-related risk, is embedded within our approach to risk management. Climate-related risks may present as financial or non-financial risks depending on the extent to which their impacts can be quantified, and how they have been classified.</p> <p>As outlined on page 32, we have a comprehensive risk management process which includes a detailed assessment of our climate-related risks twice a year, along with a risk rating assigned to each risk which is then reviewed by management and the Board.</p>
	b) Describe the organisation's processes for managing climate-related risks.	<p>As above, in the short term, we do not see any material 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. We work closely with external advisors on climate-related matters and are therefore confident that this engagement helps mitigate the related risk (e.g. risk of not keeping up to date with climate-related regulations).</p>
	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>Climate-related risks are the only risks that were discussed in detail in the second risk review in December 2023 despite having a low rating on the risk register – this reflects the importance that management and the Board give to climate and its impact on the business.</p> <p>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>As explained on page 32, our risk management process gives a rating to each risk for its 'probability' and its 'impact', which together determine its overall risk rating. Twice a year, we review these ratings to ensure they remain appropriate.</p> <p>The main climate-related data we monitored throughout the year was our energy usage – which (as per page 73) has gone down since 2022. Now that we have set the Group's 2030 emissions reduction targets in line with SBTi, in subsequent years (2024-2025), we will establish interim metrics in line with our business strategy and risk management processes to monitor progress against the targets.</p>
	b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	<p>See page 73 for our SECR disclosure and page 69 for the methodology used. We disclose our Carbon Intensity Ratio on page 73, which is a metric used by the Group consistently since 2021, allowing us to compare the year-on-year ratios. It can be seen that our ratio has decreased despite an increase in revenue, which reflects lower emissions due to our new green salary sacrifice scheme – see below.</p> <p>As above, 2023 is the first time that we have also disclosed all our relevant Scope 3 emissions. We continue to mature our approach to the quantification and understanding of the more complex Scope 3 emissions, e.g. the supplier engagement programme that will be carried out in 2024 will help us improve on the accuracy of our Scope 3 reporting.</p>
	c) Describe the targets used by the organisation to manage climate related risks and opportunities	<p>To comply with the requirements for our SBTi submission via the SME route and to ensure that this is aligned with restricting an increase in global temperatures to 1.5°C, this year we have set targets of reducing Scope 1 and Scope 2 emissions by at least 42% by 2030 (compared with 2022 emissions).</p> <p>Whilst we had not set targets for 2023 to monitor annual progress against, we note that our Scope 1 and 2 emissions have decreased by 16% since 2022, which is reflective of our new green salary sacrifice arrangement that allows employees to only lease energy efficient vehicles.</p> <p>Over 2024-2025, we will continue to progress in this area by setting appropriate interim targets linked to our 2030 targets, which will allow for effective comparison and measurement of emissions.</p>

# Streamlined Energy and Carbon Reporting

The table below discloses the Group's Streamlined Energy and Carbon Reporting for 2023 and 2022.

	2023			2022****		
	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	145,751	30,886	114,866	154,733	33,184	121,549
Total Company Fleet Use	50,380	38,512	11,868	123,610	115,958	7,652
Total Electricity Use	255,637	196,876	58,761	272,624	217,485	55,139
<b>Total Energy Use</b>	<b>451,769</b>	<b>266,274</b>	<b>185,495</b>	550,967	366,627	184,340
<b>Scope 1 Carbon Emissions (tCO<sub>2</sub>e) *****</b>						
Natural Gas	28	6	23	28	6	22
Car Fleet (petrol/diesel/hybrid)	12	9	3	30	29	2
<b>Total Scope 1 Emissions</b>	<b>40</b>	<b>15</b>	<b>25</b>	59	35	24
<b>Scope 2 Carbon Emissions (tCO<sub>2</sub>e)</b>						
Purchased Electricity – Buildings (Location-Based)	46	25	21	44	23	21
Purchased Electricity – Electric Vehicles (Location-Based)	16	16	–	19	19	–
<i>Purchased Electricity – (Market-Based)**</i>	<i>17</i>	<i>16</i>	<i>1</i>	<i>22</i>	<i>19</i>	<i>3</i>
<b>Total Scope 2 Emissions</b>	<b>62</b>	<b>41</b>	<b>21</b>	63	42	21
<b>Scope 3 Carbon Emissions (tCO<sub>2</sub>e) *****</b>						
Category 1 – Purchases Goods & Services	2,505	*	*	2,960	*	*
Category 2 – Capital Goods	139	*	*	346	*	*
Category 3 – Fuel & Energy Related Activities	28	*	*	36	*	*
Category 4 – Upstream Transportation and Distribution	5	*	*	22	*	*
Category 5 – Waste Generated in Operations	34	*	*	76	*	*
Category 6 – Business Travel (Flights, rail, grey fleet, hotels and taxis)	644	*	*	410	*	*
Category 7 – Employee Commuting and Work From Home	525	*	*	428	*	*
Category 8 – Upstream Leased Assets	51	*	*	86	*	*
Category 13 – Downstream Leased Assets	–	*	*	15	*	*
<b>Total Scope 3 Emissions</b>	<b>3,931</b>	*	*	4,379	*	*
<b>Total Emissions (tCO<sub>2</sub>e)</b>						
Scope 1	40	15	25	59	35	24
Scope 2 (Location-Based)	62	41	21	63	42	21
<i>Scope 2 (Market-Based)**</i>	<i>17</i>	<i>16</i>	<i>1</i>	<i>22</i>	<i>19</i>	<i>3</i>
Scope 3	3,931	*	*	4,379	*	*
<b>Total Carbon Emissions (tCO<sub>2</sub>e) (Location-Based)</b>	<b>4,033</b>			4,501		
Total Revenue (£m)	<b>102.0</b>	*	*	93.3	*	*
<b>Carbon Intensity Ratio (tCO<sub>2</sub>e per £million)****</b>	<b>1.0</b>	*	*	1.3	*	*

\* Breakdown beyond Global Emissions not calculated.

\*\* Market-based Scope 2 emissions are not included in final emissions inventory.

\*\*\* Our Scope 1 and 2 emissions for the comparison year 2022 have been restated. We have corrected an oversight identified in the Company vehicles mileage calculation and as such have reported 7 tCO<sub>2</sub>e additional in Scope 1 and 5 tCO<sub>2</sub>e additional in Scope 2. Market-based Scope 2 emissions have also been updated to reflect new information on renewable energy contracts applicable in 2022 resulting in a reduction of 6 tCO<sub>2</sub>e. Scope 3 emissions have been restated with the full emission inventory, which has been calculated since the last submission.

\*\*\*\* Carbon Intensity figure includes only global Scope 1 and 2 emissions. Alfa Financial Software PLC is still in the process of calculating its full Scope 3 value chain emissions.

\*\*\*\*\* Breakdown of total figures are rounded to the nearest whole number and may cause minor discrepancies. Total figures are accurate.

The methodology used for our SECR reporting is disclosed on page 69.

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

**Andrew Denton**  
Chief Executive Officer

# Corporate governance

- 75 Chairman's introduction to governance
- 78 Board of Directors
- 80 Company Leadership Team
- 81 Our governance framework
- 83 Division of responsibilities
- 85 Board leadership and Company purpose
- 88 Composition, succession and evaluation
- 91 Nomination Committee Report
- 95 Audit and Risk Committee Report
- 103 Directors' Remuneration Report
- 106 Directors' Remuneration Policy
- 115 Annual Report on Remuneration
- 129 Directors' Report
- 134 Statement of Directors' responsibilities



# Chairman's introduction



“A clear focus on innovation and operational efficiency has resulted in strong revenue growth, a record number of deliveries and an exciting product roadmap.”

**Andrew Page, Executive Chairman**

## Dear shareholders

On behalf of the Board, I am pleased to present the Group's corporate governance report for the year ended 31 December 2023.

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. This 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 and 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.

## 2023 performance

Alfa continued to perform well in 2023, maintaining good momentum across the business. A clear focus on innovation and operational efficiency has resulted in strong revenue growth, a record number of deliveries and an exciting product roadmap. We have made substantial progress towards leveraging our scale and expertise to provide more value to customers through new and existing cloud solutions and services. This progress has only been possible because of the passion and commitment from Alfa employees.

## Our people, our culture

The Board is continually monitoring our people strategy and matters including talent retention, recruitment, succession planning and the development framework for senior management.

The Board is responsible for the long term success of the Company, through setting and overseeing and driving the Company's culture, values and strategy. Delivering shareholder value and looking after all stakeholders is at the core of our

strategy and is at the forefront of our decision making and strategy development. The Board plays a leading role in shaping the culture at Alfa by promoting the growth focused and values based approach that ensures the long term sustainable growth and success of the business. We believe that in order to progress our strategy, the Board must consider all stakeholders relevant to a decision and satisfy themselves that any decision upholds our culture and values.



## Chairman's introduction continued

The annual review of core compliance policies, including the Group's modern slavery statement and updates on whistleblowing reports, provide the Board with visibility of the compliance culture at Alfa and how our compliance policies are communicated to employees.

### Environmental, Social and Governance

As Environmental, Social and Governance (ESG) initiatives continue to be developed, the Board will ensure that they remain aligned to our purpose of ensuring that we play our part in creating long term sustainable value. The Board's review process and governance procedures ensure that ESG considerations are fully embedded into our decisions for sustainable and long term growth.

### UK Corporate Governance Code

The Board closely monitors upcoming changes in governance and regulation. The Board acknowledges the publication of the 2024 Corporate Governance Code on 21 January 2024 which is effective from 1 January 2025. The Board will review any recommended amendments to governance arrangements and report on these in our Annual Report and Accounts for the year ended 31 December 2025.

All members of the Board will stand for re-election at the Annual General Meeting (AGM) in May 2024. All Board members have received a formal performance evaluation which demonstrated that each Director continues to be effective and committed to their role.

### Looking ahead

The Board is delighted that we have overseen the delivery of excellent financial and operational performance during 2023. Despite the uncertain economic and geopolitical environment, this was a year of continued strong growth and demonstrates the strength of the Alfa business model.

As we look to the year ahead, I am confident that the strength of our business, combined with our focus on innovating to meet customer needs, will enable further sustainable growth for the benefit of all our stakeholders.

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 2024.

### Andrew Page Chairman

## The UK Corporate Governance Code 2018: Our compliance

This corporate governance statement, including the Nomination Committee, Audit and Risk Committee and Remuneration Committee Reports, explains how we have applied the principles and complied with the provisions of the 2018 UK Corporate Governance Code (the 'Code') during the year. Except for the matters which are explained below (in line with the 'comply or explain' concept), the Company complied fully with the Principles and Provisions of the Code throughout the financial year in respect of which this statement is prepared and continues to do so as at the date of this statement. 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).

### Exceptions to compliance

The Group has complied with the Code provisions during the financial year with the exception of:

**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 of Alfa's customers and commercial partners.

**Provision 41:** The Company has not formally consulted with employees in forming the new Remuneration Policy, and is therefore not compliant with Provision 41 of the Code which requires details of engagement with the workforce to explain how executive remuneration aligns with the wider Company pay policy.

<b>1. Board leadership and company purpose</b>	Board leadership and purpose	85-86
	Risk management	32-44 and 100
	Stakeholder engagement	48-53 and 82
<b>2. Division of responsibilities</b>	Our governance framework	81-82
	Directors	78-79
	How the Board operates	84-85
<b>3. Composition, succession and evaluation</b>	Board and Committee composition	88-90
	Diversity, equity and inclusion	90-93
	Succession planning	93
	Review of Board effectiveness	89
<b>4. Audit, Risk and internal control</b>	Internal audit	95-102
	External audit	136-143
	Internal control and risk management	100 and 101
	Review of financial statements	134
<b>5. Remuneration</b>	Our remuneration principles	115-116
	Remuneration committee focus areas	103
	2024 Directors' Remuneration Policy	106-113

### 2023 AGM update

At the April 2023 AGM, the resolution to re-elect Chris Sullivan as a director was passed with lower support than expected from independent shareholders. Following consultation with a number of independent shareholders, the Board understands that the vote against Mr Sullivan was due to his position as Chair of the Nomination Committee and was the means by which the independent shareholders expressed their concern regarding the low female representation on the Board.

The Board promotes an open, honest and inclusive culture in Board and Committee meetings, during which all Directors are encouraged to share their views based on their own different experiences and backgrounds. The Board listens and considers the matters before it, without bias or discrimination. As a result of the vote at the 2023 AGM, the Board undertook an extensive review of the composition of the Board and of the Directors' relevant skills and experience, as part of our internal Board evaluation for 2023. As a result of these actions, the Board remains confident that it currently has the right balance of backgrounds, skills and experience to fulfil the Company's strategy. We endeavour to cultivate a Board which supports diversity of thought and ensures appropriate challenge, interpretation, and interactions between members. We celebrate differences and encourage differing perspectives when we approach all issues and tasks.

The Board and the Nomination Committee are acutely aware of the requirements of the UK Corporate Governance Code and they are committed to ensuring that plans are in place for orderly succession to both the Board and senior management positions, and that they oversee the development of a diverse pipeline for succession. The Board and the Nomination Committee are committed to ensuring that the process for future Board appointments considers the importance of diversity in all its forms, including gender and ethnicity, in conjunction with the experience and skills required for the best balance of the Board and its Committees.

# 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 Holdings Limited



**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 Holdings Limited



**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, he 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 global operations of the business, including Alfa's people function, technology platform and project delivery. Matthew is also responsible for the documentation and communication of Alfa's strategy. Matthew has considerable senior management experience in software company operations, software development and all aspects of systems implementation and delivery.

**Other appointments**

None

## Committee membership

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



### Steve Breach

**A** **N** **R**

#### 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

Director of Elucid Partners Limited and ANDigital Limited



### Adrian Chamberlain

**A** **N** **R**

#### Independent Non-Executive Director

**Appointment to the Board:**  
April 2020

#### Skills and experience

Adrian is the Senior Independent Non-Executive Director of iomart Group PLC. In 2023, Adrian stood down as the Senior Independent Non-Executive Director of Cambridge University Health Trust, one of the country's largest NHS Trusts. 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 Non-Executive Director of iomart Group PLC



### Charlotte de Metz

**A** **N** **R**

#### 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 and which she joined in 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 diversity, equity and inclusion. 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

**A** **N** **R**

#### 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 was the Senior Independent Director for DWF Group PLC, which delisted in October 2023.

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, Non-Executive Director of Cannaroy Ltd and DVCP Limited

## Company Leadership Team



**Andrew Denton**  
**Chief Executive Officer**  
Joined Alfa August 1995



**Duncan Magrath**  
**Chief Financial Officer**  
Joined Alfa March 2020



**Matthew White**  
**Chief Operating Officer**  
Joined Alfa June 1999



**Richard Dewire**  
**Chief Revenue Officer**  
Joined Alfa January 2001

**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.



**Vicky Edwards**  
**Chief People Officer**  
Joined Alfa March 2020

**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.



**Andrew Flegg**  
**Chief Technology Officer**  
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**  
Joined Alfa September 1999

**Relevant experience/  
previous roles**

James is accountable for all implementations across the globe and has 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 and 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, equity 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 (CLT) is responsible for the day-to-day running of the business, carrying out and overseeing operational management, and implementing the strategies that 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 ensures that Strategic Investment initiatives align with Alfa's business strategy.

### Disclosure and Governance Committee

The Disclosure and Governance Committee maintains an overview of the corporate structure and oversees the disclosure of information by the Group to meet its obligations as a listed company.

### Deal Committee

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

### ESG Steering Group

The ESG Steering Group supports the CLT in implementing ESG strategy and managing relevant matters relating to our communities covering environmental and social matters.

## 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.

## Our governance framework continued

### How the Board engages

Directors have a duty to promote the success of the Company under section 172 of the Companies Act 2006. 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.

### 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.

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. 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.

### 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. Throughout 2023 our regular Town Hall updates and Company Meetings kept colleagues informed on all the news from around the business and supported engagement across the organisation. Each region gathered for their annual two-day Company Conferences to incorporate valuable time with colleagues, and networking opportunities to keep us all connected. All Board meetings feature updates on People matters and engagement levels. 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. This reflects the Alfa ethos that we are all striving towards the same goal and to reward our employees, Alfa operates a discretionary profit share scheme through which most employees share in a percentage of the profits of the Company.

#### Employee engagement survey

Our employee engagement survey, Pulse, remains an important tool to measure employee sentiment and identify areas for improvement and celebration of our achievements.

### Shareholder engagement

The Board is accountable to shareholders 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 shareholders when discussing matters at Board meetings and these views form an integral part of decision making.

Our 2023 Annual General Meeting (AGM) was held in London and all resolutions were passed. Shareholders were encouraged to vote by appointing the Chair as proxy if they were unable to attend in person. The Board also encouraged shareholders to submit questions in advance and these were responded to individually.

The 2024 AGM is planned to be a physical meeting held in London. The Board looks forward to meeting with and hearing from shareholders at the AGM this year.

### Other stakeholder engagement

The Board and each Committee chair actively encourages and engages with key stakeholders and considers this to be paramount to the long-term success and performance of the business. During 2023, there were no significant matters to discuss with shareholders in relation to the Nomination and Audit and Risk Committees. Our section 172 statement on pages 48 to 53 explains how section 172 matters, including this engagement, are taken into consideration by the Board in its decision making. The Board recognises the contribution Alfa makes to society, the environment, and its key stakeholders. It seeks to understand their views and predominantly engages with them through the Executive Directors, who ensure that the Board is kept informed of any key issues or changes. It also keeps ways of engagement under constant review to ensure that they remain effective.

