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IMPORTANT: You must read the following disclaimer before continuing. This electronic transmission applies to the attached document and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached prospectus (the “**Prospectus**”) relating to Alfa Financial Software Holdings PLC (the “**Company**”) dated 26 May 2017 accessed from this page or otherwise received as a result of such access and you are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access. You acknowledge that this electronic transmission and the delivery of the attached document is confidential and intended for you only and you agree you will not forward, reproduce, copy, download or publish this electronic transmission or the attached document whether electronically or otherwise to any other person. The Prospectus has been prepared solely in connection with the proposed offer to certain institutional and professional investors (the “**Global Offer**”) of ordinary shares (the “**Shares**”) of the Company. The Prospectus has been published in connection with the admission of the Shares to the premium listing segment of the Official List of the UK Financial Conduct Authority (the “**FCA**”) and to trading on the London Stock Exchange plc’s main market for listed securities (together, “**Admission**”). The Prospectus has been approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA. The Prospectus has been published and is available from the Company’s registered office and on the Company’s website at <http://investors.alfasystems.com>. Pricing information and other related disclosures have also been published on this website. Prospective investors are advised to access such information prior to making an investment decision.

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This electronic transmission and the attached document and the Global Offer when made are only addressed to and directed at persons in member states of the European Economic Area who are “qualified investors” within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) and amendments thereto (“**Qualified Investors**”). In addition, in the United Kingdom, this electronic transmission and the attached document is being distributed only to, and is directed only at, Qualified Investors (i) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the “**Order**”) and Qualified Investors falling within Article 49(2)(a) to (d) of the Order, and (ii) to whom it may otherwise lawfully be communicated (all such persons together being referred to as “relevant persons”). This electronic transmission and the attached document must not be acted on or relied on (i) in the United Kingdom, by persons who are not relevant persons, and (ii) in any member state of the European Economic Area other than the United Kingdom, by persons who are not Qualified Investors. Any investment or investment activity to which this document relates is available only to (i) in the United Kingdom, relevant persons, and (ii) in any member state of the European

Economic Area other than the United Kingdom, Qualified Investors, and will be engaged in only with such persons.

**Confirmation of your Representation:** This electronic transmission and the attached document is delivered to you on the basis that you are deemed to have represented to Barclays Bank PLC and Numis Securities Limited (together, the “**Underwriters**”), N M Rothschild & Sons Limited (the “**Financial Adviser**”), the Company, the Selling Shareholder (as defined in Part 14 “**Definitions and Glossary**”) that (i) you are (a) a QIB acquiring such securities for its own account or for the account of another QIB or (b) acquiring such securities in “offshore transactions”, as defined in, and in reliance on, Regulation S; (ii) if you are in the United Kingdom, you are a relevant person, and/or a relevant person who is acting on behalf of, relevant persons in the United Kingdom and/or Qualified Investors to the extent you are acting on behalf of persons or entities in the United Kingdom or the EEA; (iii) if you are in any member state of the European Economic Area other than the United Kingdom, you are a Qualified Investor and/or a Qualified Investor acting on behalf of, Qualified Investors or relevant persons, to the extent you are acting on behalf of persons or entities in the EEA or the United Kingdom; and (iv) you are an institutional investor that is eligible to receive this document and you consent to delivery by electronic transmission.

You are reminded that you have received this electronic transmission and the attached document on the basis that you are a person into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver this document, electronically or otherwise, to any other person. This document has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Company, the Selling Shareholder, the Underwriters, the Financial Adviser nor any of their respective affiliates accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and the hard copy version. By accessing the attached document, you consent to receiving it in electronic form. None of the Underwriters, the Financial Adviser nor any of their respective affiliates accepts any responsibility whatsoever for the contents of the attached document or for any statement made or purported to be made by it, or on its behalf, in connection with the Company, the Global Offer or the Shares. To the fullest extent permitted by law, the Underwriters, the Financial Adviser and each of their respective affiliates, each accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty express or implied, is made by any of the Underwriters, the Financial Adviser or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in the attached document.

The Underwriters and the Financial Adviser are acting exclusively for the Company and no one else in connection with the Global Offer. They will not regard any other person (whether or not a recipient of this document) as their client in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Global Offer or any transaction or arrangement referred to the attached document.

**Restriction:** Nothing in this electronic transmission constitutes, and this electronic transmission may not be used in connection with, an offer of securities for sale to persons other than the specified categories of institutional buyers described above and to whom it is directed and access has been limited to that it shall not constitute a general solicitation. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described herein.

You are responsible for protecting against viruses and other destructive items. Your receipt of this document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



# Alfa<sup>Δ</sup>

## Prospectus

May 2017

This document comprises a prospectus (the “**Prospectus**”) for the purposes of Article 3 of European Union Directive 2003/71/EC, as amended (the “**Prospectus Directive**”) relating to Alfa Financial Software Holdings PLC (the “**Company**”) prepared in accordance with the Prospectus Rules of the Financial Conduct Authority (the “**FCA**”) made under section 73A of the Financial Services and Markets Act 2000 (the “**FSMA**”). The Prospectus will be made available to the public in accordance with the Prospectus Rules.

Application has been made to the FCA for all of the ordinary shares of the Company (the “**Shares**”) issued and to be issued in connection with the Global Offer to be admitted to the premium listing segment of the Official List of the FCA and to London Stock Exchange plc (the “**London Stock Exchange**”) for all of the Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities (together, “**Admission**”). Conditional dealings in the Shares are expected to commence on the London Stock Exchange on 26 May 2017. It is expected that Admission will become effective and that unconditional dealings in the Shares will commence on 1 June 2017. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. No application is currently intended to be made for the Shares to be admitted to listing or dealt with on any other exchange.**

The directors of the Company, whose names appear on page 58 of this Prospectus (the “**Directors**”), and the Company accept responsibility for the information contained in this Prospectus. To the best of the knowledge of the Directors and the Company (each of whom has taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect the import of such information.

**Prospective investors should read this Prospectus in its entirety. See in Part 1 “Risk Factors” for a discussion of certain risks and other factors that should be considered prior to any investment in the Shares.**

## **ALFA FINANCIAL SOFTWARE HOLDINGS PLC**

*(Incorporated under the Companies Act 2006 and registered in England and Wales with registered number 10713517)*

**Global Offer of 78,000,000 Shares  
at an Offer Price of 325 pence per Share  
and admission to the Premium Listing Segment of the Official List  
and to trading on the Main Market of the London Stock Exchange**

*Joint Global Co-ordinators, Joint Bookrunners and Joint Sponsors*

**Barclays**

**Numis Securities**

*Financial Adviser*

**Rothschild**

### **ORDINARY SHARE CAPITAL IMMEDIATELY FOLLOWING ADMISSION**

**Issued and fully paid**

<b>Number</b>	<b>Nominal Value</b>
300,000,000	0.1 pence per Share

Barclays Bank PLC is authorised by the Prudential Regulation Authority (the “**PRA**”) and regulated by the FCA and the PRA in the United Kingdom. Each of Numis Securities Limited and N M Rothschild & Sons Limited is authorised and regulated by the FCA in the United Kingdom. Barclays Bank PLC and Numis Securities Limited (together, the “**Underwriters**”) and N M Rothschild & Sons Limited (“**Rothschild**” or the “**Financial Adviser**”) (the Financial Adviser, together with the Underwriters, the “**Banks**”) are acting exclusively for the Company and no-one else in connection with the Global Offer. None of the Banks will regard any other person (whether or not a recipient of this Prospectus) as a client in relation to the Global Offer and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for the giving of advice in relation to the Global Offer or any transaction, matter, or arrangement referred to in this Prospectus. Apart from the responsibilities and liabilities, if any, which may be imposed on the Banks by the FSMA or the regulatory regime established thereunder or under the regulatory regime of any jurisdiction where exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, none of the Banks nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this Prospectus including its accuracy, completeness and verification or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Shares or the Global Offer. Each of the Banks and each of their respective affiliates accordingly disclaim, to the fullest extent permitted by applicable law, all and any liability whether arising in tort, contract or otherwise (save as referred to above) which they might otherwise be found to have in respect of this Prospectus or any such statement. No representation or warranty express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this Prospectus, and nothing in this Prospectus will be relied upon as a promise or representation in this respect, whether or not to the past or future.

In connection with the Global Offer, the Underwriters and any of their respective affiliates acting as an investor for its or their own account(s) may purchase Shares and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for its or their own account(s) in such securities, any other securities of the Company or other related investments in connections with the Global Offer or otherwise. Accordingly, references in this Prospectus to Shares being offered, sold or otherwise dealt with should be read as including any offer to purchase or dealing by the Underwriters or any of them or any of their respective affiliates acting as an investor for its or their own account(s). In addition, certain of the Underwriters and any of their respective affiliates may in the ordinary course of their business activities enter into financing arrangements with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Shares. The Underwriters do not intend to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligation to do so.

Each of the Underwriters and their respective affiliates may have engaged in transactions with, and provided various investment banking, financial advisory and other services for, the Company and/or the Selling Shareholder for which they would have received customary fees. Each of the Underwriters and their respective affiliates may provide such services to the Company and/or the Selling Shareholder and any of its affiliates in the future.

This Prospectus does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase, any securities other than the securities to which it relates or any offer or invitation to sell or issue, or any solicitation of any offer to purchase, such securities by any person in any circumstances in which such offer or solicitation is unlawful.

#### **Notice to overseas shareholders**

The Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the “**U.S. Securities Act**”). The Shares offered by this Prospectus may not be offered or sold in the United States, except to qualified institutional buyers (“**QIBs**”), as defined in, and in reliance on, the exemption from the registration requirements of the U.S. Securities Act provided in Rule 144A under the U.S. Securities Act (“**Rule 144A**”) or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Prospective investors are hereby notified that the sellers of the Shares may be relying on the exemption from the provisions of section 5 of the U.S. Securities Act provided by Rule 144A. Outside of the United States, the Global Offer is being made in offshore transactions as defined in Regulation S of the U.S. Securities Act. No actions have been taken to allow a public offering of the Shares under the applicable securities laws of any jurisdiction, including Canada, Australia or Japan. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction or to any resident of Canada, or to or for the account or benefit of any national, resident or citizen of any other jurisdiction, including Australia or Japan. This

Prospectus does not constitute an offer of, or the solicitation of an offer to purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation in such jurisdiction.

The Shares have not been and will not be registered or qualified for distribution by this Prospectus under the applicable securities laws of Canada, Australia or Japan. Subject to certain exceptions, the Shares may not be offered or sold in any jurisdiction, or to or for the account or benefit of any national, resident or citizen in Australia or Japan or to any person located or resident in Canada. The Shares have not been recommended by any U.S. federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

The distribution of this Prospectus and the offer and sale of the Shares in certain jurisdictions may be restricted by law. No action has been or will be taken by the Company, the Selling Shareholder (as defined in Part 14 “Definitions and Glossary”) or the Banks to permit a public offering of the Shares under the applicable securities laws of any jurisdiction. Other than in the United Kingdom, no action has been taken or will be taken to permit the possession or distribution of this Prospectus (or any other offering or publicity materials relating to the Shares) in any jurisdiction where action for that purpose may be required or where doing so is restricted by law. Accordingly, neither this Prospectus, nor any advertisement, nor any other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Prospectus comes should inform themselves about and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

#### **Available information**

For so long as any of the Shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the U.S. Securities Exchange Act of 1934, as amended (the “**U.S. Exchange Act**”), nor exempt from reporting under the U.S. Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the U.S. Securities Act.

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## SUMMARY

*Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A. 1 – E. 7). This summary contains all the Elements required to be included in a summary for this type of security and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.*

*Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable”.*

### Section A—Introductions and warnings

#### A.1 Warning

This summary should be read as an introduction to the prospectus (the “**Prospectus**”).

Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor. Where a claim relating to the information contained in the Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the Member States, have to bear the costs of translating the prospectus before the legal proceedings are initiated.

Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and applied its notification, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in such securities.

#### A.2 Subsequent resale of securities or final placement of securities through financial intermediaries

Not applicable. No consent has been given by the Company or any person responsible for drawing up this Prospectus to the use of the Prospectus for subsequent resale or final placement of securities by financial intermediaries.

### Section B—Issuer

#### B.1 Legal and commercial name

Alfa Financial Software Holdings PLC (the “**Company**”)

#### B.2 Domicile and legal form

The Company was incorporated on 6 April 2017 as a private company limited by shares in the United Kingdom with the name Alfa Financial Software Holdings Limited and its registered office situated in England and Wales. On 4 May 2017 the Company re-registered as a public limited company with the name Alfa Financial Software Holdings PLC. The principal legislation under which the Company operates is the Companies Act 2006.

#### B.3 Key factors affecting current operations and principal activities

Alfa is the developer of Alfa Systems, a leading, mission-critical software platform purpose-built for asset finance enterprises globally, making it well placed to serve those providing asset finance across a wide range of asset classes. Asset finance enterprises in the automotive and equipment finance industries use Alfa Systems across the entire finance life cycle, from proposal to end of lease, across many asset types and financing structures. Alfa Systems’ unified and modern data platform provides a core system of record for all asset, contract and end-customer data whilst its comprehensive functionality enables clients to automate critical business functions and enhance business agility. It is a single product which is modern, highly scalable and flexible, offers extensive configurability of business rules and workflows to Alfa’s clients and therefore enables a high degree of automation in Alfa’s clients’ business processes.

Alfa Systems allows clients to achieve operational efficiencies by optimising their business processes whilst reducing infrastructure costs. It also provides clients the flexibility and agility to adapt to ever-changing and more complex regulations that legacy systems are not able to comply with, easily or at all.

The specialised, complex and changing requirements of the asset finance industry create particular challenges in developing solutions that are fit for purpose. This provides Alfa with many opportunities for acquiring new clients whose legacy or in-house solutions cannot cope with the evolving regulatory landscape. Many asset finance enterprises use systems (including both legacy systems and non-specialist enterprise resource planning



("ERP") systems) that are outdated, lack flexibility and functionality, and/or impose high total costs of ownership. Legacy systems may rely on ageing programming languages that are no longer well supported and require resource-intensive custom coding to make even minor changes to process and functionality, especially if point-to-point solutions are poorly integrated. ERP systems are not explicitly designed for asset finance and lack full functionality with deep asset-by-asset detail and have limited workflow automation, which can require costly and time consuming workarounds. Even systems which look modern are often based on a legacy core and therefore cannot meet the functionality and flexibility demands of clients. The inefficient workflow, lack of real-time actionable data and digitalisation and the need for ad-hoc manual processes impede business agility and reduce competitiveness. All of these deficiencies tend to result in a higher level of staff and other costs and can also hinder regulatory compliance.

Alfa has developed its purpose-built solution to meet the current and future needs of the asset finance industry. Alfa Systems uses its modern technology platform to support a wide variety of asset finance products across the finance life cycle.

Alfa Systems version 5 runs on a single code base architected on a common data platform that can be deployed on-premise or in-cloud and is delivered through a web-based interface.

Alfa benefits from strong long-term client relationships, built over a number of years of close collaboration and continual delivery to a high standard. These deep relationships, some of which are in excess of two decades long, underpin Alfa's significant revenue visibility as well as provide references to new clients. Alfa's clients include leading asset finance companies globally (e.g. the asset finance operations of Bank of America, Barclays, Close Brothers and Nordea); captives (e.g. the asset financing divisions of Mercedes-Benz, Toyota and Siemens); and specialist independent companies (e.g. Motability and the Uber leasing subsidiary Xchange Leasing). Alfa had 28 clients as of 31 December 2016.

Alfa was founded in 1990 with its headquarters in London, and had more than 250 employees at 31 December 2016, working for clients across 18 countries, with other physical offices established in Detroit, Los Angeles, Dallas and Auckland.

#### **B.4a Significant recent trends affecting the Group and the industry in which it operates**

Alfa provides specialist software to the global asset finance market. The asset finance market comprises a variety of loan, lease and hire purchase products relating to the use or purchase of assets and is roughly divided into 'auto', which relates to the retail car market, and 'equipment', which ranges from small assets such as mobile handsets and IT hardware to larger assets such as aircraft and satellites.

This is a complex market that is highly regulated, with numerous financial products across multiple asset classes, requires specialist accounting and tax treatment and is distributed through a range of sales channels. Asset finance software supports the business critical functions of asset finance providers. Asset finance companies use software to support the end-to-end workflow from point of sale, through in-life contract, customer and asset management, to end of life processing. This software is generally deployed alongside other general accounting, reporting and customer relationship management systems.

