Interim Report
2018

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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, wholesale and dealer finance business, our software platform uses leading-edge digital technologies to deliver proven functionality and performance.

Key to our business is making our customers future-ready, by delivering leading-edge technology with smart, diverse people.

Interim Report 2018

Outlook

We remain confident in the long term prospects of Alfa. We continue to have a strong market position with a proven track record in project execution and a blue-chip client list.

Key Highlights

- Trading in line with revised expectations, with revenues declining primarily due to a smaller number of software implementation projects
- Signed multi-year upgrade and expansion agreement with a leading retail bank to support a relaunch of its asset finance offering
- Pipeline remains healthy, by number and value of opportunities, albeit the pace of conversion has not materially increased
- Resources being deployed to accelerate the ongoing transition of Alfa to a platform solution, reflecting evolving market and customer requirements

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Financial highlights

Total revenues

£32.9m

Decreased by 27% on H1 2017

Operating profit

£8.6m

Operating profit margin of 26%

Cash

£36.3m

109% Operating Free Cash Flow Conversion

Operational highlights

Total contracted value (TCV)

£106m

as of 1 July 2018

Alfa team at 30 June 2018

337

CEO's statement

"The pipeline for Alfa is healthy, both in terms of geographic and market segment mix, and in terms of number of opportunities. We approach the remainder of the year focused on conversion of these opportunities. We also continue to make incremental cost savings across the business with the aim of achieving immediate operational efficiencies whilst ensuring that we have the right platform in place to return to growth."

Results for the half year and the full year 2018 have been and will be impacted by a number of customer developments which were announced as part of our trading update in June 2018.

We were informed by one of our major customers that it had decided to delay its implementation project for internal reasons with our understanding from the customer being that a restart is expected in early 2019. This understanding has not changed and we remain in active dialogue with them. In addition to this, a potential new customer delayed a decision on its implementation project because it is considering increasing its geographical and functional scope, and one of our larger existing customers extended its decision point for the expansion of its Alfa footprint. Implementation start dates for these were projected to be later in 2018, or into 2019. We continue to progress discussions in respect of both of these projects.

Financial summary

Revenues decreased by £12.3 million, or 27%, to £32.9 million (H1 2017: £45.1 million). The weakened US Dollar in the first six months of 2018 has contributed to this decline and, excluding this impact, revenues at constant currency decreased by 21%.

Overall the majority of the top line contraction is due to a decline in revenues generated by our software implementation segment. In H1 2018 we have five ongoing implementations, although this includes one project which was paused in the second quarter. This compares to seven ongoing implementation projects in 2017 which was a historic year for delivery. Our Ongoing Development and Services ("ODS") segment performed well, generating £11.7 million of revenues (H1 2017: £10.4 million).

Operating profit decreased to £8.6 million (H1 2017: £21.4 million Adjusted EBIT) and operating profit margin decreased to 26% (H1 2017: 47% Adjusted EBIT margin) reflecting the decrease in total revenues. Operating Free Cash Flow Conversion for the half year increased to 109%, with cash of £36.3 million at 30 June 2018.

Outlook

The pipeline for Alfa is healthy, both in terms of geographic and market segment mix, and in terms of number of opportunities. The total contract value of the pipeline opportunities is in line with this time last year and significantly ahead of where we were at this point in 2016. The sales process can often be lengthy for what are large, long-term, mission critical contracts.

We approach the remainder of the year focused on conversion of these opportunities and we are confident in the long-term prospects for Alfa. We also continue to make incremental cost savings across the business with the aim of achieving immediate operational efficiencies whilst ensuring that we have the right platform in place to return to growth.

Operational review and priorities

Alfa is focused on four key operational priorities going forward, which are summarised below.

1 Delivering consistent quality
This is the bedrock of our leading market position and I am pleased to report that our four ongoing implementation projects are progressing in line with expectations. One of these, which started in March 2018, is our first project to use an agile, platform-based deployment approach.

We announced our Cloud First sales approach last year and we have seen this generating interest from our pipeline of potential customers as well as our existing customer base. Three out of four of our customer wins in 2017 and 2018 are deploying on Public Cloud with one being hosted by Alfa. Public Cloud deployment further compresses the time taken to deploy Alfa systems making us more competitive in the sales environment.

2 Focused investment and innovation
Internal investment will be designed to produce new functionality and will continue the journey of moving the core product to a more granular modular structure. As part of Alfa's digital strategy, we will continue to invest in our API catalogue, our Digital Gateway software and reusable user experience components. Through building leading-edge mobile sales and customer self-service functionality, we will create new intellectual property that can be sold and demonstrate the maturity of Alfa's catalogue of APIs and the sophistication of our API strategy encapsulated in the Digital Gateway product.

We will direct most of our product investment towards digital and focus on our plans to position our core package at the heart of a platform with flexible implementation and integration options through Digital Gateway.

In line with other financial services companies, the asset finance sector is moving towards Platform as a Service. So the future of enterprise software will favour those able to deploy a platform that is able to solve a wide variety of business problems through specific deployments in combination with other services and technologies.

Moving from a pure product to a platform solution will reduce the time and cost to develop and deploy Alfa, making the user experience simpler and more focused for each deployment scenario and integrating new technologies and other services faster. At the same time, it will allow us to retain the functionality advantages and upgrade opportunities of the core product and underpin faster integration of leading-edge technology.

3 Sharpening our sales proposition through product evolution
We have assessed our sales strategy and route to market and while we have concluded that it is still valid in the current marketplace, we need to sharpen our sales execution as we focus on converting our pipeline.

Focusing on the transition to a platform will act as an accelerator to sales, assist in our competitive positioning, allow us to focus the power of Alfa Systems to solve specific business problems and position it during the sales process in a more relevant and understandable way. This needs to be achieved whilst retaining the competitive advantage we retain from keeping Alfa as a single core product across all markets.

We have also retained our focus on other growth accelerators – and I have already mentioned the traction we are achieving with Public Cloud.

In addition to this, increased growth through partnerships continues to be a significant opportunity. Having a relatively small ecosystem of partners will give us more influence in the sales process as well as a flexible pool of resources to support our growth. We have signed a master services agreement with a global system implementer with whom we are co-bidding for a late stage pipeline opportunity and we have ongoing partnership dialogue with three more potential partners.

Our pre-configured version of the software for the US automotive finance sector is being used to compress implementation time in one of our ongoing projects and is greatly assisting our sales efforts in that part of the market.