# 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 and the roles of the Board and its Committees ensures that control and oversight give a balanced approach to risk and are aligned with Alfa's culture. This assists the Board with carrying out its responsibilities and is designed to ensure that focus is maintained on strategy, monitoring the performance of the Group, 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 role of the Board:



## 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 executing the Alfa strategy and day-to-day operations, and leading the CLT. Andrew Page, as Executive 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, that 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. It also 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

There is 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 and 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. He plays 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 2023 and a number of ad hoc meetings, 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. Materials for meetings are circulated electronically in advance, to give Directors an appropriate amount of time to fully consider the Board matters before the meeting takes place.

Non-Executive Directors 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 opposite records the number of meetings held by the Board and each Committee during 2023 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 an update 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 that 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 and 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

### Unsolicited offers for the Company

As shareholders will be aware, we received a number of unsolicited proposals from EQT Fund Management S.à r.l (EQT) and Thomas H. Lee Partners, L.P. (THL). Following the initial approach from EQT, the Board decided to establish an Independent Bid Committee to consider matters relating to this approach and subsequent approach from THL. The Independent Bid Committee would principally decide whether or not to recommend the final terms of any offer to the Company's shareholders in accordance with the requirements of the City Code on Takeovers and Mergers.

In addition to the scheduled meetings, there were four additional Board meetings arranged for the Board to review the offers from EQT and THL for the Company. In addition, the Independent Bid Committee met four times to discuss the approaches, with the relevant advisors in attendance. As announced on 7 July 2023, EQT reported that it did not intend to make a firm offer to the shareholders of Alfa. On 3 October 2023, Alfa confirmed that it had terminated discussions with THL.

	Board	Independent Bid Committee
Andrew Page	4/4	
Andrew Denton	4/4	
Duncan Magrath	4/4	
Matthew White	4/4	
Steve Breach <sup>1</sup>	4/4	4/4
Adrian Chamberlain	4/4	4/4
Charlotte de Metz	4/4	4/4
Chris Sullivan	4/4	4/4

1. Steve Breach was appointed as Chair of the Independent Bid Committee.

### 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 ensures the

## Board leadership and Company purpose continued

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 for Alfa 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.

### 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.

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 73 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.

### 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, and formal and informal engagement activities. In addition, 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.

### Shareholders' agreement

The relationship between the Board and the controlling shareholder of the Company (the 'Controlling Shareholder'), CHP Software and Consulting Holdings Limited, is governed by the Relationship Agreement (dated 26 May 2017, as amended by deeds of adherence dated 10 January 2024 and 15 January 2024). 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 were no changes to the Relationship Agreement during 2023. As part of a corporate restructuring, the Controlling Shareholder entity changed from CHP Software and Consulting Limited to CHP Software and Consulting

Holdings Limited in January 2024; and CHP Software and Consulting Holdings Limited and CHP Software Holdings Limited each adhered to the Relationship Agreement. 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 131 of the Directors' report.

## Board activities and key discussions in 2023

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.

Strategy and operations	Leadership, people and culture
<p><b>Key stakeholders</b></p>  <p><b>Link to strategic objectives</b></p> <p><b>1 2 3 4</b></p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>CEO and COO present an operational update to each Board meeting with operational, key stakeholder and innovation updates.</li> <li>Monitored the performance of the Company against agreed strategic objectives, including key financial targets.</li> <li>Individual objectives reviewed at each Board meeting.</li> <li>Three-year strategic plan, with updates on Group strategic execution.</li> <li>Deep dives on specific areas of the business and their challenges and opportunities.</li> <li>Applied the Board's strategic understanding of principal risks to key challenges and opportunities.</li> <li>Evaluated two unsolicited approaches regarding a possible offer for the Company.</li> </ul>	<p><b>Key stakeholders</b></p>  <p><b>Link to strategic objectives</b></p> <p><b>1 2 3</b></p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>Received updates on employee views and engagement levels.</li> <li>Continued to monitor senior executive talent management and development plans to provide succession for all key positions.</li> <li>Received updates from the Chair of the Remuneration Committee on its activities, recommendations regarding remuneration strategy and decisions regarding the Executive Directors' and senior management pay.</li> <li>Reviewed people and talent reports, including updates on talent development programmes and diversity, equity and inclusion programmes.</li> <li>Received presentations from each member of the CLT.</li> <li>Received recommendations from the Nominations Committee on the re-election of Directors and the structure, size and composition of the Board.</li> </ul>
Finance	Governance
<p><b>Key stakeholders</b></p>  <p><b>Link to strategic objectives</b></p> <p><b>1 2 3 4</b></p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>Business planning and budget approval.</li> <li>Reviewed financial key performance indicators (KPIs).</li> <li>Approved full-year results, half-year results, trading updates and the Annual Report and Accounts.</li> <li>CFO report on the Company's financial performance.</li> <li>Approved two special dividends and recommended a final dividend to shareholders for approval.</li> <li>Reviewed the key risks to Alfa and the controls in place for mitigation.</li> <li>Considered and monitored the Group's risk appetite and principal risks and uncertainties.</li> <li>Reviewed internal controls.</li> <li>Approved the viability and going concern statements.</li> <li>Developed and monitored the ESG reporting framework.</li> </ul>	<p><b>Key stakeholders</b></p>  <p><b>Link to strategic objectives</b></p> <p><b>1 4</b></p> <p><b>Activities</b></p> <ul style="list-style-type: none"> <li>Monitored and reviewed the Company's approach to corporate governance, its key practices and its ongoing compliance with the 2018 Code.</li> <li>Reviewed the results from the internal Board and Committee effectiveness evaluation and confirmed actions.</li> <li>Reviewed climate change risks and TCFD disclosures.</li> <li>Reviewed the global insurance programme and D&amp;O liability insurance.</li> <li>Approved the Company's section 172 statement.</li> <li>Reviewed and approved matters reserved for the Board and its Committees' Terms of Reference.</li> <li>Received a presentation from the corporate broker and considered feedback from shareholder engagement.</li> <li>Reviewed and approved the modern slavery statement.</li> </ul>

### Key stakeholder groups

 Customers
  Employees
  Communities and environment
  Suppliers
  Investors

### Strategic priorities

**1** Strengthen
 **2** Sell
 **3** Scale
 **4** Simplify

# Composition, succession and evaluation

## Board composition

During the year, the Board reviewed the overall balance of skills, experience, independence and knowledge of the Board and Committee members. We consider that the skills and experience of our individual Directors, particularly in the areas of financial services, people and software, are fundamental to the pursuit of our objectives. Further details of this review, including actions taken, are set out in the Nomination Committee report on pages 91 to 94.

As required by provision 11 of the Code, at least 50% of the Board, excluding the Chairman, are independent Non-Executive Directors. The Board is currently comprised of eight members: the Executive Chairman, three Executive Directors and four independent Non-Executive Directors. Details of the skills and expertise of each member of the Board is set out in the Board biographies on pages 78 and 79.

The Board reviews the independence of its Non-Executive Directors as part of the annual Board and Director evaluation process. The Nomination Committee also considers Non-Executive Director independence on an ongoing basis as part of its consideration of the composition of the Board. The Board has determined that all the Non-Executive Directors were independent as outlined in the Code.

The Board also believes that each of the independent Non-Executives has retained independence of character and judgement and has not formed associations with management or others that may compromise their ability to exercise independent judgement or act in the best interests of the Group.

## 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 the shareholders. This report, and in particular the Board biographies on pages 78 to 79, 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. It has assessed whether a Director has demonstrated substantial commitment to the role (including time for Board and Committee meetings noted in this report) and other responsibilities. Whilst, taking into account a number of considerations including outside commitments and any changes thereof during the period.

## External commitments

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 individual's commitment to their role is reviewed annually and any external appointments or other significant commitments of the Directors require the prior approval of the Board. The Board will take into consideration the time commitment required by the Non-Executive Director in their role as a Board Director, Committee Chair or Committee member in giving any such permission.

## Directors' 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 and performance review

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.

The evaluation for 2023 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 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.

Focus area	Recommendation and plan
<b>Education and training</b>	<ul style="list-style-type: none"> <li>Maintain a commitment to ongoing learning and development opportunities as a Board.</li> </ul>
<b>Engagement</b>	<ul style="list-style-type: none"> <li>Facilitating increased contact between the Board and the business, and between the Non-Executive Directors and senior management colleagues. Consider building unstructured time between Board and Committee sessions.</li> </ul>
<b>Succession planning</b>	<ul style="list-style-type: none"> <li>Succession planning will continue to be an area of priority for the Board. Broaden focus on development of talent and succession mapping for CLT and senior management. Maintain focus on exposure of the Board to future leaders in the talent pipeline.</li> </ul>
<b>Risks and opportunities</b>	<ul style="list-style-type: none"> <li>Focus on continuing to enhance understanding of external and emerging risks, opportunities, and trends specific to Alfa and the industry, and developments and potential disrupters to the business. Maintain focus on Alfa's competitive performance.</li> </ul>

## Chairman's and Directors' performance

During the year, the Senior Independent Director evaluated the performance of the Chairman. In addition, the Non-Executive Directors met independently from the Executive Directors to discuss with the Chairman the overall functioning of the Board and the Chairman's contribution in making it effective.

In addition, 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, these discussions form part of the basis for recommending the reappointment of Directors at the Company's AGM, and include consideration of the Director's performance, contribution and commitment to the Board and its Committees.

# Composition, succession and evaluation continued

## Board diversity

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. 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. While the Board is mindful of the targets as set out by the FCA's Listing Rules, in respect of

2023, the Board has not met the targets in Listing Rule 9.8.6(9) that at least 40% of the Board should be female, one senior position should be held by a woman, and that there should be a Director from a minority ethnic background.

The Board promotes an open, honest and inclusive culture in Board and Committee meetings, during which all Directors are encouraged to share their views based on their own different experiences and backgrounds. The Board remains confident that it currently has the right balance of backgrounds, skills and experience to fulfil the Company's

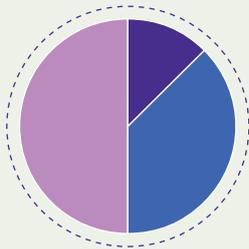
strategy. The Board continues to support diversity of thought and ensures appropriate challenge, interpretation, and interactions between members.

The disclosures required under Listing Rule 9.8.6 are set out on page 130 of the Directors' report.

The charts below set out the demographic information of the Board and the gender diversity of the Board, CLT, the direct reports to the CLT and Company-wide employees.

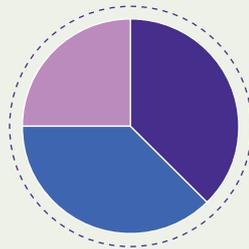
### Diversity overview

#### Board composition



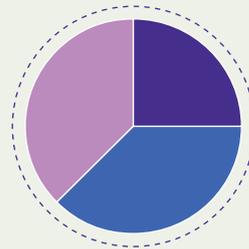
Executive Chairman	12.5%
Executive Director	37.5%
Independent Director	50%

#### Board tenure



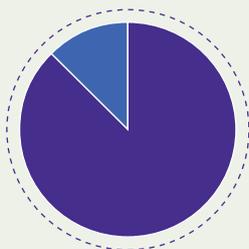
3-4 years	37.5%
5-6 years	37.5%
6-7 years	25%

#### Age of the Board



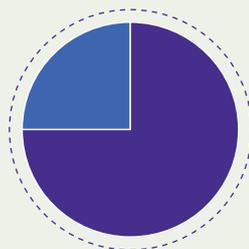
40-49	25%
50-59	37.5%
60-69	37.5%

#### Gender diversity Board



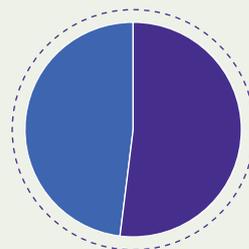
Male	87.5%
Female	12.5%

#### Gender diversity – CLT<sup>1</sup>



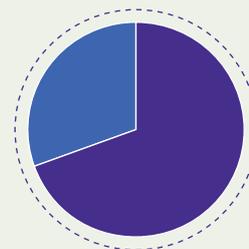
Male	75%
Female	25%

#### Gender diversity – CLT direct reports



Male	52%
Female	48%

#### Gender diversity Company-wide



Male	67.2%
Female	32.2%
Non-binary	0.6%

1. Alfa gender balance is captured through voluntary and confidential self-disclosure. The CLT composition data excludes the three Executive Directors who are part of the CLT.

# Nomination Committee Report



“We promote an open and inclusive culture in Board and Committee meetings, where all Directors are encouraged to share their views and where their views are considered, without bias or discrimination.”

Chris Sullivan,  
Nomination Committee Chair

## Meetings held during 2023

	Member since	Meetings attended 2023
Chris Sullivan	2019	2/2
Steve Breach	2019	2/2
Adrian Chamberlain	2020	2/2
Charlotte de Metz	2020	2/2
Andrew Page	2017	2/2

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

## Committee purpose and responsibilities

The Committee is accountable for reviewing the structure, size, and composition of the Board, and ensuring that the Board and its Committees have the most suitable balance of skills, knowledge, and experience, taking account of each individual Director's time commitment. The Committee ensures that formal, rigorous, and transparent procedures are in place for Board appointments and that plans are in place for orderly succession planning to Board positions. It oversees the recruitment process and advises the Board on the identification, assessment, and selection of candidates; drives the diversity, equity, and inclusion agenda; and confirms that all appointments are made on merit against objective criteria.

The Committee also provides oversight on succession planning activities of senior management. The Committee is responsible for ensuring that a comprehensive induction programme is delivered on the appointment of a new Non-Executive Director and leads the annual evaluation process of the Board.

## Introduction

On behalf of the Board, I am pleased to present our Nomination Committee Report for 2023, which summarises our key activities during the year.

During 2023, 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 and 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. Directors are encouraged 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.

I, as Chair of the Nomination Committee, have overseen and extensively reviewed the composition of the Board and the Directors' relevant skills and experience, to ensure that we have the right balance to fulfil the Company's strategy. We recognise that an optimal board of directors should reflect a diverse range of views, insights, perspectives and opinions, which facilitates constructive discussion and enables enhanced decision making and effectiveness, and we believe that the current Alfa Board epitomises these principles. We promote an open and inclusive culture in Board and Committee meetings, where all Directors are encouraged to share their views and where their views are all considered, without bias or discrimination.

The Committee and Board as a whole is mindful that the composition does not currently meet the requirements of the FCA's diversity rules. For this reason, it pays particular attention in its oversight of employee engagement to ensure there are no cultural or structural barriers for women and ethnic and other under-represented groups. It is satisfied that the Company continues to promote diversity, equity and inclusion, and it expects to see an increasingly diverse talent pipeline that will feed into its workforce with more people from minority groups.

**Chris Sullivan**  
Nomination Committee Chair

# Nomination Committee Report continued

## Committee role and membership

The Committee comprises the Executive Chairman and the Non-Executive Directors, and is chaired by Chris Sullivan, the Senior Independent Director. 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.

The Committee's performance was reviewed as part of the 2023 internal Board and Committee effectiveness review, which is detailed on page 89. The evaluation established that the Committee functions well in terms of planning succession to Board roles, Company Leadership Team and the future talent pipeline.

## Skills and experience

During 2023, the Committee reviewed the balance of skills and experience 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 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.

The Directors completed a self-capability assessment, which supports our ongoing succession planning work. The output is shown in the matrix below.

The chart below demonstrates the skills and experience of the Board members:

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.



## Succession planning

The Committee keeps under review the leadership needs of the organisation, and 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 wider talent and succession programmes remained a key focus of the Committee during the year. It evaluated the succession plans for the CLT and the senior management structure, and reviewed 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.

## Diversity, equity and inclusion

The Company is committed to increasing diversity across our operations and has a wide range of activities to support the development and promotion of talented individuals, regardless of factors such as gender, age, ethnicity, disability, sexuality and religious belief.

The Board and the Committee believe that diversity is a wider topic than simply gender. In order to achieve the Group's future growth aspirations, Alfa remains 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 acknowledges that it does not have a formal Board diversity policy in place in accordance with DTR 7.2.8AR. As a Board, we believe firmly in the principle of appointing Directors based on merit, skill and expertise, regardless of demographic factors. We believe that emphasising merit-based appointments fosters an environment of fairness, transparency, and accountability, where each Director is selected for their ability to contribute meaningfully to the Company's success. This ensures that the Board is highly competent, well-rounded, and capable of making informed decisions in the best interest of all stakeholders. While we do not subscribe to quotas as a means of achieving diversity, we remain committed to promoting inclusivity and diversity through proactive initiatives, recruitment practices, and fostering an inclusive culture within the Company.

The Committee acknowledges that the Board does not meet the targets set by the FTSE Women Leaders Review, nor the target set by the Parker Review with regard to ethnic diversity at Board level.

We continue to cultivate a Board, which emphasises diversity of thought, to ensure that there is appropriate challenge, interpretation, and interactions to reflect a greater variation in approaches to problems and unique perspectives. We promote an open and inclusive culture in Board and Committee meetings, where all Directors are encouraged to share their views and where their views are all considered, without bias or discrimination. Data on these targets in the required standardised form can be found in the Directors' report on page 130. The Committee considered the gender balance of the CLT and its direct reports, and received information on these from the Chief People Officer on a regular basis.