Total global outstanding asset finance in 2015 was estimated by PwC in a market study on the asset finance software market published in January 2017 (the "**PwC Market Study**") at approximately \$5.4 trillion, with \$2.6 trillion of this relating to new business volumes. The United States, the United Kingdom, China and Germany account for more than 60% of world volume (source: White Clarke Group Global Leasing Report 2016). The United States is the largest market, accounting for approximately \$2.4 trillion, and Europe accounts for approximately \$1.4 trillion, with the largest European markets being the United Kingdom, Germany, France, Italy and Sweden. (Source: PwC Market Study)

Between 2011 and 2015, PwC estimates that the United States and European asset finance markets grew by 10% and 6% per annum, respectively (source: PwC Market Study). Growth in the asset finance market is driven by a number of key trends, including the economic environment, auto and equipment investment trends, regulation, asset finance penetration and credit conditions such as interest rates.

In 2015, the global asset finance software market (excluding point of sale solutions) was estimated at \$2.9 billion by PwC. This market is split between specialist solutions, asset finance accounting modules of ERP vendors such as SAP and Oracle, in-house developed solutions and manual processes. The market size represents the estimated spend on software licence and maintenance fees and associated services which includes implementation, customisation and hosting. (Source: PwC Market Study)

The global market for specialist asset finance software grew at 12% per annum between 2010 to 2015 and is forecast by PwC to grow at approximately 7% per annum from 2015 to 2020. This growth rate exceeds the

projected 5% growth of the asset finance market itself, primarily as a result of the specialist software providers being projected to gain market share from ERP vendors and in-house and manual solutions. Although the forecast assumes only a moderate increase in pricing, a PwC survey of firms using specialist asset finance software shows that over half of the firms who responded are expecting their overall spend on specialist asset finance software to accelerate over the next five years. (Source: PwC Market Study)

The Directors believe that, within Alfa's primary addressable market comprising the larger providers of asset finance, the opportunity to continue to gain market share remains substantial. These providers, in Alfa's experience, often find that their business agility and ability to respond quickly and cost-effectively to changing regulatory or competitive landscapes are constrained by inflexible systems and workflows. Highly configurable, modern systems with a great depth of specialist asset finance functionality, such as those provided only by Alfa and a small number of competitors, are seen by many of Alfa's existing and prospective clients as an important source of competitive advantage and therefore as a business imperative.

## **B.5 Group description**

The term "**Group**" refers to the Company and each of its consolidated subsidiaries and subsidiary undertakings. The trading entity of the Group is Alfa Financial Software Limited. The term "**Admission**" refers to admission of the ordinary shares of the Company of 0.1 pence each ("**Shares**") to the premium listing segment of the Official List of the FCA (the "**Official List**") and to trading on the London Stock Exchange's main market for listed securities.

## **B.6 Major shareholder**

As at the date of this Prospectus, to the extent known by the Company, the Company is owned or controlled by CHP Software and Consulting Limited, which holds 94.1% of the voting rights attached to the issued share capital of the Company. CHP Software and Consulting Limited is in turn controlled by Mr Andrew Page, the Executive Chairman, who holds 89.7% of CHP Software and Consulting Limited. Mr Andrew Denton, the Chief Executive Officer, holds the remaining 10.3% of CHP Software and Consulting Limited.

Immediately following the Global Offer and Admission, it is expected that CHP Software and Consulting Limited will hold approximately 68.4%, assuming no exercise of the Over-allotment Option, and 65.9%, assuming the Over-allotment Option is exercised in full.

From Admission, the Shares owned by CHP Software and Consulting Limited will rank *pari passu* with other Shares in all respects.

On 26 May 2017, the Selling Shareholder, Andrew Page and Andrew Denton (together, the "**Controllers**") and the Company entered into the Relationship Agreement, which will take effect on Admission. Pursuant to the Relationship Agreement:

- (a) the parties shall procure that all transactions, agreements, arrangements and relationships between any member of the Group and the Controllers and their associates are conducted at arm's length and on normal commercial terms and, where applicable, will be entered into in accordance with the related party transaction rules set out in Chapter 11 of the Listing Rules; and
- (b) the Selling Shareholder shall (and shall procure that each of its associates shall): (i) not take any action which would or would be reasonably likely to have the effect of preventing the Company or any other member of the Group from carrying on its business independently of the Controllers; (ii) not take any actions that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, the FSMA and the Financial Services Act 2012; (iii) not exercise any voting rights in a manner which would prevent the Company from making decisions for the benefit of the shareholders of the Company taken as a whole or that would require the Company to operate or make decisions solely for the benefit of the Selling Shareholder and its associates; (iv) not propose or procure the proposal of a shareholder resolution that is intended to circumvent the proper application of the Listing Rules; (v) not exercise its voting rights to procure any amendment to the Articles which would be contrary to the maintenance of the Company's ability to carry on its business independently from the Selling Shareholder and its associates, prevent the election of independent directors or is otherwise inconsistent with the provisions of the Relationship Agreement, the Listing Rules, the Disclosure Guidance and Transparency Rules or the Market Abuse Regulation; and (vi) abstain from voting on any resolution required by paragraph 11.1.7R(3) of the Listing Rules to approve a transaction with a related party involving the Selling Shareholder or its associates.

In addition, until the Relationship Agreement terminates, the Selling Shareholder, Andrew Page and Andrew Denton have each undertaken that neither it nor he (as applicable) nor any of their respective associates shall

operate, establish, own or acquire an undertaking which engages in any business that competes with the Group. This non-compete undertaking shall not prohibit the Selling Shareholder, Andrew Page or Andrew Denton from being entitled to acquire up to 5% in aggregate of the shares of any class of any company engaged in business that would constitute a competing business provided the shares of such company are listed on a recognised stock exchange and neither Andrew Page nor Andrew Denton shall be a consultant to or director of such company.

Furthermore, each of the Selling Shareholder, Andrew Page and Andrew Denton has undertaken that, until the later of the termination of the Relationship Agreement and Andrew Page or Andrew Denton (as the case may be) ceasing to be employed by the Group, they shall not, and will procure that none of their associates shall, solicit for service or employment any employee of the Group without the prior approval of the majority of the independent directors of the Board.

The Relationship Agreement entitles the Selling Shareholder to appoint: one person to be a non-executive director of the Board for so long as the Selling Shareholder and its associates hold in aggregate at least 10% or more of the voting rights attaching to the issued share capital of the Company; and two persons to be non-executive directors of the Board for so long as the Selling Shareholder and its associates hold in aggregate at least 20% or more of the voting rights attaching to the issued share capital of the Company. The parties to the Relationship Agreement agree that, notwithstanding the requirement for Selling Shareholder appointed directors to be non-executive, the first such appointee is Andrew Page. Given Andrew Denton's 10.3% interest in the Selling Shareholder, the Selling Shareholder's right to appoint a second non-executive director shall be effective only from such time as Andrew Denton ceases to be a director of the Company.

For so long as the Selling Shareholder and its associates hold in aggregate at least 10% or more of the voting rights attaching to the issued share capital of the Company, and only insofar as none of its appointed directors are members of the nomination committee, it shall be able to send one of its appointed directors as an observer (being entitled to attend and speak, but not vote) at meetings of the nomination committee. Andrew Page will be a member of the nomination committee from Admission. Accordingly, this right to send an observer shall not be exercised until such time as he ceases to be a member.

The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of the Controllers and ensure that all agreements and transactions between the Group, on the one hand, and the Controllers and their associates and/or persons acting in concert with the Controllers or their associates, on the other hand, will be at arm's length and on a normal commercial basis.

Following Admission, the Articles will allow the election of independent directors to be conducted in accordance with any requirements of the Listing Rules.

In all other circumstances, following Admission CHP Software and Consulting Limited will have the same voting rights attached to the Shares as all other shareholders.

#### **B.7 Key financial information and narrative description of significant changes to financial condition and operating results of the Group during or subsequent to the period covered by the historical key financial information**

The selected financial information set out below has been extracted without material adjustment from the Historical Financial Information relating to the Group included in Part 11 "Historical Financial Information".

## Consolidated statements of profit or loss and comprehensive income for the years ended 31 December

	For the year ended 31 December		
	2014	2015	2016
	(£ 000s)		
<b>Continuing operations</b>			
Revenue	43,289	54,035	73,280
Implementation and support expenses	(11,318)	(13,519)	(16,714)
Research and product development expenses	(7,058)	(9,799)	(13,643)
Sales, general and admin expenses	(6,842)	(8,091)	(26,370)
Other operating income	36	36	36
<b>Operating profit</b>	<b>18,107</b>	<b>22,662</b>	<b>16,589</b>
Finance income	66	191	587
<b>Profit before taxation</b>	<b>18,173</b>	<b>22,853</b>	<b>17,176</b>
Taxation	(4,019)	(4,471)	(7,294)
<b>Profit and total comprehensive income for the financial year</b>	<b>14,154</b>	<b>18,382</b>	<b>9,882</b>
<b>Attributable to:</b>			
Equity holders of Alfa Financial Software Group Limited	11,269	14,659	7,869
Non-controlling interest	2,885	3,723	2,013
	<b>14,154</b>	<b>18,382</b>	<b>9,882</b>

## Consolidated statements of financial position as at 31 December

	As at 31 December		
	2014	2015	2016
	(£ 000s)		
<b>Assets</b>			
<b>Total non-current assets</b>	<b>25,264</b>	<b>34,942</b>	<b>53,085</b>
<b>Current assets</b>			
Trade and other receivables	3,879	12,235	9,606
Accrued income	1,031	1,706	3,623
Prepayments	951	998	953
Other receivables	365	827	943
Cash and cash equivalents	27,032	34,094	46,266
<b>Total current assets</b>	<b>33,258</b>	<b>49,860</b>	<b>61,391</b>
<b>Total assets</b>	<b>58,522</b>	<b>84,802</b>	<b>114,476</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Trade and other payables	4,115	4,393	8,686
Corporation tax	2,012	1,631	3,088
Deferred revenue	7,896	15,317	14,019
Provisions for other liabilities	—	303	—
Derivative financial liabilities	—	231	3,536
<b>Total current liabilities</b>	<b>14,023</b>	<b>21,875</b>	<b>29,329</b>
<b>Total non-current liabilities</b>	<b>93</b>	<b>140</b>	<b>549</b>
<b>Total liabilities</b>	<b>14,116</b>	<b>22,015</b>	<b>29,878</b>
<b>Capital and reserves</b>			
Equity attributable to parent	35,748	50,406	84,598
Non-controlling interest	8,658	12,381	—
<b>Total equity</b>	<b>44,406</b>	<b>62,787</b>	<b>84,598</b>
<b>Total liabilities and equity</b>	<b>58,522</b>	<b>84,802</b>	<b>114,476</b>

## Consolidated statements of cash flows for the years ended 31 December

	Year ended 31 December		
	2014	2015	2016
		(£ 000s)	
Net cash generated from operating activities . . . . .	18,198	16,622	31,668
Net cash used in investing activities . . . . .	(189)	(9,933)	(17,984)
Cash used in financing activities . . . . .	—	—	(4,270)
Effect of exchange rate changes . . . . .	(50)	373	2,758
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>17,959</b>	<b>7,062</b>	<b>12,172</b>
<b>Cash and cash equivalents at the beginning of the year . . . . .</b>	<b>9,073</b>	<b>27,032</b>	<b>34,094</b>
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>27,032</b>	<b>34,094</b>	<b>46,266</b>

Certain significant changes to the Group's financial condition and results of operations occurred during the years ended 31 December 2014, 2015 and 2016, which are set out below.

The Group's revenue increased by £19.2 million, or 36%, to £73.3 million in the year ended 31 December 2016 and increased by £10.7 million, or 25%, to £54.0 million in the year ended 31 December 2015, primarily due to increased implementation efforts, revenue attributable to new clients acquired during the period covered by the Historical Financial Information and, in 2016, the strengthening of the U.S. dollar.

The Group's profit for the period decreased by £8.5 million, or 46%, to £9.9 million in the year ended 31 December 2016 from a profit of £18.4 million in the year ended 31 December 2015 primarily due to pre IPO share based payment expenses of £16.2 million offset by the growth in revenue, and increased by £4.2 million, or 30%, to £18.4 million in the year ended 31 December 2015 from a profit of £14.2 million in the year ended 31 December 2014 reflecting the growth in revenue.

On 10 February 2017, Alfa Financial Software Group Limited paid a dividend to the Selling Shareholder of £31.5 million. On the same date, Alfa Financial Software Group Limited received settlement in full of the loan receivable by it from the Selling Shareholder of £27.0 million.

On 28 April 2017, Alfa Financial Software Group Limited advanced a loan of £5.1 million to the Selling Shareholder. This loan will be repaid in full prior to Admission, out of the proceeds of a £29.2 million dividend from Alfa Financial Software Group Limited to the Selling Shareholder, which was declared on 4 May 2017 and will be paid prior to Admission.

Other than the above, there has been no significant change in the financial position or results of operations of the Group since 31 December 2016, the date to which the last audited consolidated financial information of the Group was prepared.

### Key Performance Indicators

The Directors consider the following metrics to be the key performance indicators ("KPIs") used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. In addition to the Group's results determined in accordance with IFRS, the Directors believe the following non-IFRS financial measures are useful in evaluating the Group's operating performance and are as presented below.

	For the year ended 31 December		
	2014	2015	2016
	(£ 000s, except as otherwise indicated)		
Adjusted EBIT <sup>(1)</sup> . . . . .	18,107	22,521	32,789
Adjusted EBIT margin (%) <sup>(1)</sup> . . . . .	42%	42%	45%
Operating free cash flow <sup>(2)</sup> . . . . .	21,009	20,361	37,049
Operating free cash flow conversion (%) <sup>(2)</sup> . . . . .	116%	90%	113%
Billings <sup>(3)</sup> . . . . .	45,552	61,182	73,891

(1) Adjusted EBIT represents profit for the period before taxation, interest income, share based compensation and other exceptional, unusual or generally non-recurring items such as onerous lease provisions and after deducting a bonus paid as a dividend. Adjusted EBIT margin represents Adjusted EBIT as a proportion of revenue. Management utilises Adjusted EBIT and Adjusted EBIT margin 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 table below presents a reconciliation of profit for the period to Adjusted EBIT.

	For the year ended 31 December		
	2014	2015 (£ 000s)	2016
<b>Profit for the year</b>	<b>14,154</b>	<b>18,382</b>	<b>9,882</b>
Adjusted for:			
Taxation	4,019	4,471	7,294
Interest income	(66)	(191)	(587)
Share based compensation <sup>(1)</sup>	—	—	16,200
Onerous lease and property costs <sup>(2)</sup>	—	859	—
Bonus paid as a dividend <sup>(3)</sup>	—	(1,000)	—
<b>Adjusted EBIT</b>	<b>18,107</b>	<b>22,521</b>	<b>32,789</b>

(1) Relates to pre IPO share based payment expense as detailed in note 20 to the Historical Financial Information.

(2) Relates to onerous lease provision expenses and property costs connected with the move of the Group's London headquarters.

(3) Reflects the £1.0 million of bonus payments made by way of a dividend.

Adjusted EBIT has limitation as an analytical tool. Some of these limitations are that it does not reflect changes in, or cash requirements for, the Group's working capital needs; it is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows; and the further adjustments made in calculating Adjusted EBIT are those that management consider are not representative of the underlying operations of the Group and therefore are subjective in nature.

- (2) Operating free cash flow represents net cash generated from operations less settlement of derivative instruments and margin calls and after purchase of property, plant and equipment. Operating free cash flow conversion represents operating cash generation as a proportion of Adjusted EBIT. Management uses operating free cash flow as a control for monitoring and managing cash flows. The Group has demonstrated strong operating free cash flow conversion, at more than 100% in 2016, as a result of its established client relationships, comprising creditworthy, blue-chip clients, and its excellent billing management processes. The table below presents a reconciliation of operating free cash flow to cash generated by operations.