Finally, our digital strategy is generating market interest, sales differentiation and the prospect of incremental sales with existing customers.

4 Controlling our cost base
With a reduced software implementation customer base, we have reviewed our cost base from the bottom up and revised our recruitment plans for the rest of 2018. We have taken steps to minimise or manage expenses where possible as we navigate this current phase of lower chargeability whilst keeping in mind the importance of retaining capability in all areas of the business to support a return to growth as the pipeline converts.

Financial review

"TCV at the 1 July 2018, excluding the paused software implementation project, is £106 million (1 January 2018: £111million), which consists of £38 million of software implementation revenue, £14 million of ODS revenues and £54 million of maintenance revenues. TCV has decreased due to the revenues earned in the period, but this has been offset by the increase in scope of an ongoing software implementation project and the recent win of an upgrade and expansion at a leading retail bank."

Introduction

In line with revised expectations, revenues decreased by £12.3 million to £32.9 million in the six months ended 30 June 2018 (H1 2017: £45.1 million) primarily due to the number of ongoing software implementation projects decreasing from seven during 2017 to five in 2018. As a result, software implementation revenues declined by £12.0 million to £13.2 million. This was partially offset by an increase of £1.4 million in ODS revenues as customers transitioned into our ODS segment post go-live.

Operating profit has decreased by £5.4 million to £8.6 million, and by £12.8 million excluding the impact of 2017 IPO-related expenses and pre-IPO share based payment expenses. Operating Profit has been directly impacted by the decrease in revenues, with cost base increasing marginally in the first six months of the year. There has been minimal opportunity to curtail costs following the trading update on 1 June 2018 although savings are expected in the second half of the year following a reduced recruitment programme and other rationalisation projects.

Group Results

Continuing operations (Unaudited)	H1 2018 £'000s	H1 2017 £'000s	Movement %
Revenue[(1)]	**32,884**	45,137	(27)
Operating expenses - net	**(24,290)**	(31,134)	(22)
Operating profit	**8,594**	14,003	(39)
Finance income	**24**	20	(20)
Taxation	**(1,896)**	(3,875)	(51)
Profit for the period	**6,722**	10,148	(34)

(1) Revenue includes £0.1 million of loss on derivative instruments in H1 2018 (H1 2017: gain of £1.2 million)

Total contracted value ("TCV") at 1 July 2018, excluding the paused software implementation project, is £106 million (1 January 2018: £111 million), which consists of £38 million of software implementation revenues, £14 million of ODS revenues and £54 million of maintenance revenues. TCV has decreased due to revenues earned in the period, but this has been offset by the increase in scope of an ongoing software implementation project and the recent win of an upgrade and expansion at a leading retail bank. While the timing of these revenues is to some degree subject to customer requirements, based on our current projections the £106 million of TCV substantially underpins the lower end of our revenue guidance for 2018 and we currently expect that approximately £55 million of revenues from current customers, excluding the paused project, will be delivered during 2019.

Revenues

Revenues decreased by £12.3 million, or by 27%, to £32.9 million in H1 2018 (H1 2017: £45.1 million), predominantly due to the decrease in software implementation revenues as projects completed in 2017 and customers transitioned into ODS. At 30 June 2018 the Group had 30 customers in comparison to 32 and 29 customers at 31 December 2017 and 30 June 2017. 45% of the Group's revenues is generated from US-based customers (H1 2017: 45%), and therefore Group revenues have been adversely impacted by the weakening of the US Dollar in the six months ended 30 June 2018. Excluding this impact and gains and losses on derivative instruments, revenues on a constant currency basis decreased by 21%.

Software implementation revenues
Software implementation revenues decreased by £12.0 million, or by 48%, to £13.2 million in H1 2018 (H1 2017: £25.2 million) reflecting lower overall activity. During H1 2018 we generated revenues from four ongoing software implementation projects and from a fifth project which was paused in the second quarter of 2018. This is compared to seven ongoing implementation projects during 2017. Average revenue per customer declined to £2.7 million (H1 2017: £3.5 million) reflecting the relatively lower total contract value of new software implementation customers in comparison to implementations which were undertaken in 2017.

Excluding the impacts of unrealised gains or losses on derivatives, underlying software implementation revenues decreased by 42% on a constant currency basis. Of the five software implementations in the period, four or 83% are denominated in US Dollars (H1 2017: 58%).

Revenue - by type

Unaudited	H1 2018 £'000s	H1 2017 £'000s	Movement %
Software implementation	**13,196**	25,237	(48)
ODS	**11,726**	10,364	13
Maintenance	**7,962**	9,536	(17)
Total revenue	**32,884**	45,137	(27)

Software implementation projects which completed in 2017 contributed £11.8 million to the 2018 decrease. Two ongoing software implementation projects also decreased their contribution by £6.5 million, as one customer has currently put their implementation project on pause as they focus on other internal systems and the other has recently re-planned the final phases of their implementation project. While the re-plan has resulted in a significant increase in work effort required by us in the second half of 2018 and into 2019, this has led to a change in the percentage of completion estimate at 30 June 2018, which has contributed to a £1.7 million reduction in license recognised in H1 2018.

These decreases were offset by new customer revenues of £7.2 million from three customers, two of which were announced in June 2017 and one in March 2018.

Ongoing development and services ("ODS") revenues
ODS revenues increased by £1.4 million to £11.7 million in H1 2018 (H1 2017: £10.4 million). Excluding the £2.0 million non-recurring release of contract liabilities in H1 2017, underlying ODS revenue increased by £3.4 million, or 40%, primarily reflecting software implementation customers transitioning into ODS post go-live. Four new ODS customers contributed £4.7 million of revenues during the first six months of 2018 (H1 2017: £4.1 million).

New ODS customer revenues were offset by a £0.9 million decline in revenues from continuing ODS customers as ongoing support and additional development activities naturally rebased as the period of time post implementation increased.

The number of ODS customers generating more than £100,000 of revenue increased to 15 (H1 2017: 11) with revenue per customer, excluding the H1 2017 £2.0 million release of contract liabilities, increasing to £0.8 million (H1 2017: £0.7 million).

Maintenance
Maintenance revenues decreased by £1.6 million, or by 17%, primarily due to £1.7 million of non-recurring settlement payment recognised in the prior period and £0.8 million of lost maintenance revenue from four customers who have all exited the asset finance market. Such declines were partially offset by £0.7 million increase in maintenance revenues from existing customers, being an 11% increase against H1 2017, on ongoing maintenance contracts, and £0.2 million of new maintenance revenues.