The Alfa Inclusion and Diversity Charter sets out our pledge to eliminate discrimination of any kind in our organisation. The aim is for our employees to be truly representative of all sections of society and our customers, and for everyone to feel respected and able to give their best. In 2023, we launched our first-ever Diversity, Equity and Inclusion employee survey, seeking feedback from colleagues on how we're doing and seeking suggestions for areas to work on. Some great ideas were submitted and, in 2024, we will enhance our DEI plans to incorporate some of the themes raised, including a focus on raising awareness of parents within our network and some of the challenges they might face, as well as looking at voluntary diversity pay gap reporting and many more initiatives.

Alfa continues to work to build a more inclusive workplace at all levels of the Company. The Committee supports the diversity, equity and inclusion and initiatives set by the Company, and recognises that the Company is evolving in this space. Recruitment is continually reviewed to ensure equality during the process.

# Nomination Committee Report continued

## 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 the disclosure of any other business interests is requested from the candidates. 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.

## 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.

## External directorships

All Directors are required to request approval from the Board before accepting any new external directorships. The Board will consider the time commitment required for the role under review and any potential conflict of interest. There were no new public appointments in relation to the Directors during 2023.

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.

## Conflicts of interest and independence

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 new conflicts of interest were noted in the year and to the date of this Annual Report.

On behalf of the Board, the Committee reviewed the independence of each Non-Executive Director and is satisfied that all Non-Executive Directors, including the Chair, remain independent under the definition in the Code. Furthermore, the Committee is satisfied that each of the Non-Executive Directors commits sufficient time to meet their Board responsibilities. All Directors are required to submit an annual declaration of conflicts of interest and to declare any new conflicts as they arise. The Board delegates to the Committee the

responsibility for reviewing the procedures for assessing, managing and, where appropriate, recommending the approval of any conflicts of interest to the Board. The Committee reported to the Board that the current procedures are appropriate and that they have operated effectively during the year.

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.

## 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. 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 2024. The Committee has confirmed to the Board that the contributions made by the Directors offering themselves for re-election at the 2024 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  
13 March 2024

# Audit and Risk Committee Report



“Supporting progressive growth with a measured control environment.”

Steve Breach, Chair of the Audit and Risk Committee

## Meetings held during 2023

	Member since	Meetings attended 2023
Steve Breach (Chair)	2019	4/4
Adrian Chamberlain	2020	4/4
Charlotte de Metz	2020	4/4
Chris Sullivan	2019	4/4

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

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

## Principal activities in 2023

- Reviewed the 2022 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 2023 internal audits and considered the 2024 internal audit plan.
- Review of information and cyber security.
- Review of the company’s insurance arrangements.
- Tax compliance status review.
- Reviewed Internal and External Audit effectiveness.
- Considered key accounting matters.

## Areas of focus for 2024

- 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 2023. The Report explains the work of the Committee during the year, as well as setting out expected key areas of focus for 2024.

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 was to maintain the integrity and transparency of the Company’s internal and external financial reporting. We 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 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 78 to 79. 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

# Audit and Risk Committee Report continued

## 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 of 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.
- Reporting to the Board on how it has discharged its responsibilities.
- Developing and implementing policy on the engagement of the external auditor to supply non-audit services.

## 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 2023, 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 2023 and year ended 31 December 2023.

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.

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. 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 customised licence 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 standalone selling price.</p>	<p>In advance of the half-year and full-year results, 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>

## Audit and Risk Committee Report continued

Area of focus	Assessment	Review of the Committee	Conclusion/ Action taken
<p><b>Development costs</b></p>	<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>
<p><b>Goodwill and carrying value of investments</b></p>	<p>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.</p>	<p>The Committee reviewed and challenged management's impairment assessment.</p>	<p>The Committee agreed that no impairment was required in the current year for both goodwill and the carrying value of the investment in subsidiaries.</p>

Area of focus	Assessment	Review of the Committee	Conclusion/ Action taken
<p><b>Going concern and Viability statement</b></p>	<p>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>	<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 2024 budget and also plans for 2025 and 2026.</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 36 to 44 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 45 to 47 in the Strategic report, the funding headroom available, the feasibility of mitigating actions, the dividend policy, 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 2023 financial statements.</p>	<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.</p>

# 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 March 2024 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 the 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 144 to 183;
  - the Company's business model, as described on pages 14 to 15; and
  - the Company's strategy, as described on pages 16 to 25.

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 32 to 35. The principal risks and uncertainties facing the Company are addressed in the Strategic report in the table on pages 36 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 2023, 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 2023, Alfa's financial, operational and compliance controls continued to operate as intended.

## 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 provides 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 the internal audit during 2023 included the following areas of focus:

- Compensation approach
- Pricing
- Financial Controls – Treasury
- Cyber security – follow-up
- Talent Development, succession planning and performance management
- 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 2023, 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 2023 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 45 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 31 and confirmed its satisfaction with the testing methodology.

### **Assessment of the effectiveness of the Committee**

The Committee's effectiveness in respect of 2023 was evaluated as described on page 89. 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 2024**

In 2024, 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

13 March 2024

# Remuneration Committee Report



“Our Directors’ Remuneration Policy is designed to deliver balanced outcomes for our stakeholders, driving long-term sustainable performance for the benefit of all our stakeholders.”

Adrian Chamberlain,  
Chair, Remuneration Committee

## Meetings held during 2023

	Member since	Meetings attended 2023
Adrian Chamberlain	2020	4/4
Steve Breach	2019	4/4
Charlotte de Metz	2020	4/4
Chris Sullivan	2019	4/4

The full Terms of Reference for the Committee can be found at: [www.alfasystems.com/investors/governance](http://www.alfasystems.com/investors/governance).

## Principal activities in 2023

- 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 2022 Annual Bonus, and approving pay-outs.
- Reviewing and approving the 2023 Long-Term Incentive Plan proposal and grant.
- Reviewing and approving the 2023 annual bonus framework and measures, and award opportunities.
- Approving the 2022 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.

## Introduction

On behalf of the Remuneration Committee, I am pleased to present our Remuneration Committee Report for 2023, which summarises our key activities during the year. This year, the Committee’s focus was on reviewing the current Directors’ Remuneration Policy in line with the Group’s long-term business strategy. In this Report, I have set out information on the business context and the wider operating environment, details of executive remuneration outcomes in 2023, the intended implementation of the Policy for 2024 and the key focus areas for the Committee during 2023.

## Our performance

During 2023, Alfa performed strongly both operationally and financially. During the year, the Board upgraded estimates to shareholders and with continuing strong cash generation, this enabled us to pay two special dividends along with a final dividend to shareholders.

Further detail on our overall performance during 2023 is set out in the CEO’s review on pages 8 to 11 and the CFO’s Financial review on pages 28 to 31.

## Our people

During 2023, the Committee undertook a review of remuneration and related policies for the wider workforce and deemed that remuneration for Executive Directors is aligned to the wider workforce. This was achieved by applying consistent pay principles across the entire workforce, and application of the annual pay review process consistently across all employees.

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 I look forward to further development in the future.

## Shaping our Directors' Remuneration Policy

In line with the normal three-year cycle, Alfa's Directors' Remuneration Policy (the 'Policy') will be presented to shareholders at the 2024 AGM. In advance of this, the Committee reviewed the current Policy and its implementation to ensure it remains fit for purpose and aligned to Alfa's strategic intentions. This review considered Alfa's strategy and the views and expectations of our employees, shareholders and other stakeholders. Following this review, a consultation process was undertaken with our largest shareholders and wider shareholder bodies, to discuss our current Policy and the changes we were considering to the revised Policy. It was evident that Shareholders were comfortable with the existing Policy, and were supportive of the enhancements proposed in the new Policy, the details of which, are outlined on page 106.

Our revised Policy is designed to deliver balanced outcomes for our stakeholders, driving long-term sustainable performance for the benefit of all of our stakeholders: employees, investors, customers, communities and society, regulators and government. In overseeing remuneration outcomes, the Committee ensures that performance is assessed in the round and over time through stakeholder lenses.

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.

## Incorporating ESG into the incentive framework

The Committee is aware that many stakeholders now expect ESG to be formally reflected in executive remuneration, particularly in relation to climate change. The Company has used external expertise to assess its own environmental impact across Scopes 1 and 2 emissions, as well as its total footprint including Scope 3. The outcome of that work has been to clearly set out that the business has limited Scope 1 and 2 emissions, with Scope 3 emissions representing 99.5% of its total emissions, where the Group has more limited ability to influence them. The Group has committed to setting a target for its Scope 1 and 2 emissions, and also Scope 1, 2 and 3. The Committee supports Alfa's commitment to net-zero, as we continue to improve our data and disclosures to align with our sustainability goals. Further details can be found in the ESG, Planet section on pages 66 and 67. The Committee believes that ESG measures within remuneration should be clearly tied to strategy, and while climate issues are clearly an important part of our governance framework and an area of focus for the wider Company and other stakeholders, they are not currently a core driver for strategic success. There are other areas within our ESG framework which are directly linked with strategy: if the Group has an engaged and motivated workforce, and satisfied customers, that will underpin the achievement of its strategy. The Committee believes the inclusion of the employee engagement score and a number of diversity initiatives will ensure that we continue to attract and retain the best talent are much more important strategic metrics.

As we develop our ESG framework, we have set longer-term targets and will look to set interim shorter term targets in relation to our net-zero ambitions and incorporate these into our variable incentives.

## 2023 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 2023. 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 the remaining 50%, after the deduction of tax, will be deferred in Alfa shares for three years.

With regard to the Group's longer-term Incentives, performance conditions attached to Long-Term Incentive Plan (LTIP) awards made on 30 April 2021 were tested to 31 December 2023. The award is based equally on growth in EPS and Total Shareholder Return (TSR). TSR over the three-year period was 69.6%, which ranked Alfa at the 70th percentile against its benchmark. Diluted EPS for 2023 of 7.9p exceeded the maximum target of 7.6p. Accordingly, 91.95% of the award will vest in April 2024, and will be subject to a mandatory two-year holding period. Further details, including the value of these awards, are included on pages 111 to 115. The Committee is satisfied that overall pay outcomes in respect of the year ended 31 December 2023 are appropriate and reflect Alfa's strong financial and operational performance, and the experience of all key stakeholder groups. The annual bonus outcome for the year reflects strong financial performance in 2023, while vesting of the awards granted under the 2021 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.

## 2024 annual bonus

The 2024 annual bonus will operate on a similar basis as last year, and will include revised ESG measures. Maximum opportunities are 125% of salary for the CFO and COO, with half of any amounts earned deferred in shares for three years.

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. For the 2024 bonus, the ESG measure will consist of two elements. The first element will continue to assess overall employee engagement. The introduction of a new second measure will assess a number of diversity initiatives, and achievement will be evaluated based on the overall progress of these initiatives. 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 environmental targets should be included in our annual bonus scheme, our Long-Term Incentive Plan, or both.

## 2024 – Looking ahead

We have undertaken our annual review of the Executive salaries and awarded a 1.8% salary increase to the CFO and COO (effective 1 January 2024). From 2023, the Company car scheme was disbanded for the wider workforce, to promote the use of low emission vehicles or other forms of transport. For employees who were eligible to receive a car cash allowance this was rolled into salary from 1 January 2023. In order to align the Executive Directors salary with the wider workforce, the Committee approved that the Company car cash allowance of £6,000 would be rolled into salary with effect as of 1 January 2024.

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 London Living Wage.

## 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 2024 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 Committee Report continued

## Directors' Remuneration Policy

The Alfa Directors' Remuneration Policy (the 'Policy') is subject to a binding shareholder vote at the Alfa AGM to be held on 1 May 2024 and, if approved, will apply from this date. It is intended that the Policy will apply for a period of up to three years and will need to be re-approved at the 2027 AGM at the latest. The Policy was reviewed and approved by the Remuneration Committee. As part of the process, the views of our larger shareholders and other shareholder advisory bodies were sought. In addition, the thoughts of other Board members, management and external advisors were considered.

### Changes from the current Policy

The key changes between this Policy and the policy which was approved by shareholders at the Alfa 2021 AGM are as follows:

- Salary – Any increase in Executive Directors' salaries will generally be no higher in percentage terms than for the broader employee population.
- Company Share Options Plan – There is no intention to incentivise Executive Directors with a CSOP award. Removed from the 2024 Policy.
- Post-employment shareholding requirements – 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 two years.

Any other changes in wording or presentation are considered to be immaterial to the operation of the Policy.

### Fixed elements of remuneration for Executive Directors

#### Salary

<b>Purpose and link to strategy</b>	To attract, retain and motivate Executive Directors of the calibre required to deliver the Company's strategy and drive business performance.
<b>Operation</b>	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. 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.
<b>Maximum opportunity</b>	There is no overall maximum for, or increase to, salary levels. Any increase in Executive Director salaries will generally be no higher in percentage terms than that for the broader employee population. In appropriate circumstances, the Committee may award increases outside this range. These may include: <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> In addition, where an Executive Director has been appointed to the Board at a starting salary which is lower than the typical market rate, larger increases may be awarded as their experience develops, if the Committee considers such increases to be appropriate.
<b>Performance</b>	Personal performance will be taken into consideration when determining any salary increases.

#### Benefits

<b>Purpose and link to strategy</b>	To provide market competitive benefits which help to recruit and retain high-calibre Executive Directors.
<b>Operation</b>	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) private medical insurance for 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.
<b>Maximum opportunity</b>	Given that the cost of benefits depends on the Executive Director's individual circumstances, there is no prescribed maximum monetary value. The cost of the benefits provision will be reviewed by the Committee on a periodic basis to ensure it remains appropriate. Other payments such as legal fees or outplacement costs may be paid if it is considered appropriate.
<b>Performance</b>	There are no performance conditions.

## Pension

<b>Purpose and link to strategy</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.
<b>Operation</b>	May be provided by way of contribution into a Company pension scheme or a cash supplement in lieu of pension contributions into this scheme (or such other arrangement the Committee determines has the same economic effect).
<b>Maximum opportunity</b>	The maximum Company contribution for Executive Directors will not exceed the contribution (as a percentage of salary) available to the broader employee population (currently 6% of salary).
<b>Performance</b>	There are no performance conditions.

## Variable elements of remuneration for Executive Directors

### Annual bonus and Deferred Bonus Share Plan (DBSP)

<b>Purpose and link to strategy</b>	Incentivises and rewards the achievement of annual financial and non-financial objectives integral to the Company's strategy. The part deferral of earned bonus into shares provides alignment with shareholders' long-term interests.
<b>Operation</b>	The Committee will set the performance measures and their weighting, and targets annually to reflect the key financial and non-financial priorities for the business in the relevant year.  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.  Where exercised, the rationale for this discretion will be fully disclosed to shareholders in the relevant Annual Report. Not less than 50% of any bonus will normally be satisfied by way of 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.  Malus and clawback provisions will apply (see explanatory notes).
<b>Maximum opportunity</b>	The maximum bonus opportunity may be up to 150% of salary for the Executive Directors for each financial year. On-target performance will typically pay out up to 50% of the maximum opportunity.  Full details on the annual bonus for Executive Directors will be set out in the Annual Report on Remuneration in respect of the relevant year.
<b>Performance</b>	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).

### Long-Term Incentive Plan (LTIP)

<b>Purpose and link to strategy</b>	Incentivises and rewards the achievement of the Company's long-term strategic objectives for the business, through the use of share-based awards. Encourages long-term shareholdings to retain Executive Directors and provide alignment with shareholders' interests.
<b>Operation</b>	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.  The Committee may use its discretion at the end of the performance period to adjust the final vesting outcomes if it considers that the formulaic outcome does not reflect the underlying performance of the business 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.  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.  The Committee retains the discretion to allow dividends to accrue over the vesting period in respect of any awards that vest (see explanatory notes).
<b>Maximum opportunity</b>	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.

# Remuneration Committee Report

## Directors' Remuneration Policy continued

<b>Performance</b>	<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. 100% of an award will vest for maximum performance and typically 25% will vest at threshold.</p>
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### All-employee share plans

<b>Purpose and link to strategy</b>	All-employee share plans are designed to encourage share ownership across the wider workforce.
<b>Operation</b>	Executive Directors are eligible to participate in any all-employee share plan, on identical terms to other participants. In the case of UK tax qualifying plans, these will be operated in line with HMRC guidance.
<b>Maximum opportunity</b>	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.
<b>Performance</b>	The Committee may apply conditions to participation in all-employee share plans, which will apply to all employees.

### Shareholding requirement

<b>Purpose and link to strategy</b>	To drive long-term, sustainable decision making for the benefit of the Company and our shareholders.
<b>Operation</b>	The Executive Directors are required to build up a shareholding equivalent to 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.
<b>Maximum opportunity</b>	Executive Directors are required to hold shares equivalent to 200% of their salary in value. Post-employment, Executive Directors will normally be expected to maintain a minimum shareholding of 200% of salary (or actual shareholding if lower) for two years. The Committee retains discretion to waive this guideline if it is not considered to be appropriate in the specific circumstance.
<b>Performance</b>	There are no performance conditions.

## Non-Executive Director remuneration

### Fees paid to the Non-Executive Directors

<b>Purpose and link to strategy</b>	Fees are set at a level to reflect the amount of time and level of involvement required in order to carry out 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.
<b>Operation</b>	<p>Fees for Non-Executive Directors will be determined by the Chairman and the Executive Directors.</p> <p>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.</p> <p>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.</p>
<b>Maximum opportunity</b>	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.
<b>Performance</b>	There are no performance conditions.