	For the year ended 31 December		
	2014	2015 (£ 000s)	2016
<b>Cash generated by operations</b>	<b>21,264</b>	<b>21,763</b>	<b>41,475</b>
Adjusted for:			
Settlement of derivative financial instruments and margin calls	—	(203)	(4,036)
Purchases of property, plant and equipment	(255)	(1,199)	(390)
<b>Operating free cash flow</b>	<b>21,009</b>	<b>20,361</b>	<b>37,049</b>

- (3) Billings represents the value of products and services invoiced to customers. Cash is typically received at the start of an implementation project in relation to licence fees or at the start of an annual maintenance period. Additionally, cash is received monthly in relation to implementation or ODS revenue excluding licence fees. Billing is used by management as it aids visibility over future revenues and aids cash management.

## B.8 Key pro forma financial information

Not applicable. There is no pro forma financial information.

## B.9 Profit forecast

Not applicable. There is no profit forecast or estimate.

## B.10 Description of the nature of any qualifications in the audit report on the historical financial information

Not applicable. There are no qualifications to the accountant's report on the historical financial information.

## B.11 Insufficient working capital

Not applicable. In the opinion of the Company, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

## Section C—Securities

### C.1 Type and class of securities

Pursuant to the Global Offer, 78,000,000 existing Shares (the “**Existing Shares**”) are expected to be sold by the Selling Shareholder. In addition, a further 7,500,000 Shares are being made available by the Selling Shareholder (the “**Over-allotment Shares**”) pursuant to the Over-allotment Option.

When admitted to trading, the Shares will be registered with ISIN number GB00BDHXPG30 and SEDOL number BDHXPG3.

## **C.2 Currency**

United Kingdom pounds sterling.

## **C.3 Number of securities to be issued**

As at the date of this Prospectus, the issued share capital of the Company is £283,039.90, comprising 2,663,690 ordinary shares of 10 pence each, 91,020 A ordinary shares of 10 pence each and 75,689 A1 ordinary shares of 10 pence each (all of which were fully paid or credited as fully paid). Immediately following completion of the group reorganisation (the “**Reorganisation**”) (which is expected to be immediately prior to Admission) and the Global Offer, the issued share capital of the Company is expected to be £300,000 comprising 300,000,000 Shares of 0.1 pence each (all of which will be fully paid or credited as fully paid).

## **C.4 Description of the rights attaching to the securities**

The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes, including with respect to voting and for all dividends and other distributions thereafter declared, made or paid on the ordinary share capital of the Company.

On a show of hands every Shareholder who is present in person shall have one vote and on a poll every Shareholder present in person or by proxy shall have one vote per Share.

Except as provided by the rights and restrictions attached to any class of shares, Shareholders will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings.

## **C.5 Restrictions on the free transferability of the securities**

There are no restrictions on the free transferability of the Shares.

## **C.6 Admission**

Application has been made to the FCA for all of the Shares, issued and to be issued, to be admitted to the premium listing segment of the Official List of the FCA and to the London Stock Exchange for such Shares to be admitted to trading on the London Stock Exchange’s main market for listed securities.

## **C.7 Dividend policy**

The Company has not adopted a dividend policy with respect to future dividends, and it does not currently intend to pay cash dividends on the Shares. Any future determination related to the dividend policy will be made at the discretion of the Board and will depend upon, among other factors, the Group’s results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors the Board may deem relevant.

# **Section D—Risks**

## **D.1 Key information on the key risks specific to the issuer and its industry**

The occurrence of any of the key risks below could have a material adverse effect on the Group’s business, results of operations, financial condition and/or prospects.

The Group’s results depend substantially on sales both to new clients and existing clients purchasing additional features, modules or services from the Group. The Group may be unable to secure new business by developing and successfully marketing Alfa Systems and related services in accordance with market demand, by successfully competing with other vendors or by offering competitive prices for its software platform or if the Group’s clients terminate or fail to purchase more features, modules, or services.

Failure to attract and retain skilled technical employees and senior management personnel, or lack of employee mobility, could harm the Group’s ability to grow. If the Group is unable to identify, attract, develop, motivate, adequately compensate and retain well-qualified and engaged personnel, or if existing highly skilled and specialised personnel leave the Group and ready successors or adequate replacements are not available, the Group may not be able to manage its operations effectively. In addition, the Group may encounter difficulties recruiting and deploying employees to certain locations where the Group is currently operating or looking to expand, any of which could cause the Group to suffer delays in new product development or software implementations or otherwise fail to satisfy clients’ demands.

The Group’s business and results of operations are dependent on the asset finance industry. Growth in the asset finance industry is driven by a number of factors outside the Group’s control, including the macroeconomic

environment, credit conditions, levels of regulation and relevant accounting standards, which in turn drive rates of investment in automobiles and equipment. A number of factors could lead to a disruption to the asset finance industry (or the automotive or equipment sub-sectors thereof), including but not limited to a slowdown in the rate of growth of car sales in the United States, changes to vehicle ownership patterns (as a result of car sharing, self-driving cars or otherwise) changes to regulation impacting the asset finance industry as well as increasing regulatory scrutiny on loan sales practices, the introduction of new accounting standards, and the impact of increasing interest rates.

A decline in spending on IT software systems or a change to the way in which potential clients source their IT software systems could reduce the Group's revenue growth and profitability and harm the Group's business. The amount that businesses are able to spend on IT software systems is influenced by factors beyond the Group's control, including general economic conditions for businesses globally, the investment that businesses are able to make into their IT software systems and the overall strategy adopted in purchasing IT software systems, including the timing of clients' budget cycles, the need by some clients for lengthy evaluations and the length and timing of clients' approval processes. In addition, any reduction in record keeping or other regulatory requirements in the markets in which the Group operates could lead to fewer businesses deciding to purchase Alfa Systems and instead choosing to invest their money elsewhere.

If the Group does not compete effectively, its operating results could be adversely affected. The Group competes with a variety of software vendors and service providers on the basis of functional depth, product quality, reliability, performance, ease of use, quality of support and services, integration with other products and pricing. Some of the Group's competitors may have potential advantages, such as being incumbent providers at the Group's prospective clients, greater financial resources and brand name recognition, longer operating histories, larger marketing budgets and greater software engineering or other resources than the Group. The competitive environment in which the Group operates has also seen significant developments in recent years with the emergence of new market participants and a shift to delivering functionality via the cloud. There can be no assurance that the Group will be able to compete successfully against current or future competitors or that the Group will be able to address adequately the competitive pressures the Group faces in the markets in which it operates. Moreover, the Group may be unable to anticipate and keep pace with the rapidly evolving market requirements, technology trends and regulatory requirements applicable to its clients, which could harm the Group's operating results.

The Group may experience software defects, development delays or implementation difficulties, which could harm the Group's reputation and expose the Group to potential liability. The detection and subsequent correction of any errors, defects or outages may be expensive and time consuming, and it may not always be possible to meet the expectations of clients regarding the timeliness and the quality of the problem resolution process. In a worst case scenario, it might not be possible to wholly rectify certain defects with the potential to affect all of the Group's clients.

### **D.3 Key information on the key risks specific to the securities**

There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained. Moreover, even if a market develops, Shares may be subject to market price volatility and the market price of the Shares may decline disproportionately in response to developments that are unrelated to the Group's operating performance, or as a result of sales of substantial amounts of such Shares in the public markets, for example following the expiry of the lock-up period, or the issuance of additional Shares in the future, and shareholders could earn a negative or no return on, or otherwise experience a dilution, of their investment in the Company.

In addition, the Selling Shareholder will retain a significant interest in and will continue to exert substantial influence over the Group following the Global Offer and its interests may differ from or conflict with those of other shareholders.

Finally, shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings.

## **Section E—Global Offer**

### **E.1 Net proceeds and costs of the offer**

Pursuant to the Global Offer, the Selling Shareholder will receive aggregate proceeds of approximately £248.4 million from the sale of the Existing Shares, net of base underwriting commissions and other estimated fees and expenses of approximately £5.1 million.



The fees and expenses to be borne by the Company in connection with Admission including the FCA's fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £3.4 million (including VAT). In addition, the Selling Shareholder has agreed to pay its expenses in connection with the sale of Shares (including VAT and excluding any stamp duties) including base underwriting commissions of up to approximately £5.0 million (assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option).

#### **E.2a Reasons for the offer and use of proceeds**

The Directors believe that the Global Offer will:

- further increase the Group's profile and brand recognition whilst giving clarity on the Group's ongoing independence to its clients, prospects, suppliers and employees;
- assist in recruiting, retaining and incentivising key management and employees; and
- provide the Selling Shareholder with a partial realisation of its investment in the Group.

No proceeds will be received by the Company pursuant to the Global Offer.

#### **E.3 Terms and conditions of the offer**

The Global Offer consists of an institutional offer only. In the Global Offer, Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States and (ii) in the United States only to QIBs in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The Shares allocated under the Global Offer have been fully underwritten, subject to certain conditions, by the Underwriters. Allocations under the Global Offer will be determined at the sole discretion of the Company and the Selling Shareholder after having received a recommendation from the Joint Global Co-ordinators. All Shares issued or sold pursuant to the Global Offer will be issued or sold, payable in full, at the Offer Price.

Conditional dealings in the Shares are expected to commence on the London Stock Exchange at 8.00 a.m. on 26 May 2017. The earliest date for such settlement of such dealings will be 1 June 2017. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange, at 8.00 a.m. (London time) on 1 June 2017. Settlement of dealings from that date will be on a two-day rolling basis.

#### **E.4 Material interests**

There are no interests, including conflicting interests, that are material to the Global Offer, other than those disclosed in B.6 above.

#### **E.5 Selling Shareholder and Lock-up**

*Expected interests of the Selling Shareholder immediately prior to and following Admission*

The indicative interest in Shares of the Selling Shareholder immediately prior to Admission, together with its interests in Shares immediately following Admission, assuming no exercise of the Over-allotment Option, are set out in the table below.

<b>Shareholder</b>	<b>Immediately prior to Admission<sup>(1)</sup></b>		<b>Immediately following Admission<sup>(1)</sup></b>	
	<b>Number of Shares</b>	<b>Percentage of issued share capital</b>	<b>Number of Shares</b>	<b>Percentage of issued share capital</b>
CHP Software and Consulting Limited	283,145,649	94.4	205,145,649	68.4

**Note:**

(1) The interests of Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation has been completed in full.

#### *Lock-up Arrangements*

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators (not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce any offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares

or enter into any transaction with the same economic effect (including a transaction involving derivatives) as, or agree to do, any of the foregoing.

Pursuant to the Underwriting Agreement and related arrangements, the Selling Shareholder and the Directors have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators (not to be unreasonably withheld or delayed), directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect (including a transaction involving derivatives) as, or agree to do, any of the foregoing.

#### **E.6 Dilution**

Not applicable. As there will be no issuance of new Shares pursuant to the Global Offer, there will be no dilution as a result of the Global Offer.

#### **E.7 Expenses charged to the investor**

Not applicable. No expenses will be charged by the Company or the Selling Shareholder to any investor who purchases Shares pursuant to the Global Offer.

## **PART 1**

### **RISK FACTORS**

*Any investment in the Shares is subject to a number of risks. Prior to investing in the Shares, prospective investors should carefully consider risk factors associated with any investment in the Shares, the Group's business and the industry in which it operates, together with all other information contained in this Prospectus including, in particular, the risk factors described below.*

*Prospective investors should note that the risks relating to the Group, its industry and the Shares summarised in the section of this Prospectus headed "Summary" are the risks that the Directors and the Company believe to be the most essential to an assessment by a prospective investor of whether to consider an investment in the Shares. However, as the risks which the Group faces relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in the section of this Prospectus headed "Summary" but also, among other things, the risks and uncertainties described below.*

*The risk factors described below are not an exhaustive list or explanation of all risks which investors may face when making an investment in the Shares and should be used as guidance only. Additional risks and uncertainties relating to the Group that are not currently known to the Group, or that the Group currently deems immaterial, may individually or cumulatively also have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects and, if any such risk should occur, the price of the Shares may decline and investors could lose all or part of their investment. Prospective investors should consider carefully whether an investment in the Shares is suitable for them in the light of the information in this Prospectus and their personal circumstances.*

#### **Risks relating to the Group's business and industry**

- 1. The Group's results depend substantially on sales both to new clients and existing clients purchasing additional features, modules or services from the Group. Any decline in sales to new or existing clients would harm future operating results.***

The Group's future success depends on its ability both to secure sales to new clients and to sell additional features, modules and services to its existing clients. The decision to use Alfa Systems may be an enterprise-wide decision for clients and, therefore, such sales typically require the Group to expend substantial time and effort educating them as to the value of the platform. As Alfa Systems represents an end-to-end enterprise solution for asset finance (in particular, equipment and automotive finance), sales cycles can be lengthy, typically ranging from three to nine months, but depending on the prospective client's objectives and the complexity of software implementation requirements, the sales cycles can run longer than this, which can lead to unpredictability in respect of the timing of revenue anticipated from prospective and secured new business. In addition, incumbent competing vendors may benefit from the perceived disadvantages of switching vendors, such as loss of accustomed functionality, conversion costs and business risk and disruption. If the Group is not able to secure new business by developing and successfully marketing Alfa Systems and related services in accordance with market demand, by successfully competing with other vendors or by offering competitive prices for its software platform, this could lead to a decrease in the Group's revenue and consequently have a material adverse effect on its business, results of operations, financial condition and/or prospects.

In the years ended 31 December 2014, 2015 and 2016, the Group had 29 clients, 27 clients and 28 clients, respectively. Over the same period, the top ten clients in terms of revenue (the composition of which varied from period to period) together in each year accounted for 79%, 86% and 90% of the Group's revenue, respectively. Rather than reliance on any specific clients, these concentrations represent the disproportionate contribution to revenue of clients in the software implementation phase (typically the first three years of a client relationship) and, consequently, the necessity of the Group to continue to maintain a steady supply of clients in the software implementation phase in order to maintain levels of revenue. While the Group attempts to increase client spend as the relationship matures by identifying additional features, modules or services that may be needed or useful, there can be no assurance that revenue from client relationships will be maintained or continue to grow. In addition, the Group intends to develop relationships with partners to complement Alfa's software implementation services and support the Group's geographic expansion, in order to increase the number of clients which the Group is able to serve; however, there can be no assurance that the Group will be able to establish such relationships or that, if these relationships are established, this strategy will prove successful in generating sales to new clients.

The Group's existing clients have no obligation to purchase further features, modules or services and there can be no assurance that the Group's existing clients will not terminate contracts in the future. Subject to

contractual notice periods and other payment obligation for existing services and licence fees, some of the Group's clients could elect to terminate their licence, maintenance or service contracts and, although Alfa benefits from relatively good revenue visibility, there can be no assurance that the Group will be able to accurately predict termination rates. In addition, the Group could come under pricing pressure from prospective clients, which could result in the Group agreeing to less favourable or more onerous contractual terms in order to maintain revenue. As the Group has a relatively small number of existing clients, the termination by any one client, particularly one in the software implementation phase, could have a significant impact on the Group, both in terms of short term financial impact and any potential impact on the Group's reputation and standing and therefore on its ability to win new clients in future, in the event that such termination is, or is perceived to be, as a result of the Group's failure to meet its client's expectations or requirements.

The Group's termination rates may increase or fluctuate as a result of a number of factors, including client satisfaction with Alfa Systems or with the Group's services, client support and prices, and factors outside the Group's control, such as the prices of competing solutions, mergers and acquisitions affecting the Group's client base, the effects of global economic conditions or reductions in clients' spending levels. If the Group's clients do terminate or fail to purchase more features, modules, or services, this could result in a reduction in revenue and consequently have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

**2. *Failure to attract and retain skilled technical employees and senior management personnel could harm the Group's ability to grow.***

The Group's future success depends, in part, on the ability and experience of members of its senior management, client-facing employees and technical experts focussed on the development of the Group's software as well as the Group's ability to continue to attract, adequately compensate and retain such personnel. Such success also depends on the continued services and continuing contributions of the Group's senior management to execute on its business plan and to identify and pursue new opportunities and product innovations, as well as to maintain the Group's distinctive culture and values despite geographical expansion and growth in employee numbers. Competition for suitably qualified individuals with the relevant technical expertise in the Group's industry is intense, and the Group may not recognise or respond adequately to market dynamics in order to retain or recruit key staff. Furthermore, any necessary increases in employee compensation could have an adverse effect on the Group's margins. Also, to the extent the Group hires personnel from competitors, it may be subject to allegations that they have been improperly solicited, that they have divulged proprietary or other confidential information, or that their former employers own their inventions or other work product.