As at 30 June 2018, there are 28 maintenance customers, with 26 expected to generate maintenance revenues in the second half of 2018. This compares to 26 at 30 June 2017 and 30 at 31 December 2017.

Operating profit

The Group's operating profit decreased by £5.4 million, or 39%, to £8.6 million in H1 2018 (H1 2017: £14.0 million) primarily reflecting the £12.3 million decrease in revenues, offset by £4.4 million and £3.0 million reduction in pre-IPO share based payment expense and IPO-related expenses.

Implementation and Support (“I&S”) expenses decreased by £2.0 million, or by 19%, to £8.7 million (H1 2017: £10.7 million). I&S expenses predominantly comprise personnel costs. In the six months ended 30 June 2018, average software implementation headcount decreased by 12, to 100 FTEs (H1 2017; 112 FTEs). The cost per employee also decreased by 9% reflecting a more beneficial personnel mix and a weakening in the US Dollar.

Research and product development (“R&PD”) expenses increased by £1.2 million, or 15%, to £9.2 million (H1 2017: £8.0 million). 86% of R&PD expenses are personnel costs and although the average number of developers increased in the six months ended 30 June 2018 by 41 to 164 FTEs (H1 2017: 123 FTEs), the average cost per person decreased due to personnel mix and lower training costs. As in prior periods, our development efforts centred primarily on customer project development, with no amounts capitalised.

Sales, general and administrative (“SG&A”) expenses decreased by £6.0 million, or by 48%, to £6.5 million (H1 2017: £12.5 million) which primarily reflected a decrease in pre-IPO share based payment expense of £4.4 million and IPO fees of £3.0 million in the current period. Excluding these exceptional items, SG&A expenses increased by £1.4 million, or 26%, to £6.5 million (H1 2017: £5.1 million). This increase partially reflects an increase in salary costs of £0.7 million as the average number of employees increased to 70 FTEs (H1 2017: 51 FTEs) as more team members being assigned to the Alfa sales and marketing team. Additionally depreciation and amortisation increased by £0.2 million from the new HR and finance system and increased computer hardware investment. Also, other professional fees increased as a result of being a public company.

Expenses - net

Unaudited	H1 2018 £'000s	H1 2017 £'000s	Movement %
Implementation and support expenses	**8,661**	10,698	(19)
Research and product development expenses	**9,180**	7,954	15
Sales, general and administrative expenses	**6,497**	12,526	(48)
Other operating income – net	**(48)**	(44)	9
Total expenses – net	**24,290**	31,134	(22)

Adjusted EBIT

Adjusted EBIT, defined as operating profit excluding pre-IPO share based payment expenses and IPO-related costs, decreased by £12.8 million, or 60%, to £8.6 million in H1 2018 (H1 2017: £21.4 million) which reflects the £12.3 million decrease in revenues coupled with a £0.5 million increase in operating costs (excluding pre-IPO share based payment expenses and IPO-related costs).

Excluding the impact of unrealised gains or losses on derivatives, Adjusted EBIT on a constant currency basis decreased by 53%. Adjusted EBIT margin in H1 2018 decreased to 26% (H1 2017: 45% on a constant currency basis), reflecting decreased revenues.

Adjusted EBIT

Unaudited	H1 2018 £'000s	H1 2017 £'000s
Profit for the period	**6,722**	10,148
Adjusted for:		
Taxation	**1,896**	3,875
Finance income	**(24)**	(20)
Share based compensation (1)	**-**	4,400
IPO-related expenses (2)	**-**	2,989
Adjusted EBIT	**8,594**	21,392

(1) Relates to pre-IPO share schemes, expensed in full by 30 June 2017.
(2) Relates to non-recurring expenses incurred in relation to the listing of shares that took place on 1 June 2017.

Profit for the period

Profit after taxation decreased by £3.4 million, or 34%, to £6.7 million in H1 2018, (H1 2017: £10.1 million), with the effective tax rate decreasing to 22% in H1 2018 (H1 2017: 28%, FY 2017: 24%) due to non-deductible expenses such as the pre-IPO share based payment expenses in the six months ended 30 June 2017.

Earnings per share

Basic Earnings per share decreased to 2.37 pence in H1 2018 (H1 2017: 3.58 pence). Adjusted Earnings per share, diluted decreased to 2.24 pence (H1 2017: 5.65 pence).

Cash Flow

Net cash increased by £5.1 million to £36.3 million as at 30 June 2018, from £31.3 million at 31 December 2017. This increase has been driven by the operating cash flow generation, primarily from maintenance payments received in the period, offset by capital expenditure of £0.6 million. The company has no borrowings.

Net cash generated from operating activities decreased by £2.3 million to £5.8 million in H1 2018 (H1 2017: £8.2 million). This decrease was primarily due to a decrease in operating profit excluding share based payments, depreciation and amortisation and unrealised gains and losses on derivative instruments of £8.2 million coupled with a £0.7 million increase in taxation paid. Such outflows were offset by £4.4 million cash inflows from movement in working capital and a £2.1 million decrease in cash outflows for settlement of derivatives as the Group continued to unwind its historical USD forward programme.

The movement in working capital reflected an increase in trade and other receivables of £2.8 million, a decrease in trade and other payables of £3.0 million offset by an increase in contract liabilities from license and maintenance collected in advance of £6.5 million. The increase in trade and other receivables offset in contract liabilities is due to a £3.7 million license invoiced in June 2018 and subsequently collected in July. Excluding this, trade and other receivables decreased to a cash inflow of £0.9 million due to an increased focus on cash collection, coupled with a decrease in activity as software implementation slowed during the summer months. Trade payables

Adjusted Earnings

Unaudited	H1 2018 £'000s	H1 2017 £'000s
Profit for the period attributable to equity holders of the Company	**6,722**	10,148
Adjusted for:		
Pre-IPO Share based compensation	**-**	4,400
IPO-related expenses	**-**	2,989
Tax effect of adjustments	**-**	(584)
Adjusted Earnings	**6,722**	16,953

Earnings per share

Unaudited	H1 2018 pence	H1 2017 pence
Earnings per share		
Basic	**2.37**	3.58
Diluted	**2.24**	3.38
Adjusted Earnings per share		
Diluted	**2.24**	5.65

Cash flow

Unaudited	H1 2018 £'000s	H1 2017 £'000s
Operating profit	**8,594**	14,003
Depreciation and amortisation	**440**	227
Share based payment charge	**53**	4,400
Loss on disposal of property, plant and equipment	**2**	-
Unrealised loss/(gain) on derivative financial instruments	**103**	(1,213)
Movement in working capital	**756**	(3,671)
Cash generated from operations	**9,948**	13,746
Settlement of derivative financial instruments and margin calls	**21**	(2,118)
Income taxes paid	**(4,145)**	(3,471)
Net cash generated from operating activities	**5,824**	8,157
Net cash generated (used in)/from investing activities	**(567)**	26,791
Net cash used in financing activities	**-**	(60,743)
Effect of exchange rate changes	**(192)**	26
Net increase/(decrease) in cash	**5,065**	(25,769)
Cash and cash equivalents at end of the period	**36,332**	20,497

decreased as the 31 December 2017 outstanding balance included bonus accrual for the year which was subsequently paid in April 2018.