### 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 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

Our 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.

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.

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.

# Remuneration Committee Report

## Directors' Remuneration Policy continued

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 two years.

### 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 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 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.

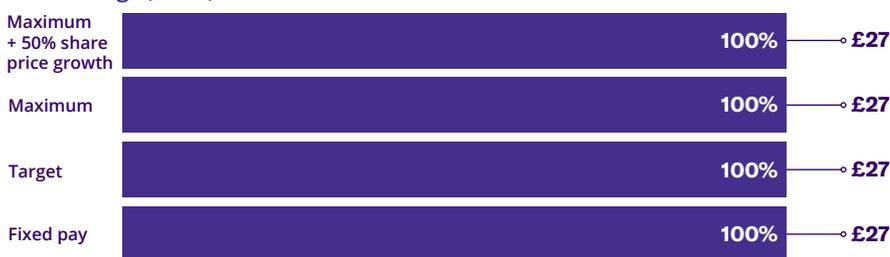
## Illustrations of potential remuneration outcomes 2024

The following charts illustrate the remuneration that could be received by each of the Executive Directors for varying levels of performance in 2024. The charts are based on the following assumptions:

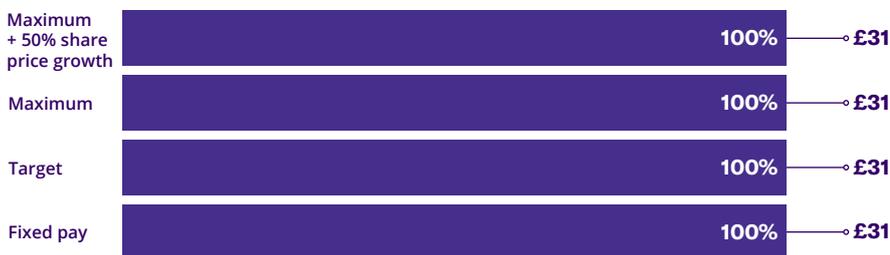
Pay scenario	Purpose and link to strategy
<b>Maximum +50% share price growth</b>	Assumes 100% pay-out under the annual bonus Assumes 100% pay-out under the LTIP plus 50% share price growth
<b>Maximum</b>	Assumes 100% pay-out under the annual bonus Assumes 100% pay-out under the LTIP
<b>On-target</b>	Assumes 50% pay-out under the annual bonus Assumes 25% pay-out under the LTIP (aligned with threshold performance)
<b>Minimum</b>	Fixed elements of remuneration only – base salary, benefits and pension

### 2024 single figure outcomes

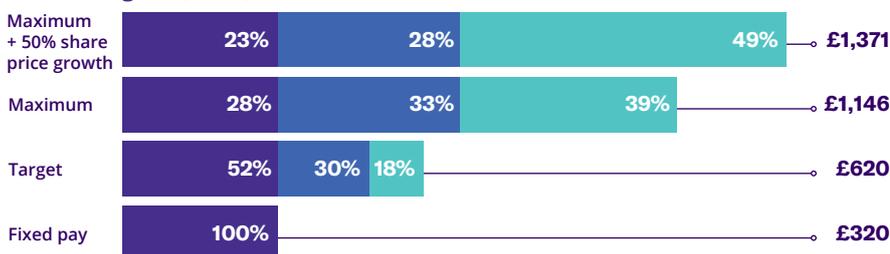
#### Andrew Page (£000)



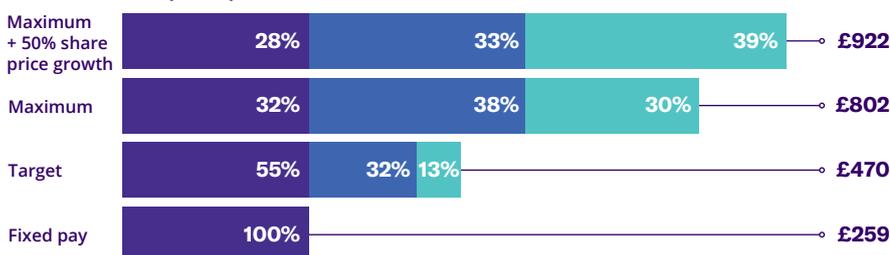
#### Andrew Denton (£000)



#### Duncan Magrath (£000)



#### Matthew White (£000)



■ Fixed ■ Bonus ■ LTIP

### 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, in relation to the service contract and incentive pay through the annual bonus and LTIP, which is summarised on page 112.

# Remuneration Committee Report

## Directors' Remuneration Policy continued

	<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 or redundancy
<b>Tax advantaged Schemes</b>	<p>Unvested options will lapse and savings will be returned on cessation of employment.</p> <p>Vested options not exercised will also lapse if the Executive Director's employment is terminated for cause.</p>	<p>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.</p>	<p>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 within the six months after the date of cessation, after which they will lapse.</p>
<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>	<p>There is no contractual entitlement to payments under the annual bonus.</p> <p>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.</p>	<p>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.</p>	<p>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.</p> <p>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.</p>
<b>LTIP awards</b>	<p>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.</p>	<p>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.</p>	<p>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.</p>
<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, the LTIP 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 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 ordinarily no greater in percentage terms than those awarded to 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 Committee Report continued

## Alignment of Remuneration Policy

### 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.

# Annual Report on Remuneration 2023

This section of the Directors' Remuneration Report sets out the remuneration earned in 2023 and the proposed remuneration for 2024, and will be subject to an advisory vote at the 2024 AGM. The following sections on pages 115 to 125 have been audited: 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 2023 to 31 December 2023 and for comparison, the amounts earned during the period 1 January 2022 to 31 December 2022.

£'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>	2023	25	1	-	26	-	-	-	26
	2022	23	5	-	28	-	-	-	28
<b>Andrew Denton<sup>1</sup></b>	2023	25	3	-	28	-	-	-	28
	2022	23	4	-	27	-	-	-	27
<b>Duncan Magrath</b>	2023	289	13	17	319	147	420	567	886
	2022	275	13	16	304	265	1,201	1,412	1,770
<b>Matthew White</b>	2023	231	14	14	259	121	224	345	604
	2022	220	14	13	247	171	480	630	898
<b>Non-Executive Directors</b>									
<b>Chris Sullivan</b>	2023	65	-	-	65	-	-	-	65
	2022	65	-	-	65	-	-	-	65
<b>Steve Breach</b>	2023	65	-	-	65	-	-	-	65
	2022	65	-	-	65	-	-	-	65
<b>Adrian Chamberlain</b>	2023	65	-	-	65	-	-	-	65
	2022	65	-	-	65	-	-	-	65
<b>Charlotte de Metz</b>	2023	55	-	-	55	-	-	-	55
	2022	55	-	-	55	-	-	-	55

1. From 2022 Andrew Page and Andrew Denton received reduced salaries, which were set at the London living wage.
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 2022 LTIP figure: the value of the award has been restated using the share price at the date of vesting. The 2023 figure: relates to 91.95% of the 2021 LTIP awards which will vest on 29 April 2024 following the achievement of the TSR and EPS targets for the three-year period ended 31 December 2023. The value of these awards has been calculated using the three-month average share price to 31 December 2023 of 1.55p.

## All-employee workforce remuneration at Alfa

The Committee takes into consideration the reward, incentives and conditions available to colleagues when considering the remuneration of Executive Directors and senior management. Our remuneration principles are consistent for all our employees. The key difference in our executive remuneration, compared to the approach to remuneration across our workforce, is that remuneration for our Executive Directors is more heavily weighted towards variable pay and linked to the delivering of strategic objectives.

# Remuneration Committee Report continued

## Approach to remuneration across Alfa

<b>Salary</b>	Set considering market rates, roles, skills, experience, and individual performance. Alfa continues to review salaries Company-wide to ensure that we remain a competitive employer within the local market.
<b>Allowances and benefits</b>	Alfa provides a number of financial benefits and allowances, including travel insurance, life assurance, smart working allowance and Company loan scheme.
<b>Pension</b>	Alfa offers employees access to a Self Invested Personal Pension, in which Alfa will match employee contributions up to 6%.
<b>Annual incentives</b>	Alfa operates a discretionary profit share bonus scheme which reflects the Alfa ethos that we are all striving towards the same goal and share in the profits of the Company.
<b>Long-term incentives</b>	Senior grades participate in a long-term incentive arrangement, with both performance shares and restricted shares, recognising the markets in which we compete for talent. At other levels, awards are typically made in restricted shares only.

During the year, the Committee received reports from the Chief People Officer on pay and conditions across Alfa, and on the recruitment and retention experience. We took these into account when determining executive remuneration. We have established channels in place to inform our colleagues and help them understand how executive remuneration and wider pay policies are aligned, although we continue to develop how best to engage with employees. Further detail on Alfa's approach to employee engagement is provided on page 52.

## 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. 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 52 to 66. 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.

## 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.

## Base salary

The Committee determined that the salary increase for the CFO, Duncan Magrath, and COO, Matthew White, for the period from 1 January 2023 would be 5%. The Chairman, Andrew Page, and CEO, Andrew Denton, continued to receive the legal minimum salary requirement, which reflected the London Living Wage.

## 2023 annual bonus

The 2023 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 2023 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 2023 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 decreased by a modifier based on the operating free cash flow conversion, being cash flow generated from operations after deducting capital expenditure as a percentage of operating profit EBIT. A new ESG measure was introduced for the 2023 annual bonus. The ESG measure consists of two individual elements, one assessing overall employee retention and the other overall employee engagement, which have a combined weighting of 5% of total bonus opportunity. The remaining 20% 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 pay-out for the 2023 annual bonus:

### 2023 annual bonus outcome

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	Actual annual bonus value achieved (% of salary)	
								Duncan Magrath	Matthew White
Maximum opportunity (% salary)								125%	125%
Revenue	37.5%	£101.8m	£105.5m	£109.2m	£102.0m	0% – 100%	2.2%	1.0%	1.0%
Operating profit	37.5%	£26.5m	£30m	£31.9m	£30.1m	0% – 100%	54.6%	25.6%	25.6%
Cash flow conversion	Modifier	90%		100%	115%	0.9 – 1.0	1.0	1.0	1.0
<b>TOTAL financial</b>							<b>21.3%</b>	<b>26.6%</b>	<b>26.6%</b>
<b>ESG measures</b>									
Employee retention	2.5%		90%		97%		100%	3.1%	3.1%
Employee engagement	2.5%		80%		80.5%		100%	3.1%	3.1%
Personal performance	20%					0% – 100%		18.2%	19.3%
<b>TOTAL</b>	<b>100%</b>							<b>51.0%</b>	<b>52.1%</b>
Total payable (£)								£147,473	£120,519

# Remuneration Committee Report continued

## Performance against non-financial measures

We introduced our first annual bonus ESG performance measures in 2023, which assessed two individual elements, one overall employee retention and the other overall employee engagement. Both achieved measures which have a combined weighting of 5% of total bonus opportunity.

Employee engagement, based on the average quarterly results from the 2023 Pulse survey, achieved 80.5%. This assessment of employee engagement underpins our commitment to addressing any concerns proactively, thereby prioritising employee well-being. Such prioritisation is essential for achieving high employee retention and cultivating a loyal and motivated workforce. In 2023, our retention rate stood at 97%, exceeding the threshold of 90%. This accomplishment reflects our ongoing efforts to create a positive and fulfilling work environment, which serves as a fundamental metric for our company's sustained success and stability. Together, these metrics highlight our commitment to maintaining a consistent and engaged workforce.

The Committee considered a performance assessment report for the CFO and COO showing the extent of their achievement against the individual personal strategic and operational measures agreed by the Committee. As with the financial elements of the Annual Bonus, the Committee was satisfied that the scale of Executive Directors' achievements this year. The personal measures described above are assessed with reference to the following objectives:

	Objective	Commentary on performance achieved	
<b>Duncan Magrath</b>	Finance structure	<ul style="list-style-type: none"> <li>Built greater resilience into the Finance team through improved documentation of processes, enhancement of core skills, and cross regional support.</li> <li>Improved speed of delivery of information and improved forecasts and analysis to support business decisions.</li> </ul>	
	Strategic	<ul style="list-style-type: none"> <li>Developed a comprehensive strategic model from key insights and learning to effectively inform strategic thinking during the Board Strategy Day.</li> </ul>	
	Investor relations	<ul style="list-style-type: none"> <li>Increased investor relations activities, engaging with multiple new shareholders, leading to the addition of a number of new entrants on the share register.</li> </ul>	
	Risk and Insurance	<ul style="list-style-type: none"> <li>Reviewed risk and insurance arrangements. Transitioned to a new insurance broker, resulting in improved cover and savings on renewal premiums.</li> </ul>	
		<b>Achievement</b>	<b>72.7%</b>
<b>Matthew White</b>	People	<ul style="list-style-type: none"> <li>The target to build a comprehensive client facing team of over 370 employees was met.</li> <li>A comprehensive review of the talent management process was undertaken to clarify the approach and simplify the process. This was re-launched to the organisation and well received.</li> </ul>	
	Software	<ul style="list-style-type: none"> <li>Consistently delivered software enhancements meeting expected timelines, maintaining high quality standards, and adhering to estimated costs.</li> <li>Defined and implemented our Alfa Development Model, improving flow and value to our customers. Significant changes were implemented to the structure of the Product Engineering team, and processes were streamlined to facilitate easier collaboration and enhance clarity in roles.</li> </ul>	
	Delivery	<ul style="list-style-type: none"> <li>Successful execution of implementation projects, demonstrating excellent progress in delivery throughout the year.</li> <li>Confirmed plans for the move to partner-led delivery. Started the implementation of those plans, including the assignment of one partner team member to an Alfa Start implementation.</li> </ul>	
	Strategy	<ul style="list-style-type: none"> <li>Confirmed market definition and sizing for tier 2 and 3 US auto finance, refined Alfa Start strategy for this market.</li> <li>Reviewed further strategic opportunities, updated Alfa's documented strategy, and defined further projects for 2024.</li> </ul>	
		<b>Achievement</b>	<b>77.1%</b>

## Performance against annual bonus targets

Based on the achievements listed above, the Committee agreed that the final vesting under the 2023 bonus would be 51.0% of the maximum for Duncan Magrath and 52.1% of the 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 £
Duncan Magrath	£288,750	125%	51.0%	147,473
Matthew White	£231,000	125%	52.1%	120,519

## Long-Term Incentive Plan – awards vesting in the year

Awards granted to Executive Directors in April 2021 were subject to EPS growth and relative TSR performance over a three-year period ended 31 December 2023.

The EPS targets (applying to 50% of each award) required EPS for the year ending 31 December 2023 of 5.4p for 25% of that element to vest, rising to full vesting if EPS for the year ending 31 December 2023 was 7.6p or higher. The Group's 2023 EPS outturn of 7.9p 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 69.6%, which was at the 70th percentile versus the comparator group. This outcome warrants 83.9% vesting of this element of the award.

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, 91.95% of the total award will vest.

Awards are scheduled to vest on 29 April 2024, and both Executive Directors' awards will be subject to a two-year holding period, with a release date of 29 April 2026. 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>
Duncan Magrath	300,218	91.95%	276,050	£40,855	£420,148
Matthew White	160,116	91.95%	147,227	£21,789	£224,078

1. The value of the award which is attributable to share price growth. Based on the share price at grant of £1.374.

2. The amounts shown are indicative vesting values based on the average share price for the three-month period to 31 December 2023 of £1.522.

# Remuneration Committee Report continued

## Long-Term Incentive Plan – awards granted in the year

Share awards were made to the Executive Directors under the LTIP on 6 April 2023 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 2023 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
Duncan Magrath	6 April 2023	150%	320,833	1.35	£433,125	25%	1 January 2023 to 31 December 2025
Matthew White	6 April 2023	100%	171,111	1.35	£231,000	25%	1 January 2023 to 31 December 2025

1. The share price used to calculate the number of performance shares was £1.35, the average five-day share price preceding the date of the award (6 April 2023). 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
<b>2023</b>				
<b>Total shareholder return (TSR)</b>	Measured with reference to the FTSE Small Cap index excluding investment trusts and the Company	50%	Median	Upper quartile
<b>Earnings per share (EPS)</b>	Measured with reference to EPS performance in the year ending 31 December 2025	50%	9.36p	11.4p

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 ends 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.

## 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 2023 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. The Board reviewed the rates of pay for Non-Executive Directors over the year to ensure they remain aligned with market levels. No changes are proposed to NED fees for 2024. 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.

## 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 bonus between 2020 and 2023 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.