If the Group is unable to identify, attract, develop, motivate, adequately compensate and retain well-qualified and engaged personnel, or if existing highly skilled and specialised personnel leave the Group and ready successors or adequate replacements are not available, the Group may not be able to manage its operations effectively, which could cause the Group to suffer delays in new product development or software implementations or otherwise fail to satisfy clients' demands, which could have a material adverse effect on the Group's reputation, business, results of operations, financial condition and/or prospects.

**3. *Lack of employee mobility could harm the Group's ability to grow.***

The Group may encounter difficulties recruiting and deploying employees to certain locations where the Group is currently operating or looking to expand. In particular, the Group may have difficulties transferring and retaining the key personnel and/or technical experts needed to continue the Group's expansion into new markets, including the United States. Although to date the Group has not experienced a material inability to train and deploy sufficiently expert employees to service its implementations in the United States, there can be no assurance that, either through difficulties in obtaining U.S. visas, including satisfying the U.S. visa requirements (such as being an employee of the Group for at least one year prior to award of visa), or other practical considerations, including a lack of employees currently willing and able to relocate, the Group will be able to service all the opportunities available in the United States going forward. In addition, although there is still much uncertainty around the United Kingdom's anticipated withdrawal from the European Union, it may lead to similar difficulties in obtaining UK visas or European visas for key personnel and/or technical experts needed to maintain the Group's operations in the United Kingdom or Europe or to service opportunities there, (see "*—The United Kingdom's anticipated withdrawal from the European Union could adversely affect the Group*"). Any inability to service client projects as and when need arises in various locations could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

**4. *The Group's business and results of operations are dependent on the asset finance industry.***

The Group generates its revenue from clients in the asset finance industry, with more than half derived from the automotive finance market in the 2016 financial year. Accordingly, the Group's future success depends upon continued demand for its software platform from participants in the asset finance industry.

The asset finance industry, measured in terms of the value of loans and lease products in respect of automobiles and equipment, grew at a compound annual growth rate of 9.8% in the United States and 5.8% in Europe from 2011 to 2015 but this is expected to slow to a compound annual growth rate of approximately 5% in both the United States and Europe in the period from 2016 to 2020 (source: PwC Market Study). Growth in the asset finance industry is driven by a number of factors outside the Group's control, including the macroeconomic environment, credit conditions, levels of regulation and relevant accounting standards, which in turn drive rates of investment in automobiles and equipment. Any factors which could lead to a disruption to the asset finance industry (or the automotive or equipment sub-sectors thereof), including but not limited to a slowdown in the rate of growth of car sales in the United States or elsewhere, changes to vehicle ownership patterns (as a result of car sharing, self-driving cars or otherwise), adverse macroeconomic factors which impair clients' or prospective clients' operations (such as reduced creditworthiness of end users or impairments to clients' loan portfolios), changes to regulation impacting the asset finance industry as well as increasing regulatory scrutiny on loan sales practices, the introduction of new accounting standards, consolidation among providers of asset finance, and the impact of increasing interest rates, could lead to a reduction in demand for Alfa Systems, which in turn could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

**5. *A decline in spending on IT software systems or a change to the way in which potential clients source their IT software systems could reduce the Group's revenue growth and profitability and harm the Group's business.***

The Group's revenue growth and profitability are dependent on businesses choosing to purchase Alfa Systems over a competitor's platform or continuing to develop internally produced IT software solutions for their automotive or equipment finance software platforms. The amount that businesses are able to spend on IT software systems is influenced by factors beyond the Group's control, including general economic conditions globally, the investment that businesses are able to make into their IT software systems and the overall strategy adopted in purchasing IT software systems, including the timing of clients' budget cycles, the need by some clients for lengthy evaluations and the length and timing of clients' approval processes.

In addition, any reduction in record keeping or other regulatory requirements in the markets in which the Group operates could lead to fewer businesses deciding to purchase Alfa Systems and instead choosing to invest their money elsewhere. The Group may experience a decline in revenue growth and profitability during economic downturns due to the increased difficulty in attracting new clients, whether as a result of potential new clients freezing capital investment projects or choosing more cost-effective IT solutions or otherwise. The success of the Group's business and its ability to maintain its current level of margins depends in part on its ability to identify and respond effectively to fluctuating demand from existing and potential clients, and to develop new features, modules or services to meet changing client needs. Failure to identify or respond effectively to any of these areas could adversely affect the Group's business. If any decline in the use of the Group's software occurred and was prolonged or severe it could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

**6. *If the Group does not compete effectively, its operating results could be adversely affected.***

The market for asset finance software platforms is competitive. The Group competes with a variety of software vendors and service providers on the basis of functional depth, product quality, reliability, performance, ease of use, quality of support and services, integration with other products and pricing. The Group's competitors include well-established providers of either enterprise resource planning ("ERP") software systems, such as SAP and Oracle, or specialist asset finance software systems and they have long-standing relationships with many clients. Such competitors include White Clarke, Netsol, IDS and Odessa, together with a number of smaller players with more limited coverage of asset classes and/or geographies. The latter category includes the relevant business units of FIS (including those of its recent acquisition SunGard), Fiserv and Sopra.

In this respect, some of the Group's competitors may have potential advantages, such as being incumbent providers at the Group's prospective clients or having greater financial resources, longer operating histories, larger marketing budgets and greater software engineering or other resources than the Group. They may also enjoy greater name recognition in certain jurisdictions, established relationships as a trusted vendor with

channel and distribution partners and clients, greater client support resources and larger intellectual property portfolios. Such competitors may use these advantages to offer more diverse product and service offerings at a lower price or without charge as part of a bundled package or may develop different products and services to compete with the Group's software platform and respond more quickly and effectively than the Group to new or changing threats, regulations, technologies, standards or client requirements.

Such competitors could also use their greater resources to acquire smaller competitors or comparable platforms and increase their presence in the market for asset finance software platforms. The Group also faces competition from custom-built software vendors and from vendors of off-the-shelf applications or indirect competition in respect of potential clients developing their own solutions in-house. The Group may also face competition from a variety of vendors of other software products that address only a portion of the Group's platform. While the Directors believe that these vendors are unable to offer as comprehensive or tailored a software solution as Alfa, they could provide software solutions which are more economical or easier or faster to implement than Alfa Systems. In addition, other companies that provide similar software in different target markets may develop software or acquire companies that operate in the Group's target markets. The competitive environment in which the Group operates has also seen significant developments in recent years with the emergence of new market participants and a shift to delivering functionality via the cloud. If this shift continues it could pose a future threat to Alfa, forcing it to adapt its delivery and pricing model to that of "software as a service", which could require the Group to change its pricing and sales model which other competitors may be better positioned to exploit. With the introduction of new technologies and market entrants, competition may intensify in the future. There can be no assurance that the Group will be able to compete successfully against current or future competitors or that the competitive pressures the Group faces in the markets in which it operates will not materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

***7. The Group may be unable to anticipate and keep pace with the rapidly evolving market requirements, technology trends and regulatory requirements applicable to its clients, which could harm the Group's operating results.***

The Group operates in an industry which is subject to continuous and fast-paced technological change, with new products and services being introduced to the market frequently and existing solutions and services becoming outdated or obsolete at an increasing rate. If the Group is unable to respond to such changes in a cost-effective manner, Alfa Systems may become less marketable and less competitive or perceived to be obsolete and the Group's operating results may be adversely affected.

Therefore, the Group's success depends, in part, on its ability to anticipate these changes effectively and to develop its offering in line with changing client demands and market preferences for IT products and services, as well as to adapt to changes in hardware, software, networking, browser and database technologies. The Group may be required to invest significant time and resources to develop or establish the necessary expertise and experience to sell and deliver new solutions to its clients effectively and there can be no assurance that any new investment would ultimately prove successful. Such investments carry the risks associated with any new development effort, including cost overruns, delays in delivery, performance issues and the risk that clients may be reluctant to adopt new solutions without seeing reference use cases. Further, to the extent that clients focus on new products and services, client demand for ongoing upgrading and refreshing of existing IT systems may decline significantly, which may result in a reduction in the Group's revenue from existing clients.

In addition, the use of mobile devices to access the Internet and corporate resources and to conduct business has increased significantly. If the Group does not invest in ensuring that Alfa Systems offers the information, services and functionality required by enterprises that widely use mobile devices, the Group may experience difficulty attracting and retaining clients.

Failure to adapt in response to changes in client demand and preferences or to keep pace with relevant technological or regulatory change could limit the Group's ability to serve its clients effectively and restrict the Group's ability to execute its growth strategy, which could lead to a reduction in clients and have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

***8. Adverse global economic events or prolonged economic uncertainties or downturns could materially adversely affect the Group's financial condition and operating results.***

Adverse global economic events or prolonged economic uncertainties or downturns could materially adversely affect the Group's business, operating results or financial condition under a number of different scenarios. Although the Directors believe that the Group's business is broadly resilient to economic downturns, as Alfa

Systems supports clients in undertaking enhanced collections and credit functionality, during challenging economic times and periods of high unemployment, current or potential clients may delay or forgo decisions to license new products or additional instances of existing products, upgrade their existing systems or purchase services. Further, the onset or continuation of adverse economic conditions may increase the Group's credit risk exposure, which could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

***9. If the Group's software platform does not interoperate with clients' existing systems, implementations could be delayed or cancelled, which could significantly reduce the Group's revenue.***

Alfa Systems is designed to interface with the existing systems of its clients and their customers, each of which have different specifications. Many of the systems of the Group's clients contain multiple generations of products that have been added over time as these systems have grown and evolved. The Group's software platform must interoperate with the products within these systems as well as with future products that might be added to these systems in order to meet client requirements. Although to date the Group has not experienced any material interoperability issues, from time to time the Group has encountered minor interoperability issues, such as the interaction between Alfa Systems and a client's proprietary asset-class exposure reporting systems yielding incorrect calculations, which have required the Group to undertake limited remedial work which is typically accounted for under the ongoing software maintenance arrangements with the client. However, future interoperability issues may prove more difficult or costly to remedy.

When problems occur in the existing systems of clients, it may be difficult to identify the sources of these problems. If the Group's software platform does not interoperate properly, implementations could be delayed or orders for the Group's software platform could be cancelled. Any delays in identifying the sources of problems or in providing necessary modifications to the Group's software could have a negative impact on the Group's reputation and the Group's clients' satisfaction with its software platform, and the Group's ability to sell its software platform could be adversely affected. If the extent of remedial work required for interoperability issues exceeds the amount of maintenance which the Group has budgeted for the client, it could result in extra work for which the Group is not compensated. Any of the foregoing could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

***10. The Group may experience software defects, development delays or implementation difficulties, which could harm the Group's reputation and expose the Group to potential liability.***

Alfa Systems, including open source software components used in the platform, is complex and may contain errors or defects that the Group has not been able to detect until after their commercial release and deployment and that could adversely affect the performance of the software and negatively impact the Group's relationship with its clients and accordingly its reputation. This could occur when developing a new software component or service or when developing a new version or enhancement of the existing software. Errors or defects may not become apparent until the software is used with a specific combination of settings not previously tested. The detection and subsequent correction of any errors, defects or outages may be expensive and time consuming and may exceed the amount of maintenance revenue received from affected clients, and it may not always be possible to meet the expectations of clients regarding the timeliness and the quality of the problem resolution process. In a worst case scenario, it might not be possible to wholly rectify certain defects with the potential to affect all of the Group's clients.

Although to date the Group has not experienced one, a significant defect or error in the Group's software or sustained outage of the Group's systems could result in adverse client reactions, contract liability and negative publicity, as the Group's clients and potential clients are highly sensitive to defects in the platform they use. Any negative publicity could hinder the successful marketing of the software, reducing demand for the software. A significant outage, defect or error in new versions or enhancements of the Group's existing software platform could result in reputational damage, the loss of new or existing business, reduced revenue, delays in market acceptance, diversion of development resources, product liability claims or increased service and warranty costs, any of which may have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

***11. Failure by the Group to maintain sufficient levels of client support could have a material adverse effect on the Group's financial condition, operating results and prospects.***

Once the Group's software is deployed on clients' IT systems, networks and devices, such clients depend on the Group's technical support services to resolve any issues relating to the Group's software. If the Group does not effectively assist clients to deploy the Group's software, quickly resolve post-deployment issues, or provide

effective ongoing support, the Group's ability to sell additional software modules and services to existing clients would be adversely affected and the Group's reputation with potential clients could be damaged. Furthermore, the failure of clients to use the Group's software correctly, or the Group's failure effectively to assist clients in installing and configuring the Group's software and providing effective ongoing support, may result in an increase in the vulnerability of clients' IT systems and sensitive business data. In addition, to the extent that the Group is unsuccessful in hiring, training, and retaining adequate support resources, the Group's ability to provide adequate and timely support to clients will be negatively impacted, and client satisfaction with the Group's platform will be adversely affected. The Group's failure to provide and maintain high quality support services, especially as the Group's business grows, could lead to a reduction in clients and ultimately have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

***12. If the Group's software fails to help clients achieve and maintain compliance with government regulations and industry standards, the Group's financial condition, operating results and prospects could be materially adversely affected.***

The Group generates its revenue from its software, which helps organisations achieve and maintain compliance with government regulations and accounting and other industry standards. Industry organisations may significantly change their security or other standards with little or no notice, including changes that could make their standards more onerous for businesses.

Furthermore, while the Group's operations are not directly subject to regulations applicable to financial institutions, most of the Group's clients are regulated entities and must comply with a number of increasingly complex and evolving government regulations and industry standards. To remain competitive, the Group aims to provide software solutions that allow its clients to comply with government regulations, accounting and other standards as well as any relevant stock exchange rules and listing requirements. Alfa Systems is designed to help organisations achieve and maintain compliance with these government regulations and standards. Substantial software development and other corporate resources have been and will continue to be applied to adapt the Group's offering to this evolving, complex and often unpredictable regulatory environment. If the Group is unable to adapt its software to changing industry or regulatory standards in a timely manner, or if the Group's software fails to expedite clients' compliance initiatives, the Group's clients may lose confidence in the Group's software platform and could switch to software solutions offered by competitors upon expiry of their contracts.

Governments may also adopt new laws or regulations, or make changes to existing laws or regulations, that could impact whether the Group's software enable clients to demonstrate, maintain or audit their compliance. If the Group is unable to adapt its software to changing industry or regulatory standards in a timely manner, or if the Group's software fails to expedite clients' compliance initiatives, the Group's clients may lose confidence in the Group's software and could switch to software solutions offered by competitors, which could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

***13. The Group's international operations involve risks that could divert the time and attention of management, increase expenses and otherwise adversely impact the Group's business and financial results.***

In the year ended 31 December 2016, 35% and 50% of the Group's revenue was derived from the United Kingdom and the United States, respectively. In addition to the greater costs and expenses associated with international sales and operations, the Group may be subject to additional risks, including management communication and integration problems resulting from cultural and geographic dispersion, difficulties in hiring and training experienced personnel to staff and manage its international operations, risks associated with trade restrictions and foreign legal requirements, the uncertainty of protection for intellectual property rights, and heightened risks associated with unexpected changes in regulatory practices, tariffs and tax laws and treaties.

Further, if the Group is not able to maintain or recruit successful channel partner and distributor relationships internationally, the Group's future success in these international markets could be limited. In addition, the expansion of the Group's existing international operations and entry into additional international markets have required and will continue to require significant management attention and financial resources. These factors could harm the Group's ability to gain future international revenue and consequently could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.



***14. The Group works with partners, primarily introducers and currently one software installation partner, and a failure to maintain and expand these relationships could materially adversely affect the Group's growth prospects.***

Given the specialist nature of the asset finance software market, asset finance enterprises, particularly in the United States, have come to rely on a limited set of professional services and consultancy firms to act as introducers between the asset finance enterprises and prospective software providers such as Alfa. It is therefore important for the Group to maintain positive relationships with such introducers in the jurisdictions in which it operates or intends to operate. Failure to maintain such relationships or develop further relationships as the Group expands its operations, whether through lack of regular contact, perception of poor client experience or otherwise, could lead to diminished opportunities for the Group to bid for new contracts and, consequently, a reduction in revenue.

On one project in Europe, the Group currently implements its software solutions directly through a strategic alliance with another IT service provider and plans to expand the number of such relationships in the near to medium term. The Group seeks to establish collaborations and strategic alliances with a view to growing its client base, streamlining its operations, increasing efficiencies, accelerating its product roadmap and realising value for the Group.