Net cash out flows used in investing activities of £0.6 million in the six months ended 30 June 2018 related to capital expenditure in relation to externally acquired software and computer equipment. In the prior period £27.0 million was received from the parent company as settlement of a loan, as part of the restructuring prior to the IPO.

In the six months ended 30 June 2018 there were no financing activities, whereas in the prior period, £60.7 million of pre-IPO dividends were paid to the parent company. No dividends have been paid or proposed in the six months ended 30 June 2018.

Related party transactions

CHP Software and Consulting Limited is the ultimate parent of the Group and during the period there was no trading between the parent and the Group.

In the six months ended 30 June 2018 there were no transactions (H1 2017: settlement of parent company loan of £27.0 million) and at 30 June 2018 there were no balances outstanding from or to the Parent (30 June 2017: nil).

Additionally, an arms-length transaction with Classic Technology Limited, a company in which the Chairman holds an interest, was undertaken for the rental of property. These transactions amount to £0.02 million (H1 2017: £0.02 million) with no outstanding receivable balances at the end of each reporting period.

Subsequent events

There have been no subsequent events.

Principal risks and uncertainties

The principal risks and uncertainties which could have a material impact on the long-term performance of Alfa Financial Software Holdings PLC and its subsidiaries are set out in the Alfa Financial Software Holdings PLC Annual Report for the year ended 31 December 2017, dated 8 March 2018, and remain valid at the date of this report.

These risks and uncertainties (in no specific order) are:

- Talent recruitment and retention – our business is dependent on our people and failure to attract and retain high quality people may impact our ability to deliver our implementations, maintain product quality and deliver on our strategic plan;
- Project delivery and support – failure to deliver and support could harm our reputation and lead to loss of customers;
- Product management – regulation and customer needs are constantly evolving and if Alfa Systems is not developed to meet these needs, this may lead to loss of customers;
- Economic, political and social environment – all our revenues are derived from providers of finance in the asset finance sector and changes in economic conditions or external events may put pressure on profitability of the players in the market, which may in turn lead to a decrease on spend on systems;
- IT security and cyber risks – a targeted attack could adversely affect our customers or future customers perception of Alfa Systems and could impact our ability to operate our business; and
- Business interruption and continuity – risk of disruption to our day to day operations if there is a disaster incident.

In addition to the disclosure in the Annual Report, included with Project delivery and support risk is the risk that external factors such as lack of appropriate customer resource, other business issues or system challenges in our customer's businesses may lead to a slowing of implementation or development and services efforts, which may decrease revenues in the short term as efforts are turned to other challenges outside the Alfa Systems software implementation.

Following the 2016 decision by the UK population to exit from the European Union ("Brexit") by April 2019, the Directors continue to consider whether or not Brexit is an additional risk to the Group. On the basis that the Group's revenue is sourced from a number of sources, such as the US, European countries, Australia and New Zealand, reflecting the relative global diversity of the Group's operations, that the Group has minimal Euro exposure and with recruitment targets for FY18 substantially met and significantly reduced, this does not constitute a principal risk to the business over and above the risks mentioned above.

Unaudited consolidated statement of profit or loss and comprehensive income for the six months ended 30 June 2018

£'000s	Note	2018 Unaudited	2017 Unaudited
Continuing operations			
Revenue	3	**32,884**	45,137
Implementation and support expenses		**(8,661)**	(10,698)
Research and product development expenses		**(9,180)**	(7,954)
Sales, general and administrative expenses		**(6,497)**	(12,526)
Other operating income		**48**	44
Operating profit		**8,594**	14,003
Finance income		**24**	20
Profit before taxation		**8,618**	14,023
Taxation	6	**(1,896)**	(3,875)
Profit for the period attributable to owners of the Parent		**6,722**	10,148
Other comprehensive income			
Items that may be subsequently reclassified to profit or loss			
Currency translation differences		**156**	-
Total comprehensive income, net of tax		**156**	-
Total comprehensive income for the period attributable to owners of the Parent		**6,878**	10,148
Earnings per share (in pence)			
Basic	7	**2.37**	3.58
Diluted	7	**2.24**	3.38
Weighted average no. of shares – basic	7	**283,766,785**	283,145,649
Weighted average no. of shares – diluted	7	**300,000,000**	300,000,000
Adjusted Earnings per share (in pence)			
Diluted	7	**2.24**	5.65

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

Unaudited consolidated statement of financial position as at 30 June 2018

£'000s	Note	30 June 2018 Unaudited	31 December 2017 Audited
Assets			
Non-current assets			
Goodwill		**24,737**	24,737
Intangible assets	8	**827**	-
Property, plant and equipment		**1,559**	1,463
Total non-current assets		**27,123**	26,200
Current assets			
Trade and other receivables	9	**9,163**	6,887
Contract assets	9	**7,053**	5,505
Prepayments	9	**1,044**	1,731
Other receivables	9	**378**	602
Derivative financial assets	9	**-**	108
Cash and cash equivalents	10	**36,332**	31,267
Total current assets		**53,970**	46,100
Total assets		**81,093**	72,300
Liabilities and equity			
Current liabilities			
Trade and other payables	11	**4,592**	7,417
Corporation tax	11	**1,704**	3,956
Contract liabilities – software implementation	11	**3,923**	1,673
Contract liabilities – deferred maintenance	11	**9,315**	5,046
Derivative financial liabilities	11	**69**	-
Total current liabilities		**19,603**	18,092
Non-current liabilities			
Provisions for other liabilities	11	**438**	87
Total non-current liabilities		**438**	87
Total liabilities		**20,041**	18,179
Capital and reserves			
Ordinary shares		**300**	300
Translation reserve		**156**	-
Retained earnings		**60,596**	53,821
Total equity		**61,052**	54,121
Total liabilities and equity		**81,093**	72,300