	Andrew Page (Chairman)	Andrew Denton (CEO)	Duncan Magrath (CFO)	Matthew White (COO)	Steve Breach (NED)	Adrian Chamberlain (NED)	Charlotte de Metz (NED)	Chris Sullivan (NED)	Employees
% change for the end of the comparative period to the end of the reporting period									
<b>2023</b>									
<b>% change in salary/fees</b>	<b>8%</b>	<b>8%</b>	<b>5%</b>	<b>5%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>0%</b>	<b>7.8%</b>
<b>2023</b>									
<b>% change in benefits</b>	<b>(71)%</b>	<b>(30)%</b>	<b>0%</b>	<b>0%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>1.5%</b>
<b>2023</b>									
<b>% change in annual bonus</b>	<b>n/a</b>	<b>n/a</b>	<b>(44)%</b>	<b>(30)%</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>	<b>n/a</b>
<b>2022</b>									
% change in salary/fees	(93)%	(92)%	0%	0%	0%	0%	0%	0%	9%
<b>2022</b>									
% change in benefits	(58)%	(69)%	0%	0%	n/a	n/a	n/a	n/a	8%
<b>2022</b>									
% change in annual bonus	n/a	n/a	(16)%	(17)%	n/a	n/a	n/a	n/a	n/a
<b>2021</b>									
% change in salary/fees	(8)%	(8)%	0%	0%	0%	0%	0%	0%	5%
<b>2021</b>									
% change in benefits	(8)%	(12)%	43%	40%	n/a	n/a	n/a	n/a	7%
<b>2021</b>									
% change in annual bonus	n/a	n/a	12%	16%	n/a	n/a	n/a	n/a	n/a
<b>2020</b>									
% change in salary/fees	0%	0%	n/a	0%	0%	n/a	n/a	0%	9%
<b>2020</b>									
% change in benefits	(7)%	(6)%	n/a	n/a	n/a	n/a	n/a	n/a	13%
<b>2020</b>									
% change in annual bonus	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	(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 partway 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.

# Remuneration Committee Report continued

## 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 six 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 2023)

The graph below shows Alfa's TSR performance from Admission in May 2017 to 31 December 2023 against the TSR performance of the FTSE small cap index (excluding investment trusts). The graph on page 123 shows the rebased TSR performance from 1 January 2021 to 31 December 2023. The graphs show 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.



### TSR for the period 1 January 2021 to 31 December 2023

Value (£) (rebased)



### 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 2023.

	CEO single figure of remuneration	Annual bonus pay-out (as a % of maximum opportunity)	LTIP vesting (as a % of maximum opportunity)
2023	£27,814	n/a	n/a
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 2023.
2. The CEO waived any eligibility to participate in the long-term incentive awards in respect of the 2017 to 2023 performance years.
3. The CEO agreed to a reduction in salary effective 1 December 2021.

## Remuneration Committee Report continued

### 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 2023 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 2023.

#### Pay ratio table

Year	Method	25th percentile (lower quartile)	50th percentile (median)	75th percentile (upper quartile)
<b>2023</b>	<b>A</b>	<b>0.5:1</b>	<b>0.3:1</b>	<b>0.2:1</b>
2022	A	0.6:1	0.4:1	0.3:1
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>2023</b>	<b>Total remuneration</b>	<b>58.8</b>	<b>88.2</b>	<b>118.2</b>
	<b>Salary only</b>	<b>52.0</b>	<b>80.3</b>	<b>100.7</b>
2022	Total remuneration	51.4	78.2	108.4
	Salary only	47.2	70.0	91.5
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 fifth financial year in which the Company has 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 in 2022 and 2023 than in previous years.

#### Notes:

1. The CEO advised the Committee that due to his holding in CHP Software and Consulting Holdings Limited, 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 SFTR being lower in 2022 and 2023 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 life assurance, travel insurance and private medical insurance.

## 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 2023 are set out in the table below:

	Shares owned outright at 31 December 2022	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 2023	Shareholding requirement (% of requirement achieved) <sup>1</sup>
<b>Andrew Page</b>	177,272,843	–	–	–	166,635,559	achieved
<b>Andrew Denton</b>	14,643,305	–	–	–	9,280,589	achieved
<b>Matthew White</b>	892,729	11,718	147,227	304,525	1,083,261	achieved
<b>Duncan Magrath</b>	230,668	11,718	276,050	570,984	674,992	achieved
<b>Chris Sullivan</b>	159,649	–	–	–	317,649	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 £1.40 (as at 29 December 2023).
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. The 2021 LTIP awards (which vest based on performance to 31 December 2023) will vest on the third anniversary of grant on 29 April 2024.

There have been no changes to shareholdings of the Directors between the year end and the date of this report.

## 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 2023, no new shares or reissue of treasury shares had been used to satisfy awards, and so this limit had not been exceeded.

## 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 table below illustrates Alfa's returns to shareholders by way of dividends and share buy-backs in relation to spend on pay for all employees for the period and last financial year.

	2023	2022	Change
Total personnel costs (£m) (note 7 to the consolidated financial statements)	<b>53.1</b>	47.1	12%
Average number of employees (note 7 to the consolidated financial statements)	<b>463</b>	420	9.7%
Returns to shareholders (£m) (see note 31 for total dividends and value of shares purchased during the year taken from the consolidated statement of changes in equity on page 146)	<b>24.5</b>	28.1	13.7%

# Remuneration Committee Report continued

## Implementation of the Remuneration Policy 2024

### 2024 Executive Directors' base salary

The Executive Directors' salaries were reviewed in December 2023. The Chairman, Andrew Page, and CEO, Andrew Denton, indicated that they would 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 10% as at 1 January 2024 to remain in line with the London Living Wage.

In 2022, the Company undertook a review of the Company car scheme and decided that the Company car scheme would be disbanded to promote the use of low emission vehicles or other forms of transport. For employees who were eligible to receive a car cash allowance, this was rolled into salary with effect from 1 January 2023. To align the Executive Directors with eligible employees, the car allowance benefit of £6,000 will be rolled into salary with effect as of 1 January 2024.

The Committee carried out a review of the CFO's and COO's remuneration packages in December 2023 and determined that there would be a base salary increase of 1.8%.

The table below shows the salaries for the Executive Directors as at 1 January 2024, which includes an adjustment for car allowance, which will be rolled into salary as of 1 January 2024, and the salary increase in comparison to base salary at 1 January 2023:

	1 January 2023	1 January 2024	Car allowance effective 1 January 2024	Underlying % salary increase	1 January 2024 (including car allowance)	Salary % increase (including car allowance)
<b>Andrew Page</b>	£24,860	£27,360	n/a	10%	£27,360	10%
<b>Andrew Denton</b>	£24,860	£27,360	n/a	10%	£27,360	10%
<b>Duncan Magrath</b>	£288,750	£294,000	£6,000	1.8%	£300,100	3.9%
<b>Matthew White</b>	£231,000	£235,250	£6,000	1.8%	£241,300	4.4%

### 2024 annual bonus

The Chairman and CEO have elected to waive their bonus opportunity. The CFO and COO will be entitled to a maximum annual bonus of 125% of salary for 2024. The following measures have been selected for the 2024 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.

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 based on a 24-month period. The ESG measure would consist of two individual elements, one will assess the overall employee retention and the second will assess a number of diversity initiatives, the achievement of which, will be evaluated on the overall progress at the end of the year. The ESG measure will have a combined weighting of 5% of total bonus opportunity.

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 2024 Directors' Remuneration Report. In accordance with the Policy, 50% of any bonus earned will be deferred into shares for a three-year holding period.

## 2024 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 2024, 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. EPS targets have been calculated based on growth targets from previous year's actual EPS. The EPS targets set for the 2023 LTIP grant ignored the unfavourable impact from the changes in the UK Corporation Tax rate. Despite pre-tax profits in 2023 being higher than 2022, the impact of changes in tax rates means that EPS in 2023 was lower than 2022. Consequently, applying the same growth targets to the 2023 EPS figure has resulted in lower EPS targets for the 2024 LTIP grant compared with the 2023 LTIP grant.

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>2024</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 2026	50%	9.2p	11.1p

## Pension and benefits

For 2024, 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. As outlined on page 126, from 1 January 2024, the Company car allowance for the CFO and COO would be rolled into base salary. There are no further changes proposed to the benefits provided.

## 2024 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 2024 fees. It was determined that the fees will remain at the following level:

Base fee	£55,000
Additional fee for chairing Audit and 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 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 2023, there were four 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 pages 74 to 134. 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.

# Remuneration Committee Report continued

## Remuneration consultants

During the year, the Remuneration Committee and the Company retained independent external advisor to assist on various aspects of the Company's remuneration and share schemes. The Company has continued to retain the services of Ellason LLP as external advisors to the Committee for executive remuneration advice and updates on market practice. Ellason's fees for 2023 were £19,845 (2022: £23,790). Ellason do not provide any other services to the Group or any of the Directors, and the Committee is satisfied that they remain independent. Ellason is a member and signatory to the Remuneration Consultants Group's Code of Conduct, which requires that its advice be objective and impartial and does not have any other connection with the Company or its Executive Directors.

## Statement of shareholding voting

The 2022 Directors' Remuneration Report was approved by shareholders at the 2023 AGM. The Director's Remuneration Policy was approved by shareholders at the 2021 AGM. The votes cast were as follows:

	For	Against	Votes withheld
Directors' Remuneration Report (FY2022)	100%	0.00%	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

13 March 2024

# Directors' report

The Directors of Alfa present their report and the audited financial statements for the year ended 31 December 2023. 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 73
Important events affecting the Group since the financial year	182
Climate change emission reporting	64 to 67
Long-term Viability statement	45 to 47
Stakeholder engagement	48 to 53
Employee engagement	52 to 53
Directors who held office during the year	123

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	127
Details of waiver of Director emoluments and future emoluments	117 and 120
Shareholder waiver of dividends and future dividends	131
Details of any contract of significance	See section below headed
Board statement in respect of Relationship Agreement with the controlling shareholder	'Relationship Agreement with Controlling Shareholder'

## Corporate governance statement

The Company's statement on corporate governance can be found on page 77 of the corporate governance report. The report forms part of this Directors' report and is incorporated by cross reference.

## 2024 Annual General Meeting

The Company's Annual General Meeting will be held at 3pm on Wednesday, 1 May 2024 at Alfa's head office at Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT. The Notice of Meeting setting out the resolutions to be proposed at the 2024 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 number 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 103. There has been no change in Directors' interests from the end of the financial year and to the date of this report.

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 was 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

### Diversity data as at 31 December 2023

Our gender identity and ethnicity data in accordance with Listing Rule 9.8.6R(10) in the format set out in LR 9 Annex 2.1. Data is collected by self-disclosure directly from the individuals concerned.

#### Gender identity or sex

	No. of Board members	% of the Board	No. of senior positions on the board (CEO, CFO, SID and Chair)	No. in CLT <sup>1</sup>	% of CLT
Men	7	87.5%	4	3	75%
Women	1	12.5%	–	1	25%
Not specified/prefer not to say	–	–	–	–	–

1. The CLT composition data excludes the three Executive Directors who are part of the CLT.

#### Ethnic background

	No. of Board members	% of the Board	No. of senior positions on the board (CEO, CFO, SID and Chair)	No. in CLT <sup>1</sup>	% of CLT
White British or other					
White (including minority-white groups)	8	100%	4	4	100%
Mixed/Multiple Ethnic Groups	–	–	–	–	–
Asian/Asian British	–	–	–	–	–
Black/African/Caribbean/Black British	–	–	–	–	–
Other ethnic group, including Arab	–	–	–	–	–
Not specified/prefer not to say	–	–	–	–	–

1. The CLT composition data excludes the three Executive Directors who are part of the CLT.

### 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 expended 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 100.

### Interest capitalised in the period

No interest has been capitalised by Alfa in the year ended 31 December 2023 or at 31 December 2022.

### Profits and dividends

The consolidated profit after tax for the year ended 31 December 2023 was £23.5m (FY22: £24.5m). The results are discussed in greater detail in the Financial review on pages 28 to 33. 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 1 May 2024, a 2023 final dividend of 1.3 pence per share will be paid on 27 June 2024 to holders on the register on 31 May 2024. The ordinary shares will be quoted ex-dividend on 30 May 2024.

In addition, the Board has decided to declare a special dividend of 2.0 pence per share, with an ex-dividend date of 2 May 2024, a record date of 3 May 2024 and a payment date of 30 May 2024. This follows the payment of two special dividends of 1.5 pence and 4.0 pence on 9 May 2023 and 6 October 2023 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 buy-back programme

On 18 January 2022, the Company announced the commencement of a share buy-back programme (the 'programme') to acquire shares with an aggregate purchase price of up to £18m. The purpose of the share buy-back is to reduce the Company's share capital and to enable the Company to meet obligations arising from share option programmes.

During 2023, the Company bought back through market purchases on the London Stock Exchange 1,943,046 ordinary shares of 0.1 pence each representing 0.65% of the issued share capital at 31 December 2023, for a total consideration of £3.0m, including expenses of £7.7k.

The programme concluded on 30 June 2023. In total, the programme purchased 4,775,119 ordinary shares of 0.1 pence each, representing 1.59% of the issued share capital of the Company as at 31 December 2023, for a total consideration of approximately £7.7m, including expenses of £19.5k.

## 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 2023 was made up of 300,000,000 ordinary shares of 0.1p each, of which it held 4,775,119 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 178.

## 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 the purchase. At the 2023 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 (29,629,847 ordinary shares). This authority is renewable annually, and a special resolution will be proposed at the 2024 AGM to request shareholders to renew it.

## Transactions with related parties

There is an existing material transaction which the Company has entered into with related parties:

### Relationship Agreement and the controlling shareholder

The relationship between the Company and the controlling shareholder of the Company (the 'Controlling Shareholder'), CHP Software and Consulting Holdings Limited, is governed by a Relationship Agreement (dated 26 May 2017, as amended by deeds of adherence dated 10 January 2024 and 15 January 2024). 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.

## Directors' report continued

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 Holdings Limited, and its right to appoint Directors are set out in this report on pages 131 to 132.

All Directors will stand for re-election at the 2024 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 concluded on 30 June 2023. Further details can be found page 131.

### Political donations

The Group made no political donations and incurred no political expenditure during the year (FY22: £nil). It remains the Company's policy not to make political donations or to incur political expenditure. At the 2023 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 2023 and 29 February 2024 (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 2023	% of total voting rights at 31 December 2023	No. of ordinary shares at 29 February 2024	% of total voting rights at 29 February 2024	Nature of holding
CHP Software and Consulting Limited	175,905,649	59.58	–	–	Direct
CHP Software and Consulting Holdings Limited	–	–	175,905,649	59.58	Direct
BlackRock Investment Management	15,171,240	5.14	14,105,653	4.78	Indirect
Liontrust Asset Management	12,122,479	4.11	12,922,137	4.38	Indirect
Invesco	10,891,166	3.69	11,394,847	3.86	Indirect
NFU Mutual Investment	10,812,654	3.66	10,723,097	3.63	Indirect
Aberdeen Investments (Standard Life)	10,476,342	3.55	10,476,342	3.55	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, can be found on page 73.

## 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 48 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, including participation in the Sharesave and awards granted under the Alfa LTIP to some senior employees. Information on employee engagement is available on page 82, with additional information highlighted on pages 48 to 53. Further information on employee engagement, as measured by our internal employee surveys, is included on page 61.

## Subsidiaries and branches

The Group has subsidiaries in the USA, Germany, Australia and New Zealand, and a subsidiary of the Company has a branch registration in South Africa. Further details of these can be found in note 32.2 to the accounts on page 182.

## 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 and Risk Committee and in accordance with section 489 of the Companies Act of 2006, a resolution to reappoint it will be put to the 2024 AGM.

## Board approval of the Directors' report

The Directors' report was approved by the Board on 13 March 2024 and signed on its behalf by:

**Andrew Denton**  
Chief Executive Officer

13 March 2024

## Directors' report continued

### Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic report and the Directors' report, the Directors' Remuneration report 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 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 78 to 79 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 13 March 2024 and is signed on its behalf by:

**Andrew Denton**  
Chief Executive Officer  
13 March 2024

# Financial statements

- 136 Independent auditor's report
- 144 Consolidated statement of profit or loss and comprehensive income
- 145 Consolidated statement of financial position
- 146 Consolidated statement of changes in equity
- 147 Consolidated statement of cash flows
- 148 Notes to the consolidated financial statements
- 184 Company statement of financial position
- 185 Company statement of changes in equity
- 186 Company notes to the financial statements
- 191 Five year history



# 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 2023 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 2023 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

#### Key audit matters

#### Group

- Revenue recognition – software and services revenue from implementation projects

#### Parent Company

None

#### Materiality

#### Group

- Overall materiality: £1.48m (2022: £1.43m)
- Performance materiality: £1.11m (2022: £1.08m)

#### Parent Company

- Overall materiality: £1.47m (2022: £1.41m)
- Performance materiality: £1.10m (2022: £1.05m)

#### Scope

Our audit procedures covered 100% of revenue, total assets and profit before tax.

## 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. 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.

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 and 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".

# Independent auditor's report to the members of Alfa Financial Software Holdings plc *continued*

## 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;
- Examining 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 five 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;
  - Examined a sample of underlying contracts to confirm the relevant contract terms had been appropriately identified and that the group's new subscription-based contracts which involve implementation work were appropriately accounted for in line with the group's subscription accounting policy;
  - 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 IFRS 15 calculations for projects with perpetual licences. 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

Based on the results of the audit procedures outlined above, we have no observations to report. The impacts of the key judgements and estimates applied in respect of revenue recognition are disclosed in note 2 to the financial statements.

No key audit matters were identified in respect of the Parent Company.

## 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>	£1.48m (2022: £1.43m)	£1.47m (2022: £1.41m)
<b>Basis for determining overall materiality</b>	5% of profit before tax (2022: 5% of profit before tax)	1% of net assets, capped at 99% of group overall materiality (2022: 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>	£1.11m (2022: £1.08m)	£1.10m (2022: £1.05m)
<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 and the group's financial statements report a single segment and do not disclose any specific divisional information. The group's principal activity is consistent across all locations with a commonality of operations and there is operational interdependence across the group.