Implementation of this strategy may give rise to risks of failing to identify appropriate partners, agreeing suitable commercial terms and working together successfully as well as reputational harm in the event of poor or untimely service, violation of laws or misrepresentation of the Group's software by the partner. In addition, the failure of a partner to implement software correctly may result in the Group facing liability or incurring costs to rectify the situation.

A failure to maintain or build on existing relationships or develop new relationships with such parties could lead to the Group losing access to important assets or clients which were owned by or related to the relevant third parties which, in turn, would have an adverse effect on the Group's ability to compete successfully with its competitors and therefore negatively affect the Group's future business, results of operations, financial condition and/or prospects.

***15. Claims and litigation including intellectual property litigation could subject the Group to significant liability for damages and invalidation of the Group's proprietary rights.***

The Group may become involved in intellectual property disputes incidental to its business. Future litigation may result in a diversion of management's attention and resources, significant costs, including monetary damages and legal fees, injunctive relief and may harm the Group's reputation. The computer software industry is characterised by the existence of a large number of relevant patents and frequent claims and related litigation regarding patent and other intellectual property rights. These claims may be asserted by operating companies as well as companies which do not manufacture or sell products and whose sole activity is to assert patent rights against accused infringers in an attempt to collect licensing fees. Leading companies in the computer software industry, in particular, have extensive patent portfolios. Furthermore, third parties may also assert claims against the Group's clients, distributors or channel partners, which have standard licence and other agreements with the Group that obligate the Group to indemnify against claims that the Group's software infringes the intellectual property rights of third parties. Such indemnification provisions are customary in the computer software industry. Successful claims of infringement or misappropriation by a third party against the Group or a third party that the Group indemnifies could prevent the Group from distributing certain software solutions or performing certain services or could require the Group to pay substantial damages (including in the United States, for example, treble damages if the Group is found to have wilfully infringed patents and increased statutory damages if the Group is found to have wilfully infringed copyrights), royalties or other fees. Such claims also could require the Group to cease making, licensing or using software solutions that are alleged to infringe or misappropriate the intellectual property of others, to expend additional development resources to attempt to redesign the Group's software or services or otherwise to develop non-infringing technology or to enter into potentially unfavourable royalty or licence agreements in order to obtain the right to use necessary technologies or intellectual property rights.

Defending against claims of infringement or being deemed to be infringing the intellectual property rights of others or challenges to the validity of the Group's intellectual property could impair the Group's ability to innovate, develop, distribute and sell the Group's current and planned software platform, which could materially impact the operation of the Group. In addition, even claims of infringement or misappropriation that ultimately are unsuccessful could cause reputational harm, result in expenditure of funds in litigation and divert

management's time and other resources, any of which could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

***16. Privacy concerns and laws or other domestic or foreign regulations may reduce the effectiveness of the Group's platform and adversely affect the Group's financial condition, operating results and prospects.***

The Group is in possession of employee and client data which may include personal data for use in marketing, support and human resources activities. In addition, as the financial services software industry continues to shift towards cloud delivery models and data analytics, the Group's data processing activities are likely to increase. Data protection laws and regulations apply to the collection, use, retention, security, disclosure, transfer and other processing of personal data, with which the Group must comply.

The Group's failure to comply with applicable laws and regulations, or to protect such data from breaches or misuse by employees, could result in enforcement action against the Group. Such enforcement could include fines, public censure, claims for damages by employees, clients and other affected individuals, damage to the Group's reputation and loss of goodwill (both in relation to existing clients and prospective clients) and in some circumstances the imprisonment of company officials. In addition, in some cases, if a client is found to be in violation of applicable data protection laws and the breach is solely due to the Group's software, the Group may, according to the terms of its contract with the client, be liable to the client for any fines levied as a result of the breach. Any of these developments could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

Data protection requirements in the jurisdictions in which the Group operates are evolving. Government bodies and agencies have adopted, are considering adopting or may adopt laws and regulations regarding the collection, use, storage and disclosure of personal information obtained from consumers and individuals, such as compliance with the new General Data Protection Regulation (the "GDPR") from May 2018. The GDPR will bring a number of changes to current EU data protection legislation, for example, increased fines (up to 4% of annual worldwide turnover or €20 million, whichever is greater), and direct liability for breach by data processors. The GDPR may limit or inhibit the Group's ability to operate or expand its business or may increase the Group's potential liability as clients seek broader indemnification for potential data breaches.

On 6 October 2015, the European Court of Justice invalidated the Safe Harbor Privacy Framework (the "Safe Harbor"), which was previously one of the "adequate safeguards" (as required under the EU Data Protection Directive (95/46/EC)) that allowed organisations to transfer personal data from the EU to the United States in certain circumstances. On 12 July 2016, EU Member States adopted the EU-US Privacy Shield, replacing the Safe Harbor as the new framework for transatlantic data flows.

It is likely that the EU-US Privacy Shield will face the same challenge that led to the Safe Harbor's replacement as privacy campaigners remain unconvinced that the EU-US Privacy Shield adequately protects the privacy of personal data transferred from the EU to the US. If the EU-US Privacy Shield is invalidated, the Group may be required to modify its contracts with relevant parties, the cost of which may be material.

These and other applicable developments in data protection and privacy laws require the Group to continually review and monitor its business practices and policies to ensure that it is, and remains, compliant. Enforcement activities against the Group or its clients could require the Group to indemnify its clients and could lead to fines and civil liability. Even the perception of privacy concerns, whether or not valid, may harm the Group's reputation and inhibit adoption of the Group's software platform by current and future clients, which could have an adverse effect on the Group's business, results of operations, financial condition and/or prospects.

***17. The Group may be unable adequately to protect its intellectual property proprietary rights and prevent others from making unauthorised use of its software platform and technology.***

The success of the Group's business depends on its ability to protect and enforce its trademarks, copyrights, trade secrets and other intellectual property rights. The Group attempts to protect its intellectual property under trademark, copyright and trade secret laws, and through a combination of confidentiality procedures, contractual provisions and other methods, all of which offer only limited protection. The Group does not currently possess any patents in respect of its intellectual property. The Group generally enters into confidentiality, invention assignment or licence agreements with employees, consultants, vendors, partners and clients, and generally limits access to and distribution of its proprietary information. However, the Group cannot guarantee that it has entered into such agreements with all parties who may have or have had access to confidential information or that the agreements entered into will not be breached. Despite the Group's best efforts to protect its intellectual property rights, unauthorised parties may not be deterred or prevented from misuse, theft or misappropriation of information the Group regards as proprietary.

Moreover, policing unauthorised use of the Group's intellectual property is difficult, expensive and time-consuming, particularly in foreign countries where the laws may not be as protective of intellectual property rights as those in the United Kingdom and United States and where mechanisms for enforcement of intellectual property rights may be weaker. Attempts to enforce the Group's rights against third parties could also provoke these third parties to assert their own intellectual property or other rights against the Group, or take unilateral steps to invalidate the Group's intellectual property rights, which could result in a holding or official action that invalidates or narrows the scope of its rights, in whole or in part. If the Group is unable to protect its proprietary rights, it may be at a competitive disadvantage compared to others who need not incur the additional expense, time, and effort required to create the innovative software platform that have enabled the Group to be successful to date. Any of these events could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

***18. Security breaches, computer malware or other “cyber-attacks” could harm the Group's business by disrupting the operation of the Group's software platform (or particular features, modules or services) and damaging the Group's reputation.***

Any unauthorised intrusion, malicious software infiltration, network disruption, denial of service or similar act by a malevolent party could disrupt the integrity, continuity, security and trust of the Group's software, services or systems or the systems of the Group's clients. These security risks could create costly litigation, significant financial liability, increased regulatory scrutiny, financial sanctions and a loss of confidence in the Group's ability to serve clients and cause current or potential clients to choose another IT solution, any of which could have a material adverse impact on the Group's business.

In addition, as these threats continue to evolve, the Group is required to continue investing significant resources to continuously modify and enhance the Group's information security and controls or to investigate and remediate any security vulnerabilities. Although the Group believes that it maintains a robust programme of information security and controls and none of the threats that the Group has encountered to date have materially impacted the Group, it may not be able to prevent a material event in the future or to promptly and effectively remedy a material event, and the impact of such an event could have a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

***19. The Group's failure effectively to plan, design, and implement upgrades, enhancements or modifications of its IT systems could interfere with the Group's business and operations.***

The Group's operations are dependent upon its ability to protect its technology infrastructure against damage from business continuity events that could have a significant disruptive effect on the Group's operations and although the Group has not experienced any significant business continuity event to date, a failure to do so could materially adversely affect the Group's financial condition, operating results and prospects. The Group may experience difficulties in transitioning to new or upgraded information technology systems and in applying maintenance patches to existing systems, including loss of data and decreases in productivity as personnel become familiar with new, upgraded or modified systems. In addition, the Group may from time to time obtain significant portions of its information technology systems-related services or facilities from independent third parties, which may make its operations vulnerable to such third parties' failure to perform adequately or system failure or data loss as a result of damage, interruption or performance problems from earthquakes, hurricanes, floods, fires, power loss, telecommunications failures, break-ins, viruses, sabotage, intentional acts of vandalism and other misconduct. In addition, the Group may experience outages, whether of the internal or third-party systems used to develop and support Alfa Systems or of Alfa Systems itself. Such outages could affect clients' ability to use Alfa Systems until the outage was corrected. For example, in 2017, Amazon Web Services, a secure cloud servicing platform which supplies the Group with the infrastructure it requires for its cloud-based offering of Alfa Systems, experienced a widely publicised outage which, if it had not been corrected, could have adversely affected clients' ability to use Alfa Systems.

Furthermore, the Group's business administration, human resources and finance services depend on the proper functioning of the Group's computer, telecommunication and other related systems and operations. A disruption or failure of these systems or operations because of a disaster or other business continuity event could cause data to be lost or otherwise delay the Group's ability to complete sales and provide the highest level of service to clients. Although the Group endeavours to ensure there is redundancy in its systems and that they are regularly backed up, there are no assurances that data recovery in the event of a disaster would be effective or occur in an efficient manner. The Group's failure effectively to plan, design and implement upgrades, enhancements or modifications of its information technology systems and processes, or the failure of the systems to operate in the intended manner could materially adversely affect the Group's financial condition,

operating results and prospects. The Group's inability to recover from a disaster or other business continuity event successfully could impair its ability to deliver its software platform and harm its business which could have a material adverse effect on its business, results of operations, financial condition and/or prospects.

***20. The inability to exercise rights over third party licences required to develop new software solutions or enhancements to the Group's software platform could require the Group to obtain substitute technology of lower quality or performance standards or at greater cost, which could materially adversely affect the Group's financial condition and results of operations.***

The Group's software platform relies, in part, on open source software or other intellectual property licensed from third parties. It may be necessary in the future to renew licences relating to various aspects of these software solutions or to seek new licences for existing or new software solutions. There can be no assurance that the necessary licences will be available on acceptable terms, if at all. The inability to obtain certain licences or other rights or to obtain such licences or rights on favourable terms could result in delays in version releases until equivalent technology can be identified, licensed, developed, acquired or integrated, if at all, and may require the Group to use alternative technology of lower quality or performance standards, any of which may have a material adverse effect on the Group's business, operating results and financial condition. In addition, third parties may allege that additional licences are required for the Group's use of their software or intellectual property, and the Group may be unable to obtain such licences on commercially reasonable terms or at all. Moreover, the inclusion in the Group's software or other intellectual property licensed from third parties on a non-exclusive basis could limit the Group's ability to differentiate its Group's software platform from those of its competitors, which could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

***21. Risks associated with managed hosting services and cloud products, including dependence on third-party infrastructure, may have a material adverse effect on the Group's financial condition, operating results and prospects.***

In the year ended 31 December 2016, less than 1% of the Group's revenue was attributable to subscriptions, including managed hosting services and cloud offerings. The Group expects these offerings to represent an increasing proportion of its revenue in the medium to long term as the industry shifts to broader acceptance of cloud solutions over the long term. In contrast to on-premise implementation of the Group's software, where a client accesses the Group's software platform "in the cloud", the Group effectively performs some of the duties of the client's IT department such as physical infrastructure management and maintenance as well as the receipt, collection, processing, usage, storage and transmission of confidential data, some of which may be critical to the business operations of the Group's clients, including personally identifiable and other sensitive and confidential information.

The Group itself operates and also outsources the storage and maintenance of the servers and physical infrastructure used for these solutions to third party data centres, with back-up infrastructure supported by the Group and certain third parties. For example, the Group currently uses Amazon Web Services, one of a number of external suppliers of such infrastructure, to supply it with the infrastructure it requires. Although the Group's contracts with these third parties include detailed requirements as to security certifications and systems availability, interruptions of service could occur for reasons outside the Group's control, which could damage the Group's relationship with clients and result in contract liability. In addition, a significant interruption of service could have a negative impact on the Group's reputation and could cause current and potential clients to choose another service provider.

Furthermore, there is no guarantee that the systems and procedures that the Group and its third party data centre and backup providers maintain to protect against unauthorised access to client information are adequate to protect against all security breaches or cyber security threats. If the data centres are infiltrated or damaged by unauthorised persons, the Group's clients could experience data loss, financial loss, harm to reputation and significant business interruption. If that happens, the Group may be exposed to unexpected liability or the Group's reputation could be damaged, any of which could lead to a material adverse effect on the Group's business, results of operations, financial condition and/or prospects.

***22. The Group is exposed to currency exchange risk in the conduct of its business.***

The Group's reporting currency is pounds sterling; however, the Group operates in over nine countries and has significant cash flows, along with pounds sterling, in U.S. dollars, Australian dollars, Swedish krona, New Zealand dollars and euro. Consequently, any significant period-over-period variations in foreign exchange rates

against pounds sterling, in particularly variations in pounds sterling rates for U.S. dollars, can have an impact on the Group's reported results.

In addition, the Group's operations may give rise to transactional exposures where the cash inflows and outflows are not aligned for a given currency. For currencies in which the Group has more cash inflows than outflows, such as the U.S. dollar, the Australian dollar, the Swedish kroner and the euro, depreciation of pounds sterling relative to that currency will have a positive effect on reported results and appreciation of pounds sterling relative to that currency will have an adverse effect on reported results.

The Group operates a cash flow hedging strategy using foreign exchange derivative contracts to protect a significant portion of anticipated net cash flows in U.S. dollars over a period of up to 18 months. However, such hedging may not be sufficient protection against significant fluctuations in exchange rates. Such fluctuations may impose additional costs on the Group and have a material adverse effect on the Group's financial condition and operating results, and on the comparability of its results between financial periods.

***23. The United Kingdom's anticipated withdrawal from the European Union could adversely affect the Group.***

In the year ended 31 December 2016, 35% of the Group's revenue was generated from clients in the United Kingdom. In addition, in the year ended 31 December 2016, the Group had, on average, 179 employees located in the United Kingdom. On 23 June 2016, a majority of UK voters voted in favour of the United Kingdom's exit from the EU (commonly referred to as "**Brexit**") in a national referendum, and on 29 March 2017, the UK government triggered Article 50 of the Treaty on European Union, which initiated the withdrawal procedure and set the United Kingdom on track to exit the EU by no later than April 2019.

Brexit has created significant political, social and macroeconomic uncertainty for the United Kingdom and Europe and the long-term effects of Brexit on the Group and its clients will depend on any agreements the United Kingdom makes to retain access to EU markets. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the United Kingdom determines which EU laws to replace or replicate. Regulatory regimes applicable to the Group that may be affected by Brexit include rules regarding the transfer of data outside of the EU, certain employment regulations and regulations regarding intellectual property rights and taxation.

Any changes to the aforementioned or other regulatory regimes could require the Group to comply with separate regimes in the United Kingdom and the EU, or to develop new policies and procedures or reorganise its operations, any of which could increase the Group's compliance costs. The Brexit vote was followed by a significant decrease in the value of pounds sterling against the U.S. dollar. Brexit has also led to general volatility in the currency exchange market and uncertainty in the European financial markets, either of which may lead European financial institutions, including those headquartered in the United Kingdom, to delay making significant IT investments until the uncertainty resolves. Any of the aforementioned possible effects of Brexit, and others that the Group cannot anticipate, could materially adversely affect the Group's business, results of operations, financial condition and/or prospects.