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

Unaudited consolidated statement of changes in equity for the six months ended 30 June 2018

£'000s	Note	Share capital	Share premium	Translation reserve	Retained earnings	Equity attributable
Balance as at 1 January 2017		27	11,123	-	73,448	84,598
Profit for the financial period		-	-	-	10,148	10,148
Total comprehensive income for the period		-	-	-	10,148	10,148
Capital reduction		(27)	(11,123)	-	11,150	-
Reorganisation of share capital		300	-	-	(300)	-
Dividends paid to parent		-	-	-	(60,743)	(60,743)
Share based payment		-	-	-	4,400	4,400
Balance as at 30 June 2017		**300**	**-**	**-**	**38,103**	**38,403**
Balance as at 1 January 2018		**300**	**-**	**-**	**53,821**	**54,121**
Profit for the financial period		-	-	-	6,722	6,722
Other comprehensive income		-	-	156	-	156
Total comprehensive income for the period		-	-	**156**	**6,722**	**6,878**
Share based payment	13	-	-	-	53	53
Balance as at 30 June 2018		**300**	**-**	**156**	**60,596**	**61,052**

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

Unaudited consolidated statement of cash flows for the six months ended 30 June 2018

£'000s	Note	2018 Unaudited	2017 Unaudited
Cash flows from operations			
Operating profit		**8,594**	14,003
Adjustments:			
Depreciation and amortisation	4	**440**	227
Share based payment charge	13	**53**	4,400
Loss on disposal of property, plant and equipment		**2**	-
Unrealised loss/(gain) on derivative financial instruments		**103**	(1,213)
Movement in working capital:			
Movement in trade and other receivables		**(2,799)**	(6,685)
Movement in trade and other payables and provisions (excluding derivative financial instruments and contract liabilities)		**(2,955)**	2,156
Movement in contract liabilities		**6,510**	858
Cash generated from operations		**9,948**	13,746
Settlement of derivative financial instruments and margin calls		**21**	(2,118)
Income taxes paid		**(4,145)**	(3,471)
Net cash generated from operating activities		**5,824**	8,157
Cash flows from investing activities			
Purchases of property, plant and equipment		**(325)**	(272)
Purchase of software	8	**(266)**	-
Amounts received as settlement of loan to parent company		**-**	27,043
Interest received		**24**	20
Net cash (used in)/generated from investing activities		**(567)**	26,791
Cash flows from financing activities			
Dividends paid to parent		**-**	(60,743)
Cash used in financing activities		**-**	(60,743)
Effect of exchange rate changes		**(192)**	26
Net increase/(decrease) in cash		**5,065**	(25,769)
Cash and cash equivalents at the beginning of the period		**31,267**	46,266
Cash and cash equivalents at the end of the period		**36,332**	20,497

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

Notes to the condensed consolidated interim financial statements for the six months ended 30 June 2018

1 General information

Alfa Financial Software Holdings PLC ("Alfa" or the "Company") and its subsidiaries (together the "Group") is a public company limited by shares and is incorporated and domiciled in England. The address of its registered office is Moor Place, 1 Fore Street Avenue, London, EC2Y 9DT, United Kingdom. Alfa's registration no. is 10713517.

The principal activity of the Group is to provide software solutions and consultancy services to the asset finance industry in the United Kingdom, United States of America, Europe and Asia Pacific.

These unaudited Interim Financial Statements have been approved for issue by the Board of Directors on 4 September 2018. These Interim Financial Statements have been reviewed but not audited.

2 Accounting policies

The Interim Financial Statements have been prepared in accordance with IAS 34 "Interim Financial Reporting" as adopted by the European Union and the Disclosure and Transparency Rules of the Financial Conduct Authority.

These Interim Financial Statements do not comprise statutory accounts within the meaning of section 434 of the Companies Act 2006. The interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly this report should be read in conjunction with the annual report for the year ended 31 December 2017 (the "Annual Financial Statements"), which has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS"), and any public announcements made by Alfa during the interim reporting period. The report of the auditors on those accounts was unmodified, did not contain an emphasis of matter paragraph and did not contain any statement on other matters prescribed by the Companies Act 2006.

The accounting policies adopted in preparation of the Interim Financial Statements are consistent with those used to prepare Alfa's consolidated financial statements for the year ended 31 December 2017 and the corresponding interim reporting period, except for the estimation of income tax (see note 6) and the adoption of new and amended standards as set out below.

The preparation of the Interim Financial Statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. In preparing these Interim Financial Statements, the significant judgements made by management in applying the Group's accounting policies and other than set out in 2.1 (b) below, the key sources of estimation uncertainty were the same as those that applied to the consolidated Annual Financial Statements described above.

The Interim Financial Statements have been prepared on a going concern basis, under the historical cost convention, as modified to include the fair value of certain financial instruments. The directors are satisfied that the Group has sufficient resources to continue in operation for the foreseeable future, a period of not less than 12 months from the date of this report, and therefore they continue to adopt the going concern basis of accounting in preparing these Interim Financial Statements.

2.1 New and amended standards adopted

A number of new or amended standards became applicable for the current reporting period and the group has updated its accounting policies as a result of adopting IFRS 15 "Revenue from Contracts with Customers". The Group has applied IFRS 15 using the modified retrospective method of adoption and there have been no resultant changes to the quantum of revenues recognised on application of IFRS 15. No other changes are required from the adoption of other new standards applied.

The impact of the adoption of these standards and the new accounting policies are disclosed below.

a) Accounting policy for software implementation contracts

The Group provides software development, core implementation services and ongoing support of its product, Alfa Systems. Revenue from providing services is recognised in the accounting period in which the services are rendered. As these contracts contain multiple deliverables or performance obligations, such as the development of software to the customer's requirements and implementation services such as migration of data and testing and some 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.

(i) Implementation services – Where implementation services are considered to be 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. The transaction price is allocated to each performance obligation based on the stand-alone selling prices, derived from day rates and the effort incurred, limited to the amount to which Alfa has a right to invoice. Customers are invoiced on a monthly basis and consideration is payable when invoiced. Where these selling prices are not directly observable, they are estimated based on the expected cost plus margin.