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.

# Independent auditor's report to the members of Alfa Financial Software Holdings plc *continued*

## 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 2024 budget to YTD results and order book;
- Assessing the assumptions made in management's stress-testing;
- Completing further sensitivity analysis and stress-testing of management's forecasts;
- 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.

## 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 31;
- 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 45-47;
- 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;
- Directors' statement on fair, balanced and understandable set out on page 100;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks set out on page 32;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems set out on page 100; and
- Section describing the work of the audit committee set out on pages 95-102.

## Responsibilities of directors

As explained more fully in the directors' responsibilities statement on page 134 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.

# Independent auditor's report to the members of Alfa Financial Software Holdings plc *continued*

## 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>

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>	<p>The audit procedures performed in relation to revenue recognition are documented in the key audit matter section of our audit report for implementation software and services revenue. In respect of ongoing software and services revenue our procedures included:</p> <ul style="list-style-type: none"> <li>Recalculation of the revenue recognised in the year for a sample of customers based on time worked and other supporting information;</li> <li>Examining disclosures made in the financial statements to determine if these have been made in line with IFRS 15 'Revenue from contracts with customers'.</li> </ul>
<b>Capitalisation of development costs</b>	<ul style="list-style-type: none"> <li>Examining 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> <li>Examining for a sample of projects whether these had been accounted for in line with IAS 38 'Intangible assets'.</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>

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 4 years, covering the years ending 31 December 2020 to 31 December 2023.

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  
13 March 2024

## Consolidated statement of profit or loss and comprehensive income

£m	Note	2023	2022
<b>Continuing operations</b>			
Revenue	5	102.0	93.3
Cost of sales		(38.3)	(33.4)
<b>Gross profit</b>		<b>63.7</b>	59.9
Sales, general and administrative expenses		(34.3)	(31.0)
Other income		0.7	0.7
<b>Operating profit</b>	6	<b>30.1</b>	29.6
Share of net loss of joint venture	19	(0.3)	(0.1)
<b>Profit before net finance costs and tax</b>		<b>29.8</b>	29.5
Finance income	10	0.3	-
Finance expense	10	(0.5)	(0.6)
<b>Profit before taxation</b>		<b>29.6</b>	28.9
Taxation	11	(6.1)	(4.4)
<b>Profit for the financial year</b>		<b>23.5</b>	24.5
Other comprehensive income:			
Items that may be reclassified to profit or loss:			
Exchange differences on translation of foreign operations	27	(0.2)	0.4
<b>Other comprehensive (loss)/income net of tax</b>		<b>(0.2)</b>	0.4
<b>Total comprehensive income for the year</b>		<b>23.3</b>	24.9
<b>Earnings per share (in pence) for profit attributable to the ordinary equity holders of the Company</b>			
Basic	12	7.99	8.24
Diluted	12	7.90	8.09

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	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	14	24.7	24.7
Other intangible assets	15	5.0	2.9
Property, plant and equipment	16	1.0	1.0
Right-of-use assets	17	6.1	7.1
Deferred tax assets	18	0.3	1.6
Interests in joint venture	19	-	0.2
<b>Total non-current assets</b>		<b>37.1</b>	37.5
<b>Current assets</b>			
Trade receivables	20	5.6	8.9
Accrued income	21	4.6	6.5
Prepayments	21	3.8	4.5
Other receivables	21	0.3	0.2
Corporation tax recoverable	21	1.9	0.2
Cash and cash equivalents	22	21.8	18.7
<b>Total current assets</b>		<b>38.0</b>	39.0
<b>Total assets</b>		<b>75.1</b>	76.5
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Trade and other payables	23	10.0	9.5
Lease liabilities	24	1.4	1.3
Contract liabilities	23	14.2	14.8
<b>Total current liabilities</b>		<b>25.6</b>	25.6
<b>Non-current liabilities</b>			
Lease liabilities	24	6.8	8.0
Provisions for other liabilities	25	0.7	0.9
<b>Total non-current liabilities</b>		<b>7.5</b>	8.9
<b>Total liabilities</b>		<b>33.1</b>	34.5
<b>Capital and reserves</b>			
Share capital	26	0.3	0.3
Translation reserve	27	0.2	0.4
Own shares	28	(8.7)	(7.5)
Retained earnings		50.2	48.8
<b>Total equity</b>		<b>42.0</b>	42.0
<b>Total liabilities and equity</b>		<b>75.1</b>	76.5

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

The consolidated financial statements on pages 144 to 183 were approved and authorised for issue by the Board of Directors on 13 March 2024 and signed on its behalf.

**Andrew Denton**  
Chief Executive Officer

**Duncan Magrath**  
Chief Financial Officer

## 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 2022		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		–	–	0.4	24.5	24.9
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)
Balance as at 31 December 2022		0.3	(7.5)	0.4	48.8	42.0
Profit for the financial year		–	–	–	23.5	23.5
Other comprehensive (loss)		–	–	(0.2)	–	(0.2)
Total comprehensive income for the year		–	–	(0.2)	23.5	23.3
Transactions with owners in their capacity as owners:						
Equity-settled share-based payment schemes	29	–	–	–	1.5	1.5
Equity-settled share-based payment schemes – deferred tax impact	18	–	–	–	(0.5)	(0.5)
Dividends	31	–	–	–	(19.7)	(19.7)
Own shares distributed	28	–	3.6	–	(3.4)	0.2
Own shares acquired	28	–	(4.8)	–	–	(4.8)
<b>Balance as at 31 December 2023</b>		<b>0.3</b>	<b>(8.7)</b>	<b>0.2</b>	<b>50.2</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	2023	2022
<b>Cash flows from operating activities</b>			
Profit before tax		29.6	28.9
Net finance costs		0.2	0.6
Share of net loss from joint venture		0.3	0.1
<b>Operating profit</b>		<b>30.1</b>	29.6
Adjustments:			
Depreciation	6/16/17	1.8	2.2
Amortisation	6/15	0.7	0.8
Share-based payment charge	29	1.6	1.8
RDEC tax credit	6	(0.5)	-
Net gain on disposal of assets		-	(0.3)
Movement in provisions	25	(0.2)	(0.5)
Movement in working capital:			
Movement in contract liabilities	23	(0.6)	3.8
Movement in trade and other receivables	20/21	5.8	(3.6)
Movement in trade and other payables (excluding contract liabilities)	23	0.5	0.2
<b>Cash generated from operations</b>		<b>39.2</b>	34.0
Interest element on lease payments	10/24	(0.4)	(0.6)
Other interest paid	10	(0.1)	-
Income taxes paid		(6.5)	(6.2)
<b>Net cash generated from operating activities</b>		<b>32.2</b>	27.2
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	16	(0.6)	(0.7)
Purchases of computer software	15	-	(0.1)
Payments for internally developed software	15	(2.8)	(1.5)
Interest received	10	0.3	-
<b>Net cash used in investing activities</b>		<b>(3.1)</b>	(2.3)
<b>Cash flows from financing activities</b>			
Dividends paid to Company shareholders	31	(19.7)	(22.5)
Principal element on lease payments	24	(1.3)	(1.6)
Purchase of own shares	28	(4.8)	(5.6)
<b>Cash used in financing activities</b>		<b>(25.8)</b>	(29.7)
<b>Net increase/(decrease) in cash</b>			
Cash and cash equivalents at the beginning of the year	22	18.7	23.1
Effect of foreign exchange rate changes on cash and cash equivalents		(0.2)	0.4
<b>Cash and cash equivalents at the end of the year</b>	22	<b>21.8</b>	18.7

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 2023

## 1. Summary of significant accounting policies

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

The principal activity of the Group is to provide software solutions and consultancy services to the auto and equipment finance industry in the United Kingdom, North America, Europe, Australasia and Africa.

### 1.1 Basis of preparation

#### Compliance with IFRS

The Consolidated Financial Statements of the Group have been prepared in accordance with the Companies Act 2006 and with United Kingdom adopted International Accounting Standards.

#### Historical cost convention

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

#### Going concern

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

The going concern assessment also includes downside stress testing in line with FRC guidance which demonstrates that even in the most extreme downside conditions considered reasonably possible, given the existing level of cash held, the Group would continue to be able to meet its obligations as they fall due.

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

#### New and amended standards adopted by the Group

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 2023. 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 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.

#### 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 1 – Non-current liabilities with covenants; Amendments to IFRS 16 – Leases on sale and leaseback; Amendments to IAS 7 and IFRS 7 – Supplier finance; and Amendments to IAS 21 – Lack of Exchangeability.

The adoption of these is not expected to have a material impact on the financial statements of the Group.

## 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 Limited, 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.

As explained on page 10, the activity in Alfa iQ is being brought fully into the Group. As a result, the Alfa iQ joint venture ceased its activity in late 2023 and the structure is now in the process of being formally dissolved.

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 1. Summary of significant accounting policies continued

### 1.3 Segment reporting

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

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

The Group discloses revenue split by type of activity, being Subscription, Software 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 2023 and 2022 below:

	2023		2022	
	Closing	Average	Closing	Average
USD	1.27	1.24	1.21	1.24
EUR	1.15	1.15	1.13	1.17
NZD	2.01	2.02	1.90	1.95
AUD	1.87	1.87	1.77	1.78

#### Presentation currency

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

### Group companies

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

- Assets and liabilities for each consolidated statement of financial position presented are translated at the closing rate at the date of that consolidated statement of financial position;
- Income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); 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 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 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 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.

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 1. Summary of significant accounting policies continued

### 1.5 Revenue recognition continued

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

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

#### 1.5.4 Periodic right to use Alfa Systems

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

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

#### 1.5.5 Periodic maintenance amounts

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

### 1.5.6 Subscription amounts

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

### 1.5.7 One-off revenue amounts

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

### Capitalised sales incentive costs

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

### 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 (including hosting costs) and for developing software.
- Sales, general and administrative expenses – This includes all the residual operating costs.

## 1.7 Income tax

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

### 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.

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

### 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.

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 1. Summary of significant accounting policies continued

### 1.7 Income tax continued

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 two to ten years, and sometimes have extension options. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In accordance with IFRS 16, leases are recognised as a right-of-use asset with a corresponding liability, at the date at which the leased asset is available for use by 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 less) and leases of low-value assets. For these leases, the Group recognises the lease payments as an expense on a straight-line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

#### Lease liabilities

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

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

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

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

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

- The lease term has changed, or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index, or rate, or a change in expected payment under a guaranteed residual value. In these cases, the lease liability is re-measured by discounting the revised lease payments, using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); and

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is re-measured by discounting the revised lease payments using a revised discount rate.

### Right-of-use assets

The right-of-use assets comprise:

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

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 1. Summary of significant accounting policies continued

### 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 material financial assets categorised as FVTPL or FVOCI. The classification is determined by both:

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

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

#### Subsequent measurement of financial assets

##### Financial assets 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, and reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

## 1.12 Trade receivables

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

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 1. Summary of significant accounting policies continued

### 1.14 Goodwill and other intangible assets continued

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

### 1.15 Trade and other payables

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

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

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

### 1.16 Provisions

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

### 1.17 Employee benefits

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

#### Short-term benefits

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

#### Post-employment benefits

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

#### Employee share scheme expense

The Group makes equity-settled share-based payments to certain employees, which are measured at fair value at the date of grant and expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. For those share schemes with market-related vesting conditions, the fair value is determined using the Monte Carlo model at the grant date. For share options issued with 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.

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 1. Summary of significant accounting policies continued

### 1.18 Equity continued

#### 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 buy-back programme (see note 28).

Own shares are recorded at cost and deducted from equity.

### 1.19 Earnings per share

#### Basic earnings per share

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

#### Diluted earnings per share

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

## 2. Critical accounting judgements, estimates and assumptions

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

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

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

#### Revenue recognition – 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.

## 3. Financial risk management

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

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

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

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

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 3. Financial risk management continued

### 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 dollar are the currencies in which most operating costs are denominated.

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

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

The Group utilised forward contracts in both 2023 and 2022 to hedge against foreign currency exposure. The Group has one outstanding commercial foreign exchange contract at 31 December 2023 with a fair value of £0.2m (2022: none outstanding). No hedge accounting has been applied in the year.

A 10% increase in the USD:GBP exchange rate in the year ended 31 December 2023 would have increased revenue and profit by 3% and 6% respectively (2022: 4% and 8% respectively). Management believes that 10% is a reasonable sensitivity given historical exchange rate movement.

### 3.2 Credit risk

#### a. Credit risk related to transactions with financial institutions

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

#### b. Credit risks related to customer trade receivables

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

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

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

The expected loss rates of trade receivables are based on the payment profiles of customer invoices over a period of 36 months before 31 December 2023 (2022: 31 December 2022), and the corresponding historical credit losses experienced within this period. The historical loss rates are then adjusted to reflect current or forward-looking information in relation to any macroeconomic factors affecting the ability of the customers to settle the receivables. The same approach is applied to both trade receivables and accrued income expected credit loss provisions.

The Group has not identified any current factors or forward-looking information which would be relevant to the historical loss rates. Therefore, on this basis, the loss allowance as at 31 December 2023 and 31 December 2022 was immaterial for both trade receivables and accrued income.

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

### 3.3 Liquidity risk

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

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

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

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

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

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

£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

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 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	2023	2022
Subscription	31.8	27.4
Software	15.6	16.3
Services	54.6	49.6
<b>Total revenue</b>	<b>102.0</b>	<b>93.3</b>

### 4.2 Non-current assets geographical information

Non-current assets attributable to each geographical market:

£m	2023	2022
UK	35.7	34.4
USA	1.0	1.2
Rest of World	0.1	0.3
<b>Total non-current assets</b>	<b>36.8</b>	<b>35.9</b>

Revenue by geographical market is contained within note 5.3. The table above excludes deferred tax assets for both 2023 and 2022.

## 5. Revenue from contracts with customers

### 5.1 Customer concentration

There were no customers with revenue accounting for more than 10% of total revenue in the current year. In the prior year, one customer had revenue accounting for 11% 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:

2023 £m	Subscription	Software	Services	Total revenue
At a point in time – time and materials	–	9.8	39.3	49.1
At a point in time – fixed price	–	0.5	–	0.5
Over time – time and materials	–	3.5	15.3	18.8
Over time – fixed price	31.8	1.8	–	33.6
<b>Total revenue</b>	<b>31.8</b>	<b>15.6</b>	<b>54.6</b>	<b>102.0</b>

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>

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	2023	2022
UK	38.1	31.0
USA	33.6	33.6
Rest of EMEA (excl. UK)	23.1	21.3
Rest of World	7.2	7.4
<b>Total revenue</b>	<b>102.0</b>	<b>93.3</b>

### 5.4 Revenue by currency

Revenue by contractual currency is as follows:

£m	2023	2022
GBP	46.3	39.0
USD	34.6	34.3
Euro	13.9	12.6
Other	7.2	7.4
<b>Total revenue</b>	<b>102.0</b>	<b>93.3</b>

### 5.5 Liabilities from contracts with customers

£m	2023	2022
Contract liabilities – deferred licence and fees	8.0	8.6
Contract liabilities – deferred maintenance	6.2	6.2
<b>Total contract liabilities</b>	<b>14.2</b>	<b>14.8</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 2023 and 31 December 2022 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.

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 5. Revenue from contracts with customers continued

### 5.5 Liabilities from contracts with customers continued

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 2023 and 31 December 2022 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 2023 is £4.0m (2022: £6.2m). We expect to recognise £2.2m in the next financial year 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 2023 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 2023, the Group also has unsatisfied or partially satisfied performance obligations at 31 December 2023 that relate to the option over the right to use Alfa Systems, and in particular any material right in respect of discounts to be received by customers in future periods.

The above includes certain amounts recognised as contract liabilities. The transaction price allocated to these unsatisfied or partially satisfied performance obligations as at 31 December 2023 is £9.4m (2022: £11.0m). This amount is expected to be recognised over the remaining life of the implementation projects, in respect of the licence and development efforts, and over the expected customer life (following the completion of the implementation project) in respect of the option over the right to use Alfa Systems. Of the £9.4m, it is expected that £2.0m will be recognised in 2024, with the remainder being recognised in subsequent years.

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

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

The Group applies the practical expedient in paragraph 121 of IFRS 15 and does not disclose information about the unsatisfied performance obligations that have original expected durations of one year or less. This includes those performance obligations linked to ongoing services for all project types (i.e. subscription, software 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 disclosures above for unsatisfied or partially satisfied performance obligations are not relevant to our subscription performance obligations as these are typically satisfied on a monthly basis in line with the termination rights of the customers (see note 1.5.6).

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

## 6. Operating profit

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

£m	2023	2022
Research and development costs	3.1	2.2
Depreciation of property, plant and equipment	0.6	0.5
Depreciation of right-of-use lease assets	1.2	1.7
Amortisation of intangible assets	0.7	0.8
Foreign exchange loss/(gain)	0.1	(1.1)
Forward foreign exchange contracts (gain)	(0.4)	-
Share-based payments (including social security contributions)	1.6	1.8
RDEC tax credit*	(0.5)	-
Costs related to possible offers **	0.6	-

\* The RDEC tax credit of £0.5m has been presented within 'Other Income'. See note 1.7.