***24. Changes in applicable tax rulings and taxation requirements could materially affect the Group's business, financial condition and results of operations.***

Changes in tax laws or their interpretations could decrease the amount of cash the Group receives, the value of any tax loss carry forwards and tax credits recorded on its balance sheet and the amount of the Group's net cash flow, and have a material adverse impact on its business, financial condition and results of operations.

Furthermore, owing to and following the changes in the international tax regulations and current international initiatives, such as the OECD Base Erosion and Profit Shifting Action Plan ("**OECD BEPS**"), tax authorities are likely to be more focused on areas such as transfer pricing and, as a result of the increasing exchange of information between tax authorities, more challenges may arise. Most jurisdictions in which the Group operates have transfer pricing regulations that require transactions involving associated companies to be made on arm's length terms. It is the Group's policy that arrangements between Group companies are carried out on an arm's length basis. However, if the tax authorities in any relevant jurisdiction do not regard such arrangements as being made on an arm's length basis or being properly documented and successfully challenge those arrangements, the amount of tax payable, in respect of both current and previous years, may increase materially and penalties or interest may be payable. The same applies in case of changes in the transfer pricing system, which may result in challenges of the past or new set-up. Further, in some jurisdictions in which the Group operates, in particular in India, the tax authorities undertake lengthy reviews of transfer pricing arrangements, meaning the Group's tax positions in those jurisdictions remain open and subject to review for several years.

Any challenge to the Group's transfer pricing arrangements or changes in the transfer pricing system could have a material adverse effect on the Group's business, financial condition and results of operations.

### **Risks relating to the Global Offer and the Shares**

***1. The Selling Shareholder and, in turn, its controlling shareholder will retain a significant interest in and will continue to exert substantial influence over the Group following the Global Offer and its interests may differ from or conflict with those of other shareholders.***

Immediately following Admission, CHP Software and Consulting Limited as Selling Shareholder will continue to own beneficially approximately 68.4%, of the issued ordinary share capital of the Company (assuming no exercise of the Over-allotment Option) and 65.9%, if the Over-allotment Option is exercised in full. In addition, the Trust, which is an employee benefit trust and is not selling in the Global Offer, will legally hold, on behalf of employees of the Group, a further 5.6% of the issued ordinary share capital of the Company at the date of Admission. Under the terms of the Nominee Agreements, pursuant to which the Trust holds such Shares, the Shares it holds are ineligible to vote whilst held in trust, thereby increasing the effective voting control of the Company by the Selling Shareholder. As a result, in addition to its right under the Relationship Agreement to appoint up to two directors to the Board, the Selling Shareholder will possess sufficient voting power to have a significant influence over all matters requiring shareholder approval, including the election of directors, dividend policy, remuneration policy and approval of significant corporate transactions. The interests of the Selling Shareholder may not always be aligned with those of other holders of Shares.

The Selling Shareholder is controlled by Andrew Page, the Executive Chairman of Alfa. Andrew Denton, the CEO of Alfa, holds almost all of his economic interest in Alfa through his 10.3% minority holding in the Selling Shareholder.

The Company has entered into the Relationship Agreement with the Selling Shareholder, Andrew Page and Andrew Denton (together, the “**Controllers**”), which contains contractual obligations on the Controllers to ensure that the Company operates independently of the Controllers after Admission. In particular, the Relationship Agreement contains undertakings from the Controllers not to (i) influence the day-to-day running of the Company at an operational level nor (ii) vote its shares in a manner which would prevent the Company from operating and making decisions for the benefit of the Shareholders as a whole. The concentration of ownership in the Selling Shareholder may have the effect of delaying, deferring or preventing a change of control, merger, consolidation, takeover or other business combination or discouraging a potential acquirer from making a tender offer or otherwise attempting to obtain control of the Company, which in turn could have an adverse effect on the trading price of the Shares.

***2. The market price of the Shares could be negatively affected by sales of substantial amounts of such Shares in the public markets, including following the expiry of the lock-up period, or the perception that these sales could occur.***

Following completion of the Global Offer, the Selling Shareholder will own beneficially, in aggregate, 68.4% of the Company's issued ordinary share capital (assuming no exercise of the Over-allotment Option) and 65.9% if the Over-allotment Option is exercised in full. The Company, the Selling Shareholder, the Directors and certain members of the Company's management team are subject to restrictions on the issue, sale and/or transfer, as applicable, of their respective holdings in the Company's issued share capital as described in Part 12 “Details of the Global Offer—Lock up arrangements”. The issue or sale of a substantial number of Shares by the Company, the Selling Shareholder, the Directors or certain members of the Company's management team in the public market after the lock up restrictions in the Underwriting Agreement and related arrangements expire (or are waived by the Joint Global Co-ordinators), or the perception that these sales may occur, may depress the market price of the Shares and could impair the Company's ability to raise capital through the sale of additional equity securities.

***3. There is no existing market for the Shares and an active trading market for the Shares may not develop or be sustained.***

Prior to Admission, there has been no public trading market for the Shares. Although the Company has applied to the UK Listing Authority for admission to the premium listing segment of the Official List and has applied to the London Stock Exchange for admission to trading on its main market for listed securities, the Company can give no assurance that an active trading market for the Shares will develop or, if developed, could be sustained following the closing of the Global Offer. If an active trading market is not developed or maintained, the liquidity and trading price of the Shares could be adversely affected.

***4. Shares in the Company may be subject to market price volatility and the market price of the Shares in the Company may decline disproportionately in response to developments that are unrelated to the Group's operating performance.***

The Offer Price is not indicative of the market price of the Shares following Admission. The market price of the Shares may be volatile and subject to wide fluctuations. The market price of the Shares may fluctuate as a result of a variety of factors, including, but not limited to, those referred to in these Risk Factors, as well as period to period variations in operating results or changes in revenue or profit estimates by the Group, industry participants or financial analysts. The market price could also be adversely affected by developments unrelated to the Group's operating performance, such as the operating and share price performance of other companies that investors may consider comparable to the Group, speculation about the Group in the press or the investment community, unfavourable press, strategic actions by competitors (including acquisitions and restructurings), changes in market conditions and regulatory changes. Any or all of these factors could result in material fluctuations in the price of Shares, which could lead to investors getting back less than they invested or a total loss of their investment.

***5. Shareholders in the United States and other jurisdictions may not be able to participate in future equity offerings.***

The Articles provide for pre-emption rights to be granted to shareholders in the Company, unless such rights are dis-applied by a shareholder resolution. However, securities laws of certain jurisdictions may restrict the Group's ability to allow participation by shareholders in future offerings. In particular, shareholders in the United States may not be entitled to exercise these rights, unless either the Shares and any other securities that are offered and sold are registered under the U.S. Securities Act, or the Shares and such other securities are offered pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Company cannot assure prospective investors that any exemption from such overseas securities law requirements would be available to enable U.S. or other shareholders to exercise their pre-emption rights or, if available, that the Company will utilise any such exemption.

***6. The Company's ability to pay dividends in the future depends, among other things, on the Group's financial performance and capital requirements and is therefore not guaranteed.***

There can be no guarantee that the Group's historic performance will be repeated in the future, particularly given the competitive nature of the industry in which it operates, and its sales, profit and cash flow may significantly underperform market expectations. If the Group's cash flow deteriorates, then the Company's capacity to pay a dividend will suffer. Any decision to declare and pay dividends will be made at the discretion of the Directors and will depend on, among other things, applicable law, regulation, restrictions, the Group's financial position (including the existence of sufficient distributable reserves and cash in the Group), working capital requirements, finance costs, general economic conditions and other factors the Directors deem significant from time to time.

***7. The issuance of additional Shares in the Company in connection with future acquisitions, any share incentive or share option plan or otherwise may dilute all other shareholdings.***

The Group may seek to raise financing to fund future acquisitions and other growth opportunities. The Group may, for these and other purposes, issue additional equity or convertible equity securities. As a result, existing holders of Shares may suffer dilution in their percentage ownership or the market price of the Shares may be adversely affected.

***8. The Company is a holding company with no business operations of its own and depends on its subsidiaries for cash, including in order to pay dividends.***

The Company is a group holding company with no independent operations and is dependent on earnings and distributions of funds from its operating subsidiaries for cash, including in order to pay dividends to Shareholders.

As a matter of English law, the Company can pay dividends only to the extent that it has sufficient distributable reserves available, which depends upon the Company receiving cash from its operating subsidiaries in a manner which creates distributable reserves. The Company's ability to pay dividends to Shareholders therefore depends on its future Group profitability, the ability to distribute or dividend profits from its operating subsidiaries up the Group structure to the Company, general economic conditions and other factors the Directors deem

significant. The Group's distributable reserves can be affected by reductions in profitability as well as by impairment of assets.

***9. Overseas shareholders may be subject to exchange rate risk.***

The Shares are, and any dividends to be paid in respect of them will be, denominated in pounds sterling. An investment in Shares by an investor whose principal currency is not pounds sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of pounds sterling in relation to such foreign currency will reduce the value of the investment in the Shares or any dividends in foreign currency terms.



## PART 2

### PRESENTATION OF FINANCIAL AND OTHER INFORMATION

#### General

**Investors should only rely on the information in this Prospectus. No person has been authorised to give any information or to make any representations in connection with the Global Offer, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorised by or on behalf of the Company, the Directors, the Selling Shareholder or the Banks. No representation or warranty, express or implied, is made by any of the Banks or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Banks or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to the FSMA, neither the delivery of this Prospectus nor any subscription or sale of Shares pursuant to the Global Offer shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Prospectus or that the information contained herein is correct as of any time subsequent to its date.**

The Company will update the information provided in this Prospectus by means of a supplement hereto if a significant new factor that may affect the evaluation by prospective investors of the Global Offer occurs after the publication of the Prospectus or if this Prospectus contains any mistake or substantial inaccuracy. The Prospectus and any supplement thereto will be subject to approval by the FCA and will be made public in accordance with the Prospectus Rules. If a supplement to the Prospectus is published prior to Admission, investors shall have the right to withdraw their applications for Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement).

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Global Offer, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the Directors, the Selling Shareholder, any of the Banks or any of their representatives that any recipient of this Prospectus should purchase the Shares. Prior to making any decision as to whether to purchase the Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus carefully and not just rely on key information or information summarised within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

Investors who purchase Shares in the Global Offer will be deemed to have acknowledged that: (i) they have not relied on any of the Banks or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorised to give any information or to make any representation concerning the Group or the Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, the Directors, the Selling Shareholder or any of the Banks.

None of the Company, the Directors, the Selling Shareholder or any of the Banks or any of their representatives is making any representation to any offeree or purchaser of the Shares regarding the legality of an investment by such offeree or purchaser.

In connection with the Global Offer, the Underwriters and any of their respective affiliates, acting as investors for their own accounts, may acquire Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Shares and other securities of the Company or related investments in connection with the Global Offer or otherwise. Accordingly, references in this Prospectus to the Shares being issued, offered, acquired, placed or otherwise dealt in should be read as including any or issue, offer, subscription, acquisition, dealing or placing by, the Underwriters and any of their affiliates acting as investors for their own accounts. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

## **Over-allotment and stabilisation**

In connection with the Global Offer, Barclays Capital Securities Limited, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilisation transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings of the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measures be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilisation transactions conducted in relation to the Global Offer.

In connection with the Global Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 9.6% of the total number of Shares comprised in the Global Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, it is expected that the Selling Shareholder will grant the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 9.6% of the total number of Shares comprised in the Global Offer (the “**Over-allotment Shares**”) at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30<sup>th</sup> calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Global Offer and will form a single class for all purposes with the other Shares.

## **Presentation of financial information**

The financial information in this Prospectus has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“**IFRS**”). The significant IFRS accounting policies applied in the financial information of the Company are applied consistently in the financial information in this Prospectus.

## **Financial information**

The Company’s financial year runs from 1 January to 31 December. The financial information included in Part 11 “Historical Financial Information” is covered by the accountant’s report included in Section A, which was prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom.

None of the financial information used in this Prospectus has been audited in accordance with auditing standards generally accepted in the United States of America (“**U.S. GAAS**”) or auditing standards of the Public Company Accounting Oversight Board (United States) (“**PCAOB**”). Accordingly, it would not be possible to express any opinion on the “**Historical Financial Information**” in Part 11 “Historical Financial Information” under U.S. GAAS or the auditing standards of the PCAOB. In addition, there could be other differences between the auditing standards issued by the Auditing Practices Board in the United Kingdom and those required by U.S. GAAS or the auditing standards of the PCAOB. Potential investors should consult their own professional advisers to gain an understanding of the Historical Financial Information in Part 11 “Historical Financial Information” and the implications of differences between the auditing standards noted herein.

## **Non-IFRS financial information**

This Prospectus contains certain financial measures that are not defined or recognised under IFRS, in particular, Adjusted EBIT, Adjusted EBIT margin, operating free cash flow, operating free cash flow conversion, billings and total contracted value.

These non-IFRS financial measures and other metrics are unaudited and are not measures recognised under IFRS or any other internationally accepted accounting principles, and prospective investors should not consider

such measures as an alternative to the IFRS measures included in the Company's historical financial information. The non-IFRS financial measures and other metrics, each as defined herein, may not be comparable to similarly titled measures presented by other companies as there are no generally accepted principles governing the calculation of these measures and the criteria upon which these measures are based can vary from company to company. Even though the non-IFRS financial measures and other metrics are used by management to assess the Group's financial results and these types of measures are commonly used by investors, they have important limitations as analytical tools, and investors should not consider them in isolation or as substitutes for analysis of the Group's position or results as reported under IFRS. The Directors believe that each of these measures provides useful information with respect to the performance of the Group's business and operations.

For further description of these non-IFRS financial measures, including reconciliations to the related IFRS financial measures, see Part 9 "Operating and Financial Review—Key Performance Indicators".

Unaudited financial measures and other metrics in relation to the Company have been derived from (i) management accounts for the relevant accounting periods presented; (ii) internal financial reporting systems supporting the preparation of the Company's historical financial information contained in Part 11 "Historical Financial Information"; and (iii) the Group's other business operating systems and records. Management accounts are prepared using information derived from accounting records used in the preparation of the Company's historical financial information contained in Part 11 "Historical Financial Information" but may also include certain other assumptions and analyses.

### ***Constant currency***

Financial information on a constant currency basis is unaudited and reflects an adjustment to eliminate the effect of exchange rate movements on the Group's financial results. The Directors use financial information, including revenue and operating profit growth, on a constant currency basis to eliminate the impact of exchange rate movements and to enhance comparability between periods in evaluating the Group's business performance.

In this Prospectus, financial information on a constant currency basis has been calculated by retranslating transactions denominated in foreign currencies in the current year using the Group's foreign exchange rate for the corresponding month in the prior year.

The weighted monthly average exchange rates for the Group's principal currencies for the 12 month period ended 31 December 2015 and 2014 were as follows:

<b>2015</b>	<b>AUD / £</b>	<b>EUR / £</b>	<b>NZD / £</b>	<b>SEK / £</b>	<b>USD / £</b>
January . . . . .	1.91	1.29	2.00	12.15	1.56
February . . . . .	1.93	1.34	2.07	12.39	1.51
March . . . . .	1.98	1.39	2.05	12.89	1.55
April . . . . .	1.96	1.38	1.99	12.81	1.49
May . . . . .	1.95	1.37	2.03	12.80	1.54
June . . . . .	2.00	1.40	2.15	13.09	1.53
July . . . . .	2.03	1.41	2.31	13.02	1.57
August . . . . .	2.14	1.42	2.37	13.49	1.56
September . . . . .	2.16	1.36	2.41	12.95	1.54
October . . . . .	2.15	1.36	2.36	12.71	1.52
November . . . . .	2.17	1.40	2.29	13.15	1.55
December . . . . .	2.08	1.43	2.27	13.13	1.51

<b>2014</b>	<b>AUD / £</b>	<b>EUR / £</b>	<b>NZD / £</b>	<b>SEK / £</b>	<b>USD / £</b>
January	1.86	1.21	2.02	10.68	1.66
February	1.88	1.22	2.03	10.73	1.66
March	1.87	1.23	2.01	10.87	1.67
April	1.80	1.21	1.92	10.74	1.67
May	1.82	1.22	1.97	10.98	1.69
June	1.80	1.23	1.98	11.18	1.68
July	1.81	1.25	1.95	11.44	1.71
August	1.82	1.27	2.00	11.66	1.69
September	1.78	1.27	1.99	11.61	1.67
October	1.86	1.29	2.09	11.76	1.63
November	1.83	1.28	2.06	11.83	1.60
December	1.84	1.26	2.00	11.66	1.57

The Directors believe that constant currency measures have limitations, particularly as the currency effects that are eliminated may constitute a significant element of the Group's revenue and expenses and could materially impact the Group's performance. The Directors do not evaluate the Group's results and performance on a constant currency basis without also evaluating the Group's financial information prepared at actual foreign exchange rates in accordance with IFRS.