(ii) Development services – The second performance obligation is the delivery of customised development services, and the related software license. The total revenues attributable to this performance obligation are estimated at the outset of the software implementation project and recognised as the effort is expended, on a percentage of completion basis, limited to the amount to which Alfa has the right to invoice.

(iii) Option over the right to use Alfa Systems – In certain circumstances the license 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 initially determine the value of the development services during the software implementation period and the first year after delivery. This value is then annualised and compared to the right to use component of the maintenance payable over the remaining expected customer life.

(iv) Maintenance and right to use Alfa Systems – Other performance obligations are the ongoing support or maintenance of Alfa Systems and the option to renew the right to use Alfa Systems. After an analysis of the right of clawback of the maintenance amount, such amounts are recognised throughout the annual period as the services are delivered, limited to the amount to which Alfa has a right to invoice.

The software implementation services, maintenance services and the right to use Alfa Systems have stand-alone selling prices and therefore such transaction prices are observable. Development services are valued using the residual value method. The Group does not expect to have any contracts where the period between the transfer of promised services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

The Group's Chief Operating Decision Maker ("CODM") reviews revenue segmentation as disclosed in note 3 to these Interim Financial Statements. Software implementation services include performance obligations (i) through (iii), ODS includes performance obligations (i) and (ii) and maintenance services include (iii) and (iv). Generally the contract duration of software implementations is more than 12 months, with ODS being less than six months. Maintenance contracts are valid for one year.

b) Update to the Group's revenue recognition critical estimates and judgements

The Group assesses the value of the development services delivered during the software implementation period and the first year following the go-live date by determining how much of the historical and future efforts are attributable to customised development services. In making this judgement the Group bases its estimate on the original project plan, updated for days worked and any changes in efforts as the project progresses. If the development days increased on all of our current software implementation projects by 5%, this could lead to a £0.9 million deferred revenue.

Other than set out above, no updates to the Group's critical estimates and judgements are required following the application of IFRS 15 and there has been no adjustment to retained earnings as at 1 January 2018.

c) Presentation of assets and liabilities related to contracts with customers

Alfa has also voluntarily changed the presentation of certain amounts in the statement of financial position to reflect the terminology of IFRS 15. Contract assets recognised in relation to software implementation contracts were previously presented as part of trade and other receivables. Contract liabilities such as license amounts collected ahead of implementation completions were previously presented as deferred license amounts.

The other standards, including the application of IFRS 9 "Financial Instruments" on 1 January 2018, did not have any impact on the Group's accounting policies and did not impact the six months ended 30 June 2018 or require retrospective adjustment to prior periods presented.

2.2 Impact of standards issued but not yet applied by the entity

IFRS 16 "Leases" was issued in January 2017 and will result in almost all leases being recognised on the statement of financial position as the distinction between operating and finance leases is removed. Under the new standard an asset and a financial liability to pay rentals is recognised with an exception for short-term or low-value leases.

The standard will affect the accounting for the Group's operating leases for its headquarters in the United Kingdom.

As at the reporting date, the Group has non-cancellable operating lease commitments of £22.6 million. Although the Group continues to evaluate the impact of this new standard, it is expected that it will result in the recognition of some of its operating lease commitments as "right to use" asset and a corresponding liability. Most of the Group's lease commitments will be covered by the exception for short-term and low-value leases. The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Group does not intend to adopt the standard before the effective date.

2.3 Seasonality

The Group is not significantly influenced by seasonality or cyclical fluctuation throughout the year as the Group recognises revenue from maintenance fees, implementation and ODS fees relatively consistently throughout the year as a result of the Group's relevant revenue recognition policies. Instead the Group is influenced by the number of software implementations which are ongoing during the period and the maturity of those software implementation projects. Separately, the Group's cash flows are subject to seasonal fluctuations as (i) the Group invoices a large proportion of its customers for maintenance annually in advance in the first six months of each year, resulting in a higher inflow of cash receipts in the first half of the Group's financial year in respect of maintenance revenues and (ii) cash flows are impacted by the invoicing of up-front licence fees at the commencement of an implementation.

2.4 Foreign currency

The average rate for the six month period ended 30 June 2018 for the US Dollar was 1.3760 (H1 2017: 1.2586). The closing rate for the US Dollar used was 1.3207 as of 30 June 2018 (31 December 2017: 1.3493).

3 Segment information

Revenue by type

The Group assesses revenues by type of project, being software implementations, ongoing development and services ("ODS") and maintenance, as summarised below:

£'000s	2018 Unaudited	2017 Unaudited
Software implementation	**13,196**	25,237
ODS	**11,726**	10,364
Maintenance	**7,962**	9,536
Total revenue	**32,884**	**45,137**

Unrealised losses on derivative financial instruments recognised as revenue in the six months ended 30 June 2018 was £0.1 million (H1 2017: gain of £1.2 million).

Geographical information

Revenue attributable to each geographical market based on where the licence is sold or the service is provided:

£'000s	2018 Unaudited	2017 Unaudited
UK	**10,154**	16,602
US	**14,632**	20,518
Rest of world	**8,098**	8,017
Total revenue	**32,884**	**45,137**

Adjusted EBIT and Adjusted Earnings

The CODM analyses the financial performance of the business on two adjusted profit measures, being adjusted earnings before interest and tax ("Adjusted EBIT") and adjusted earnings ("Adjusted Earnings"). Adjusted EBIT and Adjusted Earnings are not measures defined by IFRS. The most directly comparable IFRS measure to both Adjusted EBIT and Adjusted Earnings is profit for the relevant period.

Adjusted EBIT is defined as profit from continuing operations before income taxes, finance income, pre-IPO share based payments and IPO-related expense. Management utilises this measure to monitor performance as it illustrates the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations.

The following table reconciles profit for the period from continuing operations to Adjusted EBIT for the periods presented:

£'000s	2018 Unaudited	2017 Unaudited
Profit for the period	**6,722**	10,148
Adjusted for:		
Taxation	**1,896**	3,875
Finance income	**(24)**	(20)
Pre-IPO share based compensation[1]	-	4,400
IPO-related expenses[2]	-	2,989
Adjusted EBIT	**8,594**	**21,392**

(1) Relates to pre-IPO share based payment expense.

(2) Relates to costs related to the IPO.

Additionally, in considering the financial performance of the business, management and the CODM analyse the performance measure of Adjusted Earnings. Adjusted Earnings is defined as profit for the period from continuing operations attributable to equity holders of the Company, before IPO-related expenses and pre-IPO share based compensation, less the tax effect of these adjustments.