\*\* Costs related to possible offers of £0.6m were incurred in 2023 (2022: nil). These related to legal fees and expenses incurred as a result of two possible offers from private equity firms.

## 7. Personnel-related costs

£m	2023	2022
Wages and salaries	38.5	34.8
Social security contributions (on wages and salaries)	5.1	4.4
Pension costs	3.2	2.6
Profit share pay*	3.8	3.5
Share-based payments**	1.6	1.8
<b>Total employment costs</b>	<b>52.2</b>	<b>47.1</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 (including Executive Directors)	2023	2022
UK	334	307
USA	86	75
Rest of World	43	38
<b>Total average monthly number of people employed</b>	<b>463</b>	<b>420</b>

At 31 December 2023, the Group had 475 employees (2022: 441).

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 8. Key management

Key management compensation (including Directors):

£m	2023	2022
Wages, salaries and short-term benefits	2.1	2.7
Social security contributions	0.2	0.3
Post-employment benefits	–	0.1
Share-based payments*	1.0	1.1
<b>Total key management compensation</b>	<b>3.3</b>	<b>4.2</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 on Page 115.

## 9. Auditor's remuneration

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

£m	2023	2022
<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>	<b>0.4</b>
<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>	<b>0.1</b>
<b>Non-audit services</b>	<b>–</b>	<b>–</b>
<b>Total audit and non-audit-related services</b>	<b>0.5</b>	<b>0.5</b>

## 10. Finance income and expense

£m		2023	2022
<b>Finance income</b>			
Interest income on cash or short-term bank deposits		0.3	–
<b>Finance expense</b>			
Interest on lease liabilities	Note 24	(0.4)	(0.6)
Other interest expense		(0.1)	–
<b>Total finance expense</b>		<b>(0.5)</b>	<b>(0.6)</b>

## 11. Income tax expense

### Analysis of charge for the year

£m	2023	2022
Current tax:		
Current tax on profit for the year	6.1	5.2
Adjustment in respect of prior years	(1.2)	(1.4)
Foreign tax on profit of subsidiaries for the current year	0.5	0.3
<b>Current tax</b>	<b>5.4</b>	<b>4.1</b>
Deferred tax:		
Origination and reversal of temporary differences	0.7	0.2
Adjustment in respect of prior years	–	0.1
<b>Deferred tax</b>	<b>0.7</b>	<b>0.3</b>
<b>Total tax charge in the year</b>	<b>6.1</b>	<b>4.4</b>

The effective tax rate for the year is lower (2022: lower) than the standard rate of corporation tax in the UK. The effective tax rate for the year ended 31 December 2023 was 20.6% (2022: 15.2%). The effective tax rate for the year is impacted by favourable adjustments in respect of prior years totalling £1.2m (2022: £1.3m), due predominately to the benefit of the R&D claim for 2022 (2022: due to the benefit of the R&D claim for 2021 of £0.9m and favourable adjustments in respect to prior year provisions of £0.4m). As the Group is now required to claim relief for R&D under the UK RDEC regime, no tax rate benefit will be expected in the future (the tax benefit is instead reflected in lower cash tax payable) 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	2023	2022
Profit on ordinary activities before taxation	29.6	28.9
Profit on ordinary activities at the standard rate of corporation tax – 23.5% (2022: 19.0%)	7.0	5.5
Tax effects of:		
Effect of different tax rates of subsidiaries operating in other jurisdictions	–	0.1
Adjustment in respect of prior years	(1.2)	(1.3)
Impact of disallowable items	0.2	–
Other	0.1	0.1
<b>Total tax charge for the year</b>	<b>6.1</b>	<b>4.4</b>

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

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 12. Earnings per share

	2023	2022
Profit attributable to equity holders of Alfa (£m)	23.5	24.5
Weighted average number of shares outstanding during the year	294,462,166	296,309,874
Basic earnings per share (pence per share)	7.99	8.24
Weighted average number of shares outstanding including potentially dilutive shares	298,119,816	302,038,789
Diluted earnings per share (pence per share)	7.90	8.09

The weighted average number of ordinary shares in issue excludes 5,537,834 (2022: 3,690,126) 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 buy-back programme (that completed in June 2023). The weighted average diluted number of ordinary shares outstanding, including share awards, uses an average of 3,657,650 (2022: 5,728,914) dilutive ordinary shares.

## 13. Financial assets and liabilities

£m	Note	2023	2022
<b>Financial assets</b>			
Financial assets at amortised cost:			
Trade receivables	20	5.6	8.9
Other financial assets at amortised cost	21	4.9	6.7
Cash and cash equivalents	22	21.8	18.7
<b>Total financial assets</b>		<b>32.3</b>	<b>34.3</b>
<b>Financial liabilities</b>			
Financial liabilities at amortised cost:			
Trade and other payables	23	8.0	7.6
Lease liabilities	24	8.2	9.3
<b>Total financial liabilities</b>		<b>16.2</b>	<b>16.9</b>

## 14. Goodwill

£m	2023	2022
<b>Cost</b>		
At 1 January	24.7	24.7
<b>At 31 December</b>	<b>24.7</b>	<b>24.7</b>

The recoverable amount of goodwill has been determined based on value-in-use calculations using cash flow projections from financial budgets and forecasts for a five-year period using a pre-tax discount rate of 10.4% (2022: 12.2%) which is based on the CGU's weighted average cost of capital. Cash flows beyond these periods have been extrapolated using a steady 2.7% (2022: 2.5%) average growth rate which is reflective of management's best estimate at the time. Management believes that any reasonable change in any of the key assumptions on which the recoverable amount is based would not cause the reported carrying amount to exceed the recoverable amount of the CGU.

## 15. Other intangible assets

£m	Computer software	Internally generated software	Total
<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)
At 31 December 2022	1.7	4.3	6.0
<b>Amortisation</b>			
At 1 January 2022	0.9	1.4	2.3
Charge for the period	0.1	0.7	0.8
Disposals	–	–	–
At 31 December 2022	1.0	2.1	3.1
<b>Net book value</b>			
At 31 December 2022	0.7	2.2	2.9
<b>Cost</b>			
At 1 January 2023	1.7	4.3	6.0
Additions	–	2.8	2.8
<b>At 31 December 2023</b>	<b>1.7</b>	<b>7.1</b>	<b>8.8</b>
<b>Amortisation</b>			
At 1 January 2023	1.0	2.1	3.1
Charge for the period	0.1	0.6	0.7
<b>At 31 December 2023</b>	<b>1.1</b>	<b>2.7</b>	<b>3.8</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>0.6</b>	<b>4.4</b>	<b>5.0</b>

### Significant movement in other intangible assets

During 2023, Alfa developed new internally generated software at a cost of £2.8m (2022: £1.5m). This software will be amortised over three to five years.

The total research and product development expense for the period was £3.1m (2022: £2.2m).

# Notes to the consolidated financial statements for the year ended 31 December 2023 *continued*

## 16. Property, plant and equipment

£m	Fixtures and fittings	IT equipment	Total
<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)
At 31 December 2022	1.5	3.8	5.3
<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)
At 31 December 2022	0.9	3.4	4.3
<b>Net book value</b>			
At 31 December 2022	0.6	0.4	1.0
<b>Cost</b>			
At 1 January 2023	1.5	3.8	5.3
Additions	0.1	0.5	0.6
Disposals	–	(1.1)	(1.1)
<b>At 31 December 2023</b>	<b>1.6</b>	<b>3.2</b>	<b>4.8</b>
<b>Depreciation</b>			
At 1 January 2023	0.9	3.4	4.3
Charge for the year	0.2	0.4	0.6
Disposals	–	(1.1)	(1.1)
<b>At 31 December 2023</b>	<b>1.1</b>	<b>2.7</b>	<b>3.8</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>0.5</b>	<b>0.5</b>	<b>1.0</b>

## 17. Right-of-use assets

£m	Motor vehicles	Property	Total
<b>Cost</b>			
At 1 January 2022	0.4	19.2	19.6
Additions	0.1	-	0.1
Disposals	-	(8.3)	(8.3)
At 31 December 2022	0.5	10.9	11.4
<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)
At 31 December 2022	0.3	4.0	4.3
<b>Net book value</b>			
At 31 December 2022	0.2	6.9	7.1
<b>Cost</b>			
At 1 January 2023	0.5	10.9	11.4
Additions	0.2	-	0.2
<b>At 31 December 2023</b>	<b>0.7</b>	<b>10.9</b>	<b>11.6</b>
<b>Depreciation</b>			
At 1 January 2023	0.3	4.0	4.3
Charge for the year	0.2	1.0	1.2
<b>At 31 December 2023</b>	<b>0.5</b>	<b>5.0</b>	<b>5.5</b>
<b>Net book value</b>			
<b>At 31 December 2023</b>	<b>0.2</b>	<b>5.9</b>	<b>6.1</b>

The disposal in 2022 relates to the assignment of the lease to the 9th floor of Moor Place, 1 Fore Street Avenue, London. Refer to note 32.3.

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	2023	2022
Depreciation	(1.2)	(1.7)
Interest expense	(0.4)	(0.6)
Short-term lease expense	(0.1)	(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	2023	2022
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

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 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	2023	2022
Balance as at 1 January	1.6	1.8
Effect of changes in tax rates	(0.1)	–
Adjustments in respect of prior period	–	(0.1)
Deferred income taxes recognised in the consolidated statement of profit or loss and comprehensive income	(0.7)	(0.2)
Deferred tax on share-based payments recognised in reserves	(0.5)	0.1
<b>Balance as at 31 December</b>	<b>0.3</b>	<b>1.6</b>
Consisting of:		
Depreciation in excess of capital allowances	(0.1)	(0.1)
Other timing differences	0.4	1.7
<b>Balance as at 31 December</b>	<b>0.3</b>	<b>1.6</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 £5.5m at 31 December 2023 (2022: £4.1m).

At the reporting date, the provision for deferred tax comprised net deferred tax assets of £0.4m relating to overseas group companies, and net deferred tax (liabilities) in respect to the UK of £(0.1m). In the prior year, the provision for deferred tax comprised net deferred tax assets of £0.4m relating to overseas group companies, and net deferred tax assets in respect to the UK of £1.2m.

## 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. As explained on page 10, the activity in Alfa iQ is being brought fully into the Group. As a result, the Alfa iQ joint venture ceased its activity in late 2023 and the structure is now in the process of being formally dissolved. The investment in joint venture and the loan have therefore been written off as at 31 December 2023. The interest in the joint venture consists of part investment and part loan to the joint venture, accounted for as set out in note 1.2.

### Investment

£m	2023	2022
Carrying amount as at 1 January	0.1	0.2
Other movements	0.1	–
Share of net loss from the joint venture	(0.2)	(0.1)
<b>Carrying amount as at 31 December</b>	<b>–</b>	<b>0.1</b>

### Loan to joint venture

£m	2023	2022
Carrying amount as at 1 January	0.1	0.1
Loan write off	(0.1)	–
<b>Carrying amount as at 31 December</b>	<b>–</b>	<b>0.1</b>

The loss from interest in joint ventures is £0.3m (2022: £0.1m) made up of both Alfa's share of its loss for the year and also the write off of the loan (as part of bringing in Alfa iQ's operations into Alfa). The total interest in the joint venture is £nil (2022: £0.2m).

## 20. Trade receivables

£m	2023	2022
Trade receivables	5.6	8.9
Provision for impairment	–	–
<b>Trade receivables – net</b>	<b>5.6</b>	<b>8.9</b>

### Ageing of trade receivables

Ageing of net trade receivables £m	2023	2022
Within agreed terms	5.0	6.4
Past due 1-30 days	0.6	2.4
Past due 31-90 days	–	0.1
Past due 91+ days	–	–
<b>Trade receivables – net</b>	<b>5.6</b>	<b>8.9</b>

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

### Currency of trade receivables

£m	2023	2022
GBP	2.6	4.5
USD	2.4	2.7
Other	0.6	1.7
<b>Trade receivables – net</b>	<b>5.6</b>	<b>8.9</b>

### Trade receivables due from significant customers

There were no customers with revenue accounting for more than 10% of total revenue in the current year. In the prior year, the one customer with revenue accounting for more than 10% of total revenue had outstanding trade receivables of £0.7m (all amounts have since 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.

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 21. Other receivables held at amortised cost

£m	2023	2022
Accrued income	4.6	6.5
Prepayments	3.8	4.5
Corporation tax recoverable	1.9	0.2
Other receivables	0.3	0.2
<b>Total other receivables held at amortised cost</b>	<b>10.6</b>	<b>11.4</b>

Accrued income represents fees earned but not yet invoiced at the reporting date which have no right of offset with contract liabilities – deferred licence amounts. Faster invoicing at December 2023 reduced the accrued income balance, which reduced by £1.9m compared with December 2022.

Prepayments include £1.3m (2022: £1.7m) of deferred costs in relation to costs to fulfil contracts – see note 1.5. During the year, £0.2m (2022: £0.3m) relating to costs to fulfil contracts has been recognised within cost of sales.

Corporate tax recoverable at the reporting date of £1.9m (2022: £0.2m) represents UK tax, pending the submission of R&D related claims for 2022 and 2023.

## 22. Cash and cash equivalents

£m	2023	2022
Cash at bank and in hand	21.8	18.7
<b>Cash and cash equivalents</b>	<b>21.8</b>	<b>18.7</b>

### Currency of cash and cash equivalents

£m	2023	2022
GBP	13.5	10.0
USD	3.4	4.3
AUD	1.8	2.1
EUR	2.2	1.9
Other	0.9	0.4
<b>Cash and cash equivalents</b>	<b>21.8</b>	<b>18.7</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	2023	2022
Trade payables	0.5	0.8
Other payables	9.5	8.7
Contract liabilities – deferred licence and fees	8.0	8.6
Contract liabilities – deferred maintenance	6.2	6.2
Lease liabilities (note 24)	8.2	9.3
Provisions for other liabilities (note 25)	0.7	0.9
<b>Total current and non-current liabilities</b>	<b>33.1</b>	<b>34.5</b>
Less non-current portion	(7.5)	(8.9)
<b>Total current liabilities</b>	<b>25.6</b>	<b>25.6</b>

Other payables includes amounts relating to other tax and social security of £2.0m (2022: £1.9m). Of the remainder, £5.4m (2022: £5.3m) relates to amounts due as part of payroll.

## 24. Lease liabilities

The following table sets out the reconciliation of the lease liabilities from 1 January 2022 to the amount disclosed at 31 December 2023:

£m	Total
Lease liabilities recognised at 1 January 2022	17.1
Additions	0.1
Disposals	(6.3)
Interest charge	0.6
Payments made on lease liabilities	(2.2)
<b>At 31 December 2022</b>	<b>9.3</b>
Additions	0.2
Disposals	-
Interest charge	0.4
Payments made on lease liabilities	(1.7)
<b>At 31 December 2023</b>	<b>8.2</b>

Additions to lease liabilities include extensions to existing lease agreements. Total lease payments in 2023 were £1.8m (2022: £2.4m).

Below is the maturity analysis of the lease liabilities:

£m	2023	2022
Non-current	6.8	8.0
Current	1.4	1.3
<b>Total lease liabilities</b>	<b>8.2</b>	<b>9.3</b>
No later than one year	1.7	1.8
Between one year and five years	6.2	6.2
Later than five years	1.4	2.9
<b>Total future lease payments</b>	<b>9.3</b>	<b>10.9</b>
Total future interest payments	(1.1)	(1.6)
<b>Total lease liabilities</b>	<b>8.2</b>	<b>9.3</b>

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.

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 25. Provision for other liabilities

£m

At 1 January 2022	1.4
Provided in the period	0.3
Utilised in the period	(0.3)
Released in the period	(0.5)
At 31 December 2022	0.9
Provided in the period	0.2
Utilised in the period	(0.4)
Released in the period	-
<b>At 31 December 2023</b>	<b>0.7</b>

Provisions for other liabilities comprise amounts for office dilapidations and employer taxes on share-based payments. It is expected that these will be utilised as follows: £0.3m in 2030 and £0.4m over various years.

## 26. Share capital

	2023		2022	
	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 2023.

## 27. Translation reserve

£m

	2023	2022
At 1 January	0.4	-
Currency translation of subsidiaries	(0.2)	0.4
<b>At 31 December</b>	<b>0.2</b>	<b>0.4</b>

## 28. Own shares

£m

	2023	2022
Balance at 1 January	7.5	3.4
Acquired in the year	4.8	5.6
Distributed on exercise of options	(3.6)	(1.5)
<b>Balance at 31 December</b>	<b>8.7</b>	<b>7.5</b>

On 18 January 2022, the Group announced the launch of a share buy-back programme which ended on 30 June 2023. 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 as at 31 December 2023 was 721,036 (FY 2022: 2,163,952); 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 2023 was 4,775,119 (FY 2022: 2,832,073).

Own shares distributed relates to shares distributed to employees from the employee benefit trust for bonus awards under share schemes. As at 31 December 2023, the Group held 1.84% (2022: 1.67%) of its own called-up share capital.