Constant currency measures should be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS.

### Currency presentation

Unless otherwise indicated, all references to "sterling", "pounds sterling", "GBP", "£", or "pence" are to the lawful currency of the United Kingdom. The Company prepares its financial statements in GBP.

The following tables set out, for the periods set forth below, the high, low, average and period-end Bloomberg Composite Rate expressed as U.S. dollar per £1.00. The Bloomberg Composite Rate is a "best market" calculation, in which, at any point in time, the composite bid rate is equal to the highest bid rate of all currently active, contributed, bank indications, and the composite ask rate is equal to the lowest ask rate offered by these same bank indications. The Bloomberg Composite Rate is a mid-value rate between the composite bid rate and the composite ask rate. The rates may differ from the actual rates used in the preparation of the combined historical financial information and other financial information appearing in this Prospectus.

The average rate for a year, a month, or for any shorter period, means the average of the daily Bloomberg Composite Rates during that year, month, or shorter period, as the case may be.

<b>Period (Year/Month)</b>	<b>Period end</b>	<b>Average (U.S. dollar per £1.00)</b>	<b>High</b>	<b>Low</b>
2012	1.6248	1.5853	1.6279	1.5317
2013	1.6556	1.5647	1.6556	1.4867
2014	1.5578	1.6476	1.7166	1.5516
2015	1.4736	1.5285	1.5881	1.4632
2016	1.2357	1.3554	1.4880	1.2123
November 2016	1.2506	1.2442	1.2593	1.2243
December 2016	1.2357	1.2473	1.2732	1.2225
January 2017	1.2579	1.2358	1.2633	1.2049
February 2017	1.2381	1.2487	1.2659	1.2381
March 2017	1.2552	1.2348	1.2560	1.2153
April 2017	1.2951	1.2644	1.2951	1.2374
May 2017 (through 11 May)	1.2916	1.2926	1.2958	1.2876

Source: Bloomberg

### Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

## **Market, economic and industry data**

Unless the source is otherwise stated, the market, economic and industry data in this Prospectus constitute the Directors' estimates, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this Prospectus from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including a market study by PricewaterhouseCoopers LLP on the asset finance software market published in January 2017 (the "**PwC Market Study**").

The Company confirms that all such data contained in this Prospectus has been accurately reproduced and, so far as the Company is aware and able to ascertain, no facts have been omitted that would render the reproduced information inaccurate or misleading.

Where third party information has been used in this Prospectus, the source of such information has been identified.

## **Service of process and enforcement of civil liabilities**

The Company has been incorporated under English law. Service of process upon Directors and officers of the Company may be difficult to obtain within the United States. Furthermore, since most directly owned assets of the Company are outside the United States, any judgment obtained in the United States against it may not be collectible within the United States. There is doubt as to the enforceability of certain civil liabilities under U.S. federal securities laws in original actions in English courts, and, subject to certain exceptions and time limitations, English courts will treat a final and conclusive judgment of a U.S. court for a liquidated amount as a debt enforceable by fresh proceedings in the English courts.

## **No incorporation of website information**

The contents of the Company's website do not form part of this Prospectus.

## **Definitions and glossary**

Certain terms used in this Prospectus, including all capitalised terms and certain technical and other items, are defined and explained in Part 14 "Definitions and Glossary".

## **Information not contained in this Prospectus**

No person has been authorised to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorised. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as of any time subsequent to the date hereof.

## **Information regarding forward-looking statements**

This Prospectus includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the Group's control and all of which are based on the Directors' current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. They appear in a number of places throughout this Prospectus and include statements regarding the intentions, beliefs or current expectations of the Directors or the Group concerning, among other things, the results of operations, financial condition, prospects, growth, strategies, and dividend policy of the Group and the industry in which it operates. In particular, the statements under the headings "Summary", "Risk Factors", "Business Description" and "Operating and Financial Review" regarding the Company's strategy and other future events or prospects are forward-looking statements.

These forward-looking statements and other statements contained in this Prospectus regarding matters that are not historical facts involve predictions. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing the Group. Such risks,

uncertainties and other important factors include, but are not limited to, those listed under the heading “Risk Factors”.

The following include some but not all of the factors that could cause actual results or events to differ materially from the anticipated results or events:

- a decline in sales to new or existing clients, either as a result of the Group’s failure to develop and successfully market Alfa Systems or clients’ termination;
- failure to attract and retain skilled technical employees and senior management personnel;
- difficulties recruiting and deploying employees to certain locations where the Group is currently operating or looking to expand;
- a disruption to the asset and finance industry, including but not limited to changes in vehicle ownership patterns and changes in regulation;
- a decline in spending on IT software systems or the way in which potential clients source their IT software systems;
- failure to compete and innovate effectively in the market;
- inability to anticipate and keep pace with the rapidly evolving market, technological trends and regulatory requirements applicable to the Group’s clients;
- an onset or continuation of adverse economic events or prolonged economic uncertainties;
- failure of Alfa Systems to interoperate with the systems of clients;
- software defects, development delays or implementation difficulties;
- failure to provide and maintain high quality support services;
- failure to help clients achieve and maintain compliance with government regulations and industry standards;
- potential diversion of management’s time and attention due to international operations;
- failure to maintain and expand implantation partners;
- claims and related litigation regarding patent and other intellectual property rights;
- failure to comply with privacy concerns and laws or other domestic or foreign regulations;
- inability to adequately protect its intellectual property proprietary rights and prevent others from making unauthorised use of its software platform and technology;
- security breached, computer malware or other cyber-attacks;
- failure to plan, design, and implement upgrades, enhancements or modifications of its IT systems;
- the inability to exercise rights over third party licences required to develop new software solutions or enhancements to the Group’s software platform;
- interruptions of service or unauthorised access to client information due to the Group’s dependence on third-party infrastructure;
- exposure to currency exchange risk; and
- disadvantages resulting from Changes in tax laws or their interpretations.

Should one or more of these risks or uncertainties materialise or should any of the assumptions underlying the above or other factors prove to be incorrect, the Group’s actual future business, results of operations and/or financial condition, performance, prospects, anticipated growth, strategies or opportunities could differ materially from those described herein as currently anticipated, believed, estimated or expected.

Investors or potential investors should not place undue reliance on the forward looking statements in this Prospectus. Investors should read the sections of this Prospectus titled “Risk Factors”, “Industry Overview”, “Business” and “Operating and Financial Review” for a more complete discussion of the factors that could affect the Group’s future performance and the markets in which it operates. In light of the possible changes to the Group’s beliefs, assumptions and expectations, the forward looking events described in this Prospectus may not occur. Additional risks currently not known to the Group or that the Group has not considered material as

of the date of this Prospectus could also cause the forward looking events discussed in this Prospectus not to occur.

Forward looking statements involve inherent risks and uncertainties and speak only as of the date they are made. Such forward-looking statements contained in this Prospectus speak only as of the date of this Prospectus. The Company, the Directors, the Selling Shareholder and the Banks expressly disclaim any obligation or undertaking to update these forward-looking statements contained in the Prospectus to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law, the Prospectus Rules, the Listing Rules, or the Disclosure Guidance and Transparency Rules of the FCA.

**PART 3**  
**DIRECTORS, SECRETARY, REGISTERED AND HEAD OFFICE AND ADVISERS**

<b>Directors</b> . . . . .	Andrew Page, Executive Chairman Andrew Denton, Chief Executive Officer Vivienne Maclachlan, Chief Financial Officer Richard Longdon, Senior Independent Non-Executive Director Karen Slatford, Independent Non-Executive Director Robin Taylor, Independent Non-Executive Director
<b>Company Secretary</b> . . . . .	Prism Cosec 42-50 Hersham Road Walton on Thames Surrey KT12 1RA United Kingdom
<b>Registered and head office of the Company</b> . . . . .	Moor Place 1 Fore Street Avenue London EC2Y 9DT United Kingdom
<b>Joint Global Co-ordinators, Joint Bookrunners and Joint Sponsors</b> . . .	Barclays Bank PLC 5 The North Colonnade Canary Wharf London E14 4BB United Kingdom  Numis Securities Limited The London Stock Exchange Building 10 Paternoster Square London EC4M 7LT United Kingdom
<b>Financial Adviser</b> . . . . .	N M Rothschild & Sons Limited New Court St Swithin's Lane London EC4N 8AL United Kingdom
<b>English and U.S. legal advisers to the Company</b> . . . . .	White & Case LLP 5 Old Broad Street London EC2N 1DW United Kingdom
<b>English and U.S. legal advisers to the Joint Global Co-ordinators, Joint Bookrunners and Joint Sponsors</b> . . .	Freshfields Bruckhaus Deringer LLP 65 Fleet Street London EC4Y 1HS United Kingdom
<b>Reporting Accountants and Auditors</b> . .	Deloitte LLP 2 New Street Square London EC4A 3BZ United Kingdom



**Registrars** . . . . . Equiniti Limited  
Aspect House, Spencer Road  
Lancing  
West Sussex BN99 6DA  
United Kingdom

## PART 4

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS AND OFFER STATISTICS

#### Expected timetable of principal events

Event	Time and Date
Announcement of Offer Price and allocation . . . . .	7.00 a.m. on 26 May 2017
Commencement of conditional dealings on the London Stock Exchange . . . . .	8.00 a.m. on 26 May 2017
Admission and commencement of unconditional dealings in the Shares on the London Stock Exchange . . . . .	8.00 a.m. on 1 June 2017
Crediting of Shares to CREST accounts . . . . .	1 June 2017
Despatch of definitive share certificates (where applicable) . . . . .	On or before 16 June 2017

**It should be noted that, if Admission does not occur, all conditional dealings will be of no effect and any such dealings will be at the sole risk of the parties concerned. Temporary documents of title will not be issued.**

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

#### Global Offer statistics<sup>(1)</sup>

Offer Price (per Share) . . . . .	325 pence
Number of Shares being offered in the Global Offer <sup>(2)</sup> . . . . .	78,000,000
Percentage of the issued Share capital being offered in the Global Offer <sup>(2)</sup> . . . . .	26.0%
Number of Shares subject to the Over-allotment Option . . . . .	7,500,000
Number of Shares in issue following the Global Offer . . . . .	300,000,000
Market capitalisation of the Company at the Offer Price . . . . .	£975.0 million
Estimated net proceeds of the Global Offer receivable by the Selling Shareholder <sup>(2)(3)</sup> . . .	£248.4 million

#### Notes:

- (1) Assumes all of the steps set out in paragraph 2 of Part 13 “Additional Information—Reorganisation” are completed in full. To the extent that these steps are not completed in full, the Global Offer will not proceed and Admission will not be sought.
- (2) Does not include any Over-allotment Shares that may be sold pursuant to the Over-allotment Option.
- (3) The estimated net proceeds receivable by the Selling Shareholder are stated after deduction of the estimated base underwriting commissions and other fees and expenses of the Global Offer (including VAT and excluding any stamp duties) payable by the Selling Shareholder, which are currently expected to be approximately £5.1 million.

## PART 5 INDUSTRY OVERVIEW

*The following information relating to the global asset finance software and associated services market has been provided for background purposes only. The information has been extracted from a variety of sources released by public and private organisations. The information has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by such sources, no facts have been omitted which would render the reproduced information inaccurate or misleading. Investors should read this Part 5 in conjunction with the more detailed information contained in this Prospectus including Part 1 “Risk Factors” and Part 9 “Operating and Financial Review”.*

### **Introduction**

Alfa provides specialist software to the global asset finance market. The asset finance market comprises a variety of loan, lease and hire purchase products relating to the use or purchase of assets and is roughly divided into ‘auto’, which relates to the retail car market, and ‘equipment’, which ranges from small assets such as mobile handsets and IT hardware to larger assets such as aircraft and satellites.

Under an asset finance lease agreement, an asset is rented by a lessee for a predetermined period, at typically a set implied interest rate. At the end of the agreed period the lessee either returns or purchases the asset from the lessor. If the agreement is structured as a hire purchase, the lessee pays for the entire cost of the asset and interest in instalments and will assume ownership of the asset at the end of the agreement, subject to paying all instalments. An asset finance product can also be structured as a secured loan where the asset is owned by the borrower and used as collateral by the lender. The secured nature of the financing lowers the cost of the financing for the borrower whilst providing the opportunity to pay in instalments therefore increasing affordability and expanding the potential market.

This is a complex market that is highly regulated, with numerous financial products across multiple asset classes, requires specialist accounting and tax treatment and is distributed through a range of sales channels.

### **The global asset finance market**

Total global outstanding asset finance in 2015 was estimated by PwC at approximately \$5.4 trillion, with \$2.6 trillion of this relating to new business volumes (source: PwC Market Study). The United States, the United Kingdom, China and Germany account for more than 60% of world volume (source: White Clarke Group Global Leasing Report 2016). The United States is the largest market accounting for approximately \$2.4 trillion, and Europe accounts for approximately \$1.4 trillion, with the largest European markets being the United Kingdom, Germany, France, Italy and Sweden (source: PwC Market Study).

Providers of asset finance can be categorised between banks, “captives” and independents.

- *Banks*—The Directors believe that banks account for approximately 50% of the asset finance market and typically increase leasing activity in an economic upturn. The focus in asset class is driven by a bank’s specific risk appetite which considers the size, complexity and resale value of the asset.
- *Captives*—A captive is a financial institution that is owned and controlled by an original equipment manufacturer, set up for the sole purpose of providing financial products to its end-user customer base. The Directors believe that captives account for approximately 30% of the asset finance market. Captives see financing as a way to support customer loyalty and drive asset sales by offering favourable rates. A higher proportion of auto leasing is done by captives, for example approximately 40% in the United States. (Source: Royal Media Big Wheels Auto Finance Data 2016).
- *Independents*—The Directors believe that independents account for the remainder of the asset finance market, approximately 20%, and are typically specialist finance providers who often serve smaller customers in niche areas of financing. Independents also include disruptors such as new finance models like peer-to-peer lenders and businesses that rely on assets ranging from rolling stock specialists to Uber.

Alfa has historically focused on the larger, more established asset finance providers, predominately large banks and captives; however, Alfa has also been successful with selling to new entrants such as Xchange Leasing, an Uber subsidiary.

### **Key trends driving asset finance growth**

Between 2011 and 2015, PwC estimates that the United States and European asset finance markets grew by 10% and 6% per annum, respectively (source: PwC Market Study). Growth in the asset finance market is

driven by a number of key trends, including the economic environment, auto and equipment investment trends, regulation, asset finance penetration and credit conditions such as interest rates.