Adjusted Earnings is used by the CODM in measuring profitability because it represents a Group measure of performance which excludes the impact of certain non-cash charges and other charges not associated with the underlying operating performance of the business, while including the effect of items that management believe affect shareholder value and in-year return, such as income tax expense and net finance costs. Management use Adjusted Earnings to (i) provide senior management with a monthly report of operating results that is prepared on an adjusted earnings basis and (ii) prepare strategic plans and annual budgets on an adjusted earnings basis. Senior management's annual compensation may also be reviewed, in part, using adjusted performance measures.

In addition Adjusted Earnings is used for the purposes of calculating diluted Adjusted Earnings per share. Management uses diluted Adjusted Earnings per share to assess total Company performance on a consistent basis at a per share level. See note 7.

The following table reconciles profit for the period attributable to equity holders of the Company to Adjusted Earnings for the periods presented:

£'000s	2018 Unaudited	2017 Unaudited
Profit for the period attributable to equity holders of the Company	**6,722**	10,148
Adjusted for:		
Pre-IPO share based compensation	-	4,400
IPO-related expenses	-	2,989
Tax effect adjustments[1]	-	(584)
Adjusted Earnings	**6,722**	**16,953**

(1) Professional fees tax effected based on the applicable rate in the UK in the period in which incurred. Share based compensation is not deductible for tax purposes and therefore not tax effected.

4 Operating profit

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

£'000s	2018 Unaudited	2017 Unaudited
Personnel, external consultants, training and recruitment expenses	**16,971**	17,131
Other personnel related expenses	**1,095**	1,077
Advertising, sponsorship and marketing costs	**454**	435
Depreciation	**312**	227
Amortisation	**128**	-
Property costs	**1,189**	939
Travel costs	**2,052**	2,029
IT costs	**600**	717
Professional advisor costs	**1,041**	3,438
Insurance	**263**	123
Foreign currency differences	**(197)**	353
Share based compensation	**53**	4,400
Other	**378**	309

5 Employees and Directors

Average monthly number of people employed (including Directors)	2018 Unaudited	2017 Unaudited
UK	**245**	209
US	**75**	69
Rest of world	**14**	8
Total average monthly number of people employed	**334**	**286**

Average monthly number of people employed (including Directors)	2018 Unaudited	2017 Unaudited
Software implementation	**100**	112
Research and product development	**164**	123
Sales, general and administrative	**70**	51
Total average monthly number of people employed	**334**	**286**

At 30 June 2018 the Group had 337 employees (31 December 2017: 329).

6 Income tax expense

Income tax expense is calculated on management's best estimate of the full financial year expected tax rate which is then adjusted for discrete items occurring in the reporting period. The income tax expense for the six month period ended 30 June 2018 was £1.9 million (H1 2017: £3.9 million) representing an effective tax rate of 22% (H1 2017: 28%, FY 2017: 24%).

7 Earnings per share

	2018 Unaudited	2017 Unaudited
Profit attributable to equity holders of AFSGL (£'000s)	**6,722**	10,148
Weighted average number of shares outstanding during the period	**283,766,785**	283,145,649
Basic earnings per share (pence per share)	**2.37**	3.58
Weighted average number of shares outstanding including potentially dilutive shares	**300,000,000**	300,000,000
Diluted earnings per share (pence per share)	**2.24**	3.38

On 12 June 2018, the first tranche of the 2014 and 2015 share options granted to employees vested with a total number of shares of 4,867,716 being released. The weighted average number of shares for the six months ended 30 June 2018 has increased to 283,766,785.

Diluted - For the periods presented, the ordinary shares which are held in an employee trust on behalf of employees are treated as having a potentially dilutive effect as these shares have service conditions attaching to them. Should the service conditions not be met, the shares will be forfeited. The shares have no right to voting or to dividends while held in trust.

Adjusted Earnings per share, diluted, is defined as Adjusted Earnings divided by the weighted average number of shares issued and outstanding, diluted.

	2018 Unaudited	2017 Unaudited
Adjusted Earnings attributable to equity holders of the Company (£'000s)	**6,722**	16,953
Diluted adjusted earnings per share (pence per share)	**2.24**	5.65

8 Intangible assets

£'000s	Computer software
Cost	
At 1 January 2018	-
Additions	955
At 30 June 2018	955
Amortisation	
At 1 January 2018	-
Charge for the year	128
At 30 June 2018	128
Net book value	
At 30 June 2018	**827**

During the six months ended 30 June 2018, Alfa implemented a new HR and finance system at a cost of £1.0 million. The externally acquired computer software will be amortised over either the license period or 10 years, as applicable.

9 Trade and other receivables

£'000s	2018 Unaudited	31 December 2017 Audited
Trade receivables	**9,163**	6,887
Provision for impairment	**-**	-
Trade receivables - net	**9,163**	6,887
Contract assets	**7,053**	5,505
Prepayments	**1,044**	1,731
Other receivables	**378**	602
Derivative financial instruments	**-**	108
Total trade receivables, accrued income and other receivables	**17,638**	14,833

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.

Ageing of net trade receivables £'000s	2018 Unaudited	31 December 2017 Audited
Less than 30 days	**8,279**	5,596
Past due 31-90 days	**884**	1,291
Trade receivables - net	**9,163**	**6,887**

The Group believes that the unimpaired amounts that are past due are fully recoverable as there are no indicators of future delinquency or potential litigation. At the date of this report, £0.9 million of the £0.9 million past due has been collected.

10 Cash and cash equivalents

Cash and cash equivalents includes amounts held in short-term deposits with counterparties to derivative financial instruments of £0.1million (31 December 2017: £1.0 million).

11 Trade and other payables

£'000s	2018 Unaudited	31 December 2017 Audited
Trade payables	**4,592**	7,417
Corporation tax	**1,704**	3,956
Contract liabilities – software implementation	**3,923**	1,673
Contract liabilities – deferred maintenance	**9,315**	5,046
Provisions for other liabilities	**438**	87
Derivative financial liabilities	**69**	-
Total trade and other payables	**20,041**	18,179
Less non-current portion	**(438)**	(87)
Total current trade and other payables	**19,603**	**18,092**

During the six months ended 30 June 2018 £4.0 million of license fees (H1 2017: £0.8 million) and £11.5 million of maintenance fees were invoiced (H1 2017: £12.4 million).

Non-current liabilities include £0.4 million of future software license fees in respect of the new HR and finance system that are payable in 2018 and 2019.