## 29. Share awards

The Group recognised total expenses relating to share-based payment of £1.6m (2022: £1.8m) in the current year. Of this, £1.3m (2022: £1.6m) relates to equity-settled LTIP schemes and £0.3m (2022: £0.2m) relates to Employee ShareSave schemes. See further detail below. The outstanding share schemes are made up of the following:

Grant date	Condition type	Plan	Vesting date	Exercise price	Share options 31 December 2023	Share options 31 December 2022
June 2020	Service and Performance	LTIP	June 2023	0p	-	2,286,502
June 2020	Service Only	LTIP	June 2023	0p	-	35,971
April 2021	Service and Performance	LTIP	April 2024	0p	1,070,668	1,070,668
November 2021	Service Only	LTIP	October 2024	0p	60,872	60,872
November 2021	Service Only	UK Employee ShareSave	January 2025	153.6p	172,832	397,228
November 2021	Service Only	US Employee ShareSave	January 2024	167.0p	40,323	70,515
April 2022	Service and Performance	LTIP	April 2025	0p	741,162	741,162
April 2022	Service Only	LTIP	April 2025	0p	237,965	237,965
April 2022	Service Only	US Employee ShareSave	June 2024	141.1p	27,727	36,731
May 2022	Service Only	UK Employee ShareSave	June 2025	132.8p	214,383	530,320
September 2022	Service Only	LTIP	September 2025	0p	5,917	5,917
April 2023	Service and Performance	LTIP	April 2026	0p	913,963	-
April 2023	Service Only	LTIP	April 2026	0p	383,814	-
April 2023	Service Only	UK Employee ShareSave	June 2026	109.6p	857,493	-
April 2023	Service Only	US Employee ShareSave	June 2025	116.5p	54,960	-

The weighted average share price at the date of exercise for share options exercised during the period was 161.7 pence (2022: 150.0 pence). The options outstanding at 31 December 2023 had a weighted average exercise price of 34.7 pence (2022: 27.1 pence), and a weighted average remaining contractual life of 1.5 years (2022: 1.2 years).

The opening weighted average exercise price at 1 January 2023 was 27.1 pence (1 January 2022: 24.1 pence). The weighted average exercise price of options forfeited and exercised during the year was 161.2 pence (31 December 2022: 128.5 pence). The expected price volatility is based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information. The weighted average exercise price of options granted in the period was 45.4 pence (2022: 48.7 pence).

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

£m	2023	2022
Employee share schemes – value of services	1.5	1.5
Expense in relation to fair value of social security liability on employee share schemes	0.1	0.3
<b>Total cost of employee share schemes</b>	<b>1.6</b>	<b>1.8</b>

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

	2023	2022
Outstanding at 1 January	5,473,851	5,470,741
Conditionally awarded in year	2,210,230	1,552,095
Exercised	(2,322,473)	(1,032,382)
Forfeited or expired in year	(579,529)	(516,603)
<b>Outstanding at 31 December</b>	<b>4,782,079</b>	<b>5,473,851</b>
<b>Exercisable at the end of the year</b>	<b>-</b>	<b>-</b>

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 29. Share awards continued

### 29.1 LTIPs

The June 2020 LTIP awards vested during the year. The exercise of these awards had a net impact of £1.7m on own shares and £3.4m on retained earnings.

The 2021 April LTIP awards and the 2022 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.

The 2021 November LTIP awards, the 2022 April LTIP awards and the 2022 September LTIP awards (service conditions) are conditional on employment only. The fair value of these awards is equal to the closing share price on the date of grant, discounted by the expected 12-month dividend yield to reflect the lack of dividend accrual over the vesting period. The expected price volatility is based on the historical volatility (based on the remaining life of the scheme), adjusted for any expected changes to future volatility due to publicly available information.

The 2023 April LTIP awards (service and performance conditions plan) are granted conditional on performance conditions, 50% based on EPS performance (non-market condition) and 50% on TSR (market condition) as well as a three year employment fulfilment. For those awards with market-related vesting conditions, the fair value has been determined using the Black Scholes model at the grant date. For awards issued with EPS (non-market) performance vesting conditions, the fair value of the underlying option is equal to the grant date share price. The following table lists the inputs to the model used for the awards granted in the year ended 31 December 2023 based on information at the date of grant:

LTIP awards (granted in April)	TSR element	EPS element
Share price at date of grant	139.0p	139.0p
Award price	0p	0p
Volatility	47.0%	0.0%
Embedded TSR	10.3%	–
Average correlation	19.8%	–
Life of award	3 years	3 years
Risk-free rate	3.43%	–
Fair value per award	68.1p	124.1p

In April 2023, the Group awarded to certain employees an LTIP conditional on employment only. The fair value of these awards on the date of grant is 124.1p, 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.

## 29.2 Employee ShareSave Scheme

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

	31 December 2023			
	SAYE		ESPP	
	Number of share options	Exercise price	Number of share options	Exercise price
Outstanding at beginning of year	927,548	145.0p	107,246	158.0p
Conditionally awarded in year	857,493	109.6p	54,960	116.5p
Forfeited or expired in year	(75,699)	145.0p	(21,436)	156.1p
Replaced in year (i.e. left an earlier plan to join the new plan)	(464,634)	140.9p	(17,760)	167.0p
<b>Outstanding at the end of the year*</b>	<b>1,244,708</b>	<b>119.7p</b>	<b>123,010</b>	<b>138.6p</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 2023	ESPP 31 December 2023
Share price	142.0p	136.5p
Exercise price	109.6p	116.5p
Expected volatility	52.40%	45.30%
Expected life	36 months	24 months
Risk-free rate	3.68%	3.48%
Expected dividend yields	3.70%	3.70%
Fair value per award	54.0p	40.2p

# Notes to the consolidated financial statements for the year ended 31 December 2023 continued

## 30. Unrecognised items

### 30.1 Contingencies and commitments

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

### 30.2 Events occurring after the reporting period

There have been no reportable subsequent events.

## 31. Dividends

A 2022 ordinary dividend of 1.2 pence per share was paid on 26 June 2023 amounting to £3.5m (2022: £3.3m at 1.1p per share).

A 2023 special dividend of 1.5 pence per share was paid on 9 May 2023 amounting to £4.4m (2022: £8.9m at 3.0p per share).

A 2023 special dividend of 4.0 pence per share was paid on 6 October 2023 amounting to £11.8m (2022: £10.3m at 3.5p per share).

Subject to approval at the Annual General Meeting on 1 May 2024, a 2023 final dividend of 1.3 pence per share will be paid on 27 June 2024 to holders on the register on 31 May 2024. The ordinary shares will be quoted ex-dividend on 30 May 2024. In addition, the Board has decided to declare a special dividend of 2.0 pence per share, with an ex-dividend date of 2 May 2024, a record date of 3 May 2024 and a payment date of 30 May 2024.

## 32. Related parties

### 32.1 Controlling shareholder

The ultimate parent undertaking as at 31 December 2023 was CHP Software and Consulting Limited (the 'ultimate parent'), which was the parent undertaking of the smallest and largest group in relation to these consolidated financial statements. Following an internal reorganisation within the CHP group, the ultimate parent (from 12 January 2024 onwards) is CHP Software and Consulting Holdings Limited. The ultimate controlling party is Andrew Page.

### 32.2 Basis of consolidation

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

	Registered address and country of incorporation	Principal activity	Held by Company 2023	Held by Group 2023	Held by Company 2022	Held by Group 2022
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	Peter-Müller-Straße 3, Düsseldorf Airport City BC GmbH & Co. KG, 40468 Düsseldorf, Germany	Software and services	-	100%	-	100%
Alfa Financial Software International Limited	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Software and services (Dormant)	-	100%	-	100%
Alfa iQ Limited*	Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, UK	Software and services	-	51%	-	51%

\* The activity in the Alfa iQ joint venture ceased in late 2023 and the structure is now in the process of being formally dissolved.

### 32.3 Transactions with related parties

Full details of the Directors' compensation and interests are set out in the Directors' Remuneration Report on page 115. See note 8 for further detail on remuneration of key management (including Directors).

Dividends to the amount of £11.8m were paid to the ultimate parent (2022: £15.0m).

Dividends of 1.5 pence, 1.2 pence and 4.0 pence per share were paid to all shareholders in 2023 (2022: 3.0 pence, 1.1 pence and 3.5 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 115.

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 2023 the investment is carried at £nil (2022: £0.1m) and the loan is carried at £nil (2022: £0.1m). This is because the activity in the Alfa iQ joint venture ceased in late 2023 and the structure is in the process of being formally dissolved. In 2023 Alfa Financial Software Limited paid expenses of £0.1m (2022: £0.1m) on behalf of Alfa iQ Limited (relating to computer costs and payroll) and these were fully recharged back to Alfa iQ Limited at no mark up.

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 (including a car parking space) 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 of use asset and lease liability, which resulted in a one-off gain of £0.6m which was fully recognised in 2022.

In 2022, the Company had rental income of £0.4m from a short-term rental agreement with the ultimate parent for rental of the 9th Floor of Moor Place. There was no such income in 2023 due to the assignment of the lease to the 9th floor of Moor Place, 1 Fore Street Avenue, London to the ultimate parent in July 2022. In 2022 the Company also received rental income of £3,718 relating to its prior arrangement with the ultimate parent for the rental of a meeting room on the 9th Floor of Moor Place. There was no such income in 2023 due to the assignment mentioned above.

In 2023, the Company paid property expenses of £0.04m (2022: £nil) on behalf of the ultimate parent and these were fully recharged back to the ultimate parent at no mark up.

In 2023, the Company sold two debentures to the ultimate parent for £0.2m (2022: nil). The transaction was at arm's length.

The balances outstanding from the ultimate parent at 31 December 2023 and 2022 were £nil and £nil respectively. 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 2023 and 31 December 2022 in the consolidated statement of financial position.

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

## Company statement of financial position

£m	Note	2023	2022
<b>Assets</b>			
<b>Non-current assets</b>			
Investment in subsidiary companies	4	429.8	428.7
<b>Total non-current assets</b>		<b>429.8</b>	428.7
<b>Current assets</b>			
Other receivables	5	0.7	0.6
Cash and cash equivalents	6	0.1	0.3
<b>Total current assets</b>		0.8	0.9
<b>Total assets</b>		<b>430.6</b>	429.6
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Amounts owed to subsidiaries	7	1.3	3.1
Other payables	8	0.6	0.6
Accruals		0.4	0.4
<b>Total current liabilities</b>		<b>2.3</b>	4.1
<b>Non-current liabilities</b>			
Provisions	8	0.2	0.3
<b>Total non-current liabilities</b>		<b>0.2</b>	0.3
<b>Total liabilities</b>		<b>2.5</b>	4.4
<b>Capital and reserves</b>			
Ordinary shares	9	0.3	0.3
Own shares	10	(8.7)	(7.5)
Retained earnings		436.5	432.4
<b>Total equity</b>		<b>428.1</b>	425.2
<b>Total liabilities and equity</b>		<b>430.6</b>	429.6

Retained earnings includes a profit of £25.7m for the 2023 financial year (2022: £65.0m). 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 184 to 190 were approved and authorised for issue by the Board of Directors on 13 March 2024 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 2022		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)
Balance as at 31 December 2022		0.3	(7.5)	432.4	425.2
Total comprehensive profit for the period		-	-	25.7	25.7
Employee share schemes – value of employee services	11	-	-	1.5	1.5
Dividends	12	-	-	(19.7)	(19.7)
Own shares distributed	10	-	3.6	(3.4)	0.2
Own shares acquired	10	-	(4.8)	-	(4.8)
<b>Balance as at 31 December 2023</b>		<b>0.3</b>	<b>(8.7)</b>	<b>436.5</b>	<b>428.1</b>

As at 31 December 2023 £6.3m (2022: £4.8m) 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 2023

## 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 to the nearest £0.1m unless otherwise stated.

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.

### 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 buy-back 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 2 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.

# Notes to the Company financial statements for the year ended 31 December 2023 continued

## 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

£m	2023	2022
<b>Cost</b>		
As at 1 January	428.7	427.6
Capital contributions to subsidiaries (see note 1.6)	1.1	1.1
<b>As at 31 December</b>	<b>429.8</b>	428.7

The carrying amount of the investment is £429.8m at 31 December 2023 (2022: £428.7m). The share price of the Company as at 31 December 2023 was lower than the average for the year. Therefore, in line with Note 1.2, a detailed impairment review was carried out which showed that no impairment of the investment was required. 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 10.4% (2022: 12.2%). Cash flows beyond these periods have been extrapolated using a steady 2.7% (2022: 2.5%) average growth rate which is reflective of management's best estimate at the time. As the recoverable amount is in excess of the carrying amount of the investment, no impairment charge has been recognised during the current financial year. The impairment review is sensitive to assumptions made around the revenue growth rate – if the revenue growth rate assumed in each of the years in the period from 2025 to 2028 was reduced by 2.0% then the headroom would be reduced to £16.6m. We note that the share price has increased since 31 December 2023.

## 5. Other receivables

At 31 December 2023, other receivables relate to prepayments of £0.4m (2022: £0.6m) and VAT receivables of £0.3m (2022: £0.0m).

## 6. Cash and cash equivalents

£m	2023	2022
Cash and cash equivalents	0.1	0.3

## 7. Amounts owed to subsidiaries

£m	2023	2022
Amounts owed to subsidiaries	1.3	3.1
<b>Total amounts owed to subsidiaries</b>	<b>1.3</b>	3.1

All amounts owed to subsidiaries are current. The £1.3m relates primarily to cash advanced by Alfa Financial Software Limited to the Company for operating costs payments (2022: £3.1m).

## 8. Other payables and provision for other liabilities

Other payables relate to trade creditors of £0.1m (2022: £0.1m) and salary costs of £0.5m (2022: £0.5m).

The long-term provision relates to the employer national insurance liability of £0.2m for the 2023, 2022 and 2021 share schemes (2022: £0.3m).

## 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
<b>At 31 December 2023</b>	<b>300,000,000</b>	<b>0.3</b>
At 31 December 2022	300,000,000	0.3

## 10. Own shares

	2023 £m	2022 £m
Balance at 1 January	7.5	3.4
Acquired in the year	4.8	5.6
Distributed on exercise of options	(3.6)	(1.5)
<b>Balance at 31 December</b>	<b>8.7</b>	<b>7.5</b>

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 buy-back programme (see note 1.2 of the consolidated financial statements).

The number of own shares held by the employee benefit trust at 31 December 2023 was 721,036 (2022: 2,163,952). The number of own shares held at 31 December 2023 by the Group as a result of its share buy-back programme was 4,775,119 (2022: 2,832,073).

As at 31 December 2023, the Group held 1.84% (2022: 1.67%) of its own called-up share capital.

## 11. Employee share schemes

Under the rules of the Company's LTIP plans, in November 2019, June 2020, April 2021, November 2021, April 2022, September 2022 and April 2023, selected employees of the Company's subsidiary were granted awards in the form of nil cost options over ordinary shares in Alfa.

In April 2023, 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 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. Employees of the Company's subsidiary were invited to join similar schemes in November 2021, April 2022 and May 2022.

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 2022 ordinary dividend of 1.2 pence per share was paid on 26 June 2023 amounting to £3.5m (2022: £3.3m at 1.1p per share).

A 2023 special dividend of 1.5 pence per share was paid on 9 May 2023 amounting to £4.4m (2022: £8.9m at 3.0p per share).

A 2023 special dividend of 4.0 pence per share was paid on 6 October 2023 amounting to £11.8m (2022: £10.3m at 3.5p per share).

Subject to approval at the Annual General Meeting on 1 May 2024, a 2023 final dividend of 1.3 pence per share will be paid on 27 June 2024 to holders on the register on 31 May 2024. The ordinary shares will be quoted ex-dividend on 30 May 2024. In addition, the Board has decided to declare a special dividend of 2.0 pence per share, with an ex-dividend date of 2 May 2024, a record date of 3 May 2024 and a payment date of 30 May 2024.

Refer to note 31 of the consolidated financial statements for more detail.

# Notes to the Company financial statements for the year ended 31 December 2023 continued

## 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 page 115.

## 14. Events occurring after the reporting period

There have been no 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 as at 31 December 2023 was CHP Software and Consulting Limited, which was the parent undertaking of the smallest and largest group to consolidate these financial statements. Following an internal reorganisation within the CHP group, the ultimate parent (from 12 January 2024 onwards) is CHP Software and Consulting Holdings Limited.

The 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 the ultimate parent 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.

## Five year history

### Income

	2023	2022	2021	2020	2019
Revenue £m	102.0	93.3	83.2	78.9	64.5
Operating Profit £m	30.1	29.6	24.7	23.9	13.7
Operating Profit Margin %	30%	32%	30%	30%	21%
Profit Before Tax £m	29.6	28.9	23.8	23.2	13.0
Tax £m	(6.1)	(4.4)	(4.6)	(2.9)	(2.8)
Profit for the Year £m	23.5	24.5	19.2	20.3	10.2
Operating Free Cashflow Conversion %	115%	102%	114%	114%	138%

### Capital Employed

	2023	2022	2021	2020	2019
Equity £m	42.0	42.0	43.4	60.2	82.3
Cash £m	21.8	18.7	23.1	37.0	58.8
Capital Employed £m	49.5	50.9	60.0	77.4	100.2

### Statistics

	2023	2022	2021	2020	2019
TCV £m	165.3	142.9	133.1	112.9	80.5
EPS (Basic) pence	7.99	8.24	6.49	6.93	3.50
EPS (Diluted) pence	7.90	8.09	6.39	6.79	3.41
Dividends proposed/declared (Ordinary) £m	3.8	3.5	3.3	3.0	-
Dividends declared (Special) £m	16.2	19.2	29.7	44.2	-

# Shareholder information

## Alfa Financial Software Holdings PLC

Registered Office  
Moor Place  
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