12 Financial and liquidity risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The Interim Financial Statements do not include all financial risk management information and disclosures required in the Annual Financial Statements; they should be read in conjunction with the Annual Financial Statements. There have been no changes in the personnel responsible for risk management or in any risk management policies since the year end. Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

Fair values of financial instruments

For the following financial assets and liabilities: trade and other payables excluding tax and social security, trade and other receivables excluding prepayments and accrued income, short-term bank deposits, cash at bank and in hand and other financial liabilities, the carrying value amount approximates the fair value of the instrument.

The Group have £0.1 million of foreign currency financial instruments liabilities outstanding at 30 June 2018 (31 December 2017: £0.1 million foreign currency financial instrument assets). The Group uses Level 2 inputs for determining and disclosing the fair value of financial instruments. The Group uses forward exchange rates at the relevant balance sheet date for determining the fair value of foreign currency financial instruments. There were no transfers between levels during the six months to 30 June 2018 (2017: none).

There were no changes in valuation techniques during the periods. The fair values of each category of the Group's financial instruments are approximate to their carrying values in the Group's statement of financial position as the impact of discounting is not significant.

13 Share based compensation

On 31 May 2018, Alfa awarded share options to a selected number of employees throughout the Group. The options are conditional on the employees completing three years' service (the vesting period). Therefore these share options are exercisable starting three years from the grant date and there are no other performance conditions pertaining to the options other than the continuous employment referred to above. The Group has no legal or constructive obligation to repurchase or settle the options and therefore these awards are treated as equity settled. The grant date was determined to be the date the employees were informed of the monetary value of the award, following Board approval. The options will be granted in the second half of 2018 based on the share price at that time. The total value of the awards granted on 31 May 2018 was £2.7 million and the share based compensation charge in the six month period to 30 June 2018, based on the amounts granted was £0.1 million.

The input assumptions are as follows: an expected option life of three years and an employee attrition rate of 30% over the three year period.

14 Related party

The ultimate parent undertaking is CHP Software and Consulting Limited, which is the Parent undertaking of the smallest and largest group in relation to these Interim Financial Statements. There was no trading between the Group and the Parent.

In the six months ended 30 June 2018 there were no transactions (H1 2017: settlement of parent company loan of £27.0 million) and at 30 June 2018 there were no balances outstanding from or to the Parent (30 June 2017: nil).

Additionally, an arms-length transaction with Classic Technology Limited, a company in which the Chairman holds an interest, was undertaken for the rental of property. These transactions amount to £0.02 million (H1 2017: £0.02 million) with no outstanding receivable balances at the end of each reporting period.

15 Subsequent events

There have been no subsequent events.

Statement of Directors' responsibilities

The directors' confirm that these condensed consolidated interim financial statements (the "Interim Financial Statements") have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

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

A list of the current directors of Alfa Financial Software Holdings PLC are listed in the Alfa Financial Software Holdings PLC Annual Report for the year ended 31 December 2017, a copy of which can be found on the Alfa Financial Software Holdings PLC website.

By order of the Board

Andrew Denton
Chief Executive Officer

4 September 2018

Independent review report to Alfa Financial Software Holdings PLC

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 which comprises the consolidated statement of profit or loss and comprehensive income, the consolidated statement of financial position, the consolidated statement of changes in equity, the consolidated statement of cash flows and related notes 1 to 15. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

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

Our responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2018 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Deloitte LLP
Statutory Auditor

London, United Kingdom
4 September 2018

Definitions

Adjusted Earnings

Adjusted Earnings is defined as profit for the period from continuing operations attributable to equity holders of the Company, before IPO-related expenses and pre-IPO share based compensation, less the tax effect of these adjustments. Adjusted Earnings is used in measuring profitability because it represents a Group measure of performance which excludes the impact of certain non-cash charges and other charges not associated with the underlying operating performance of the business, while including the effect of items that management believes affect shareholder value and in-year return, such as income tax expense and net finance costs.

Adjusted EBIT

Adjusted EBIT is defined as profit from continuing operations before income taxes, finance income, IPO related expenses and pre-IPO share based payments. Management utilises this measure to monitor performance as it illustrates the underlying performance of the business by excluding items considered by management not to be reflective of the underlying trading operations of the Group or adding items which are reflective of the overall trading operations.

Adjusted EPS, diluted

Adjusted Earnings is used for the purposes of calculating Adjusted Earnings per share, diluted. Management uses Adjusted Earnings per share, diluted to assess total Company performance on a consistent basis at a per share level.

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 Adjusted EBIT 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 non GBP denominated revenues and/or expenses using the average exchange rates of the comparable period in the current year, excluding gains or losses on derivative financial instruments . The material applicable rates are as follows:

Average exchange rates for the period	H1 2018	H1 2017
USD	1.3760	1.2586
Euro	1.1366	1.1626

ODS

Ongoing development and services, which is one of the Alfa revenue segments.

Operating Free Cash Flow Conversion

Operating Free Cash Flow Conversion is calculated as cash from operations less gains and losses on settlement of derivative instruments and margin calls, less capital expenditures, as a percentage of Adjusted EBIT. Operating Free Cash Flow is calculated as follows:

Unaudited	H1 2018 £'000s	H1 2017 £'000s
Cash generated from operations	**9,948**	13,746
Settlement of derivative financial instruments and margin calls	**21**	(2,118)
Capital expenditure	**(591)**	(272)
Operating Free Cash Flow generated	**9,378**	11,356
Operating Free Cash Flow Conversion	**109%**	53%

Total contracted value ("TCV")

TCV is calculated by analysing future contracted revenue based on the following components: (i) an assumption of three years of maintenance payments (actual maintenance contracted length varies by customer); (ii) the estimated remaining time to complete any software implementations, expenses and deferred licence amounts; and (iii) ODS work which is contracted under a statement of work.

Underlying Revenue

Revenue excluding unrealised gains or losses on derivative instruments.

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Forward-looking statements
Certain statements in this announcement constitute "forward-looking statements". These forward-looking statements involve risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements, or industry results, to be materially different from those projected in the forward-looking statements. These factors include: general economic and business conditions; changes in technology; timing or delay in signing, commencement, implementation and performance or programmes, or the delivery of products or services under them; structural change in the security industry; relationships with customers; competition; and ability to attract personnel. You are cautioned not to rely on these forward-looking statements, which speak only as of the date of this announcement. The Group undertakes no obligation to update or revise any forward-looking statement to reflect any change in expectations or any change in events, conditions or circumstances.

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