### ***The United States market***

PwC forecasts the United States asset finance market to grow at approximately 5% per annum between 2016 and 2020, driven mainly by a supportive economic environment, which is partially offset by expected tapering in equipment and auto sales growth. (Source: PwC Market Study)

- *Economic environment*—The United States economy is forecast by the IMF to continue to experience steady GDP growth of 2% in real terms and sustained wage growth of 5% through 2020 (source: PwC Market Study). Unemployment is expected to remain low, and stood at 5% at 31 December 2016 (source: International Monetary Fund and U.S. Bureau of Labor Statistics).
- *Auto and equipment investment*—Growth in the United States auto market is expected to slow significantly from approximately 9% per annum between 2011 to 2015 to 2% between 2015 to 2020. This is due to a mixture of demand and supply factors which include: a recovery in oil prices, a reduction in pent-up demand following the financial crisis and lenders becoming less willing to underwrite non-prime auto finance given new business volumes are at historic highs. Growth in equipment investment slowed to 4% per annum in 2015 from approximately 7% per annum between 2010 to 2015. This decline is expected to stabilise as the drag from the stronger dollar and low energy prices dissipate and companies invest at rates consistent with an economy growing at approximately 2% per annum. (Source: PwC Market Study)
- *Regulation*—Changes in accounting standards, IFRS 16 and FASB, introduce a single lessee accounting model under which all leases greater than 12 months are required to be recognised on-balance sheet (as opposed to lease payments being reflected solely as expenses). As a consequence lessees may reconsider their use of leasing as a financial instrument. It is expected that there will be a greater portion of short term leases with little impact on total volumes. (Source: PwC Market Study)
- *Asset finance penetration*—Penetration, defined as the proportion of asset sales that are subject to finance, is approximately 85% for new auto sales and 70% for equipment investment, in the United States (source: Experian and Equipment Leasing & Finance Foundation). An increase in penetration is anticipated due to developments in technology that enables end-users to have direct access to a broad range of financial products, and growth in the sharing economy. The sharing economy is expected to challenge the traditional ownership model, shifting towards a pay-per-use model where asset ownership will reside with corporations who are more likely than private individuals to use asset finance to support capital intensive purchases.
- *Credit conditions*—Growth of the industry has been aided by the recent low interest rate environment, however credit supply is expected to tighten in line with the initial and expected Federal Reserve rate rises. (Source: PwC Market Study)

### ***The European market***

The European asset finance market is forecast to grow at approximately 5% per annum between 2016 and 2020 driven by penetration increases and benign credit conditions, although Brexit provides an uncertain economic and political backdrop. (Source: PwC Market Study)

- *Economic environment*—The European Union is forecast by the IMF to grow at 2% through 2020, with unemployment in the United Kingdom and Germany at historically low levels at 5% and 4%, respectively, as of November 2016. However, Brexit is likely to continue to cause economic and political uncertainty in the United Kingdom and to some degree in the European Union, which may impact these forecasts. (Source: International Monetary Fund, European Central Bank and the Office of National Statistics)
- *Auto and equipment investment*—The European new car market experienced low volume growth of 0.5% per annum between 2010 to 2015, although the United Kingdom has been performing better, growing at 5% per annum. Growth in Europe is expected to increase slightly going forward. Investment growth has rebounded in Europe since 2014, with the United Kingdom and Sweden outperforming the wider market. (Source: PwC Market Study)
- *Regulation*—The new European banking regulation, Basel III, requires financial institutions to hold a higher quality and quantity of regulatory capital. These requirements are being phased-in up to 2019; however, the market has generally already adopted these changes and therefore any further restrictions in credit supply due to this new regulation are likely to be limited.

- *Asset finance penetration*—The Directors believe that penetration of leasing is lower across Europe than the United States and is estimated at approximately 45%. This is in part a function of Europeans historically having a more conservative attitude towards debt. The impact of technological developments and the sharing economy are considered to be factors that will increase penetration in the European market.
- *Credit conditions*—A continued low interest rate environment should encourage the supply of asset finance products, as financial institutions seek higher yielding assets.

### **The asset finance software market (including associated services)**

Asset finance software supports the business critical functions of asset finance providers. Asset finance companies use software to support the end-to-end workflow from point of sale, through in-life contract, customer and asset management, to end of life processing. This software is generally deployed alongside other general accounting, reporting and Customer Relationship Management (“CRM”) systems.

In 2015, the global asset finance software market (excluding point of sale solutions) was estimated at \$2.9 billion by PwC. This market is split between specialist solutions, asset finance accounting modules of ERP vendors such as SAP and Oracle, in-house developed solutions and manual processes. The market size represents the estimated spend on software licence and maintenance fees and associated services which includes software implementation, customisation and hosting. (Source: PwC Market Study)

- *Specialist solutions*—The global specialist asset finance software market, in which Alfa operates, represents approximately \$1.0 billion or 36% of the total addressable market. These third party specialist solutions offer deep and broad functionality, including automated workflow between business functions and require less manual work once implemented. The main drawback of these solutions is the significant investment required to implement and tailor to requirements. (Source: PwC Market Study)
- *ERP vendors*—Use of an ERP lease/loan accounting module with some minor customisation accounts for approximately 25% of the market. Generally these options have relatively simple functionality which lack deep asset-by-asset detail and have lower levels of flexibility, with workflow often requiring manual workarounds which can be expensive and time consuming. (Source: PwC Market Study)
- *In-house solutions*—34% of the market relates to in-house systems that are developed internally or sometime incorporating elements of third party software. The advantage of these systems is the ability to design systems to meet precise business requirements, however they require significant investment to develop and maintain, which normally consists of a highly skilled internal IT team. (Source: PwC Market Study)
- *Manual*—Use of manual processes or very simple software tools only accounts for 5% of the market. These solutions are inexpensive to run if the portfolio of assets and the number of originations are small and non-complex. The main issue with these solutions is that highly manual processes significantly increase the risk of non-compliance and human error, as well as being a significant capacity constraint. (Source: PwC Market Study)

### **Key drivers of the specialist asset finance software market**

The global market for specialist asset finance software grew at 12% per annum between 2010 to 2015 and is forecast by PwC to grow at approximately 7% per annum from \$1,050 million in 2015 to \$1,465 million in 2020, comprising growth over the period of 26% in the underlying market, 65% in penetration and 9% in increased spend. This growth rate exceeds the projected 5% growth of the asset finance market itself, primarily as a result of the specialist software providers being projected to gain market share from ERP vendors and in-house and manual solutions. Although the forecast assumes only a moderate increase in pricing, a PwC survey of firms using specialist asset finance software shows that 82% of the firms who responded are expecting their overall spend on specialist asset finance software to accelerate over the next five years. (Source: PwC Market Study)

The Directors believe that, within Alfa’s primary addressable market, which comprises the larger providers of asset finance, the opportunity to continue to gain market share remains substantial. These providers, in Alfa’s experience, often find that their business agility and ability to respond quickly and cost-effectively to changing regulatory or competitive landscapes are constrained by inflexible systems and workflows. For example, a PwC survey on the U.S. Auto finance market showed that 33% of respondents viewed technology as the greatest challenge to growth and profitability (source: PwC 2016 International Automotive Lending & Leasing Survey, U.S. respondents). Highly configurable, modern systems with a great depth of specialist asset finance

functionality, such as those provided only by Alfa and a small number of competitors, are seen by many of Alfa's existing and prospective clients as an important source of competitive advantage and therefore as a business imperative.

### ***Competitive landscape***

The client base for specialist solutions can be divided into asset finance enterprises with greater than \$500.0 million of assets financed ("**Tier 1 and Tier 2 clients**"), and clients who have less than \$500.0 million of assets financed ("**Tier 3 and Tier 4 clients**"). The global specialist vendors, including Alfa, focus on the Tier 1 and Tier 2 clients across multiple regions. The smaller, local vendors are focused on servicing the Tier 3 and Tier 4 clients, typically in their local geographic markets.

The competitive landscape for the global specialists includes both independents and the divisions of larger software conglomerates. The former category includes Alfa, White Clarke, Netsol, IDS and Odessa, together with a number of smaller players with more limited coverage of asset classes and/or geographies. The latter category includes the relevant business units of FIS (including those of its recent acquisition SunGard), Fiserv, and Sopra. As detailed above, approximately 64% of the asset finance software market is not currently captured by these specialists but is considered part of their addressable market. (Source: PwC Market Study)

Based on the superior functionality and broad offering of Alfa Systems, which includes support for back-office and front-office functions, for loans and leases and for a range of asset classes, the Directors consider Alfa as a leader among the Tier 1 and Tier 2 specialists.

## **PART 6 BUSINESS**

*Investors should read this Part 6 “Business” in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in Part 5 “Industry Overview” and Part 9 “Operating And Financial Review”. Where stated, financial information in this section has been extracted from Part 11 “Historical Financial Information”.*

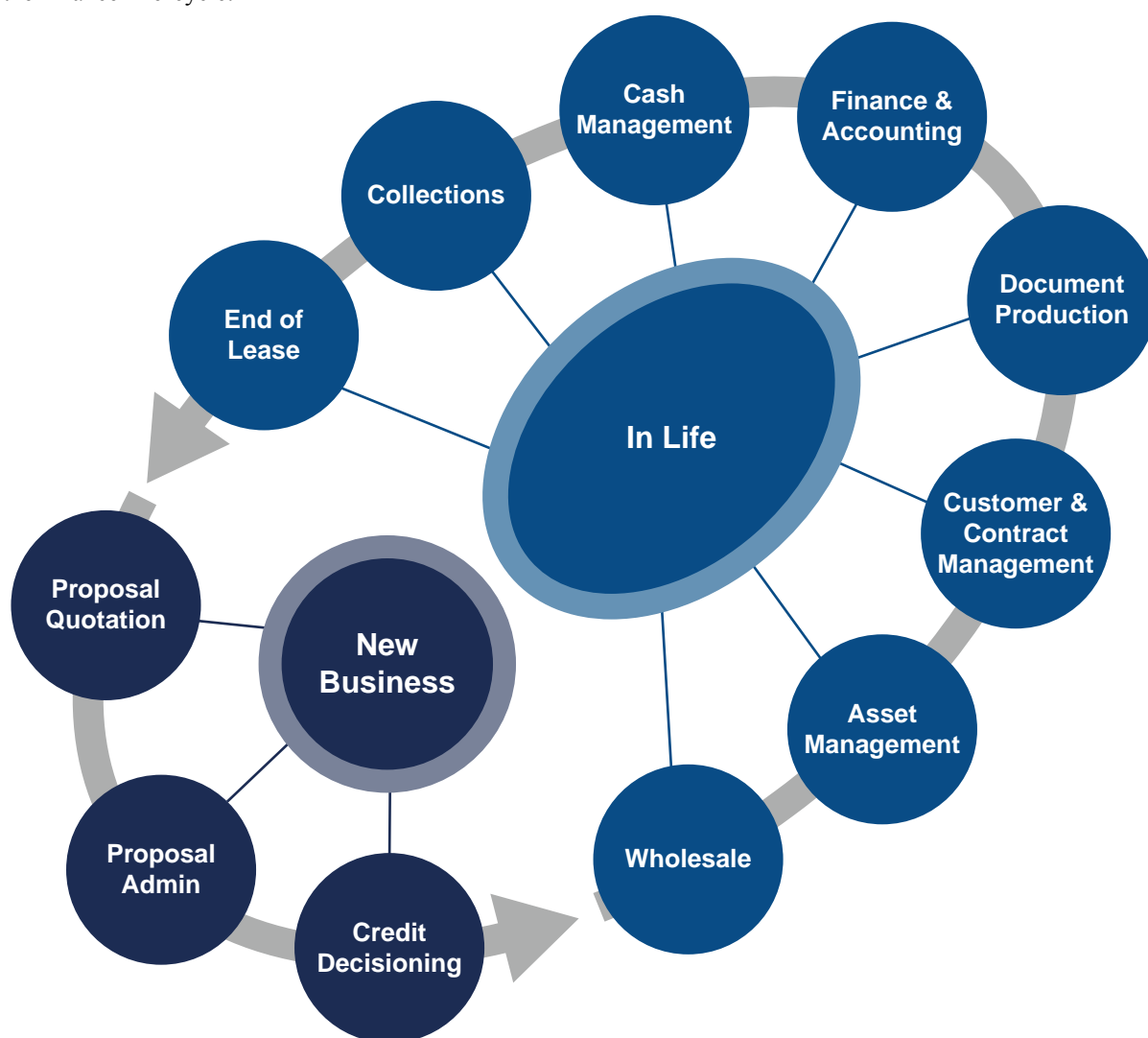
### **Overview**

Alfa is the developer of Alfa Systems, a leading, mission-critical software platform purpose-built for asset finance enterprises globally, making it well placed to serve those providing asset finance across a wide range of asset classes. Asset finance enterprises in the automotive and equipment finance industries use Alfa Systems across the entire finance life cycle, from proposal to end of lease, across many asset types and financing structures. Alfa Systems’ unified and modern data platform provides a core system of record for all asset, contract and end-customer data whilst its comprehensive functionality enables clients to automate critical business functions and enhance business agility. It is a single product which is modern, highly scalable and flexible, offers extensive configurability of business rules and workflows to Alfa’s clients and therefore enables a high degree of automation in Alfa’s clients’ business processes.

Alfa Systems allows clients to achieve operational efficiencies by optimising their business processes whilst reducing infrastructure costs. It also provides clients the flexibility and agility to adapt to ever-changing and more complex regulations that legacy systems are not able to comply with, easily or at all.

The specialised, complex and changing requirements of the asset finance industry create particular challenges in developing solutions that are fit for purpose. This provides Alfa with many opportunities for acquiring new clients whose legacy or in-house solutions cannot cope with the evolving regulatory landscape. Many asset finance enterprises use systems (including both legacy systems and non-specialist ERP systems) that are outdated, lack flexibility and functionality, and/or impose high total costs of ownership. Legacy systems may rely on ageing programming languages that are no longer well supported and require resource-intensive custom coding to make even minor changes to process and functionality, especially if point-to-point solutions are poorly integrated. ERP systems are not explicitly designed for asset finance and lack full functionality with deep asset-by-asset detail and have limited workflow automation, which can require costly and time consuming workarounds. Even systems which look modern are often based on a legacy core and therefore cannot meet the functionality and flexibility demands of clients. The inefficient workflow, lack of real-time actionable data and digitalisation and the need for ad-hoc manual processes impede business agility and reduce competitiveness. All of these deficiencies tend to result in a higher level of staff and other costs and can also hinder regulatory compliance.

Alfa has developed its purpose-built solution to meet the current and future needs of the asset finance industry. Alfa Systems uses its modern technology platform to support a wide variety of asset finance products across the finance life cycle.



Alfa Systems version 5 runs on a single code base architected on a common data platform that can be deployed on-premise or in-cloud and is delivered through a web-based interface.

Alfa benefits from strong long-term client relationships, built over a number of years of close collaboration and continual delivery to a high standard. These deep relationships, some of which are in excess of two decades long, underpin Alfa's significant revenue visibility as well as provide references to new clients. Alfa's clients include leading asset finance companies globally (e.g. the asset finance operations of Bank of America, Barclays, Close Brothers and Nordea); captives (e.g. the asset financing divisions of Mercedes-Benz, Toyota and Siemens); and specialist independent companies (e.g. Motability and the Uber leasing subsidiary Xchange Leasing). Alfa had 28 clients as of 31 December 2016.

Alfa was founded in 1990 with its headquarters in London, and had more than 250 employees at 31 December 2016, working for clients across 18 countries, with other physical offices established in Detroit, Los Angeles, Dallas and Auckland.

Alfa earns revenue from client implementations, post-implementation ongoing development and consultancy services ("ODS") and maintenance. These accounted for 65%, 12% and 23% of revenue, respectively, in the year ended 31 December 2016.

Client implementation revenue is generated from fees for licensing, software development and implementation services. Licences are usually provided on a perpetual basis and invoiced upfront. Software development and implementation fees are typically charged on a time and materials basis for the duration of the implementation period and invoiced monthly in arrears. Maintenance fees are typically charged from the end of the

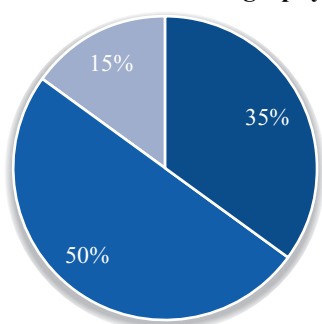


implementation period and invoiced annually in advance. Both licence and maintenance amounts are typically set with reference to an expected volume of asset finance contracts processed and the modules installed, as well as geographies. Additional volume and/or modules over the expected amount normally result in increases in annual maintenance fee as well as additional licence fees.

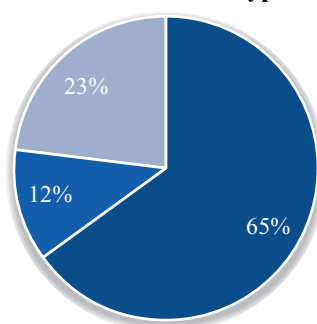
ODS revenue is earned from ongoing, post-implementation services. These services are billed on a time and expenses basis.

Alfa benefits from high Adjusted EBIT margins and strong cash conversion. In the year ended 31 December 2016, the Group generated revenue of £73.3 million, an increase of 36%, as compared to £54.0 million in the year ended 31 December 2015, and had operating profit of £16.6 million compared to £22.7 million in the year ended 31 December 2015. The Group's operating free cash flow was £37.0 million in the year ended 31 December 2016. The charts below summarise the Group's total revenue by geography, type and client sector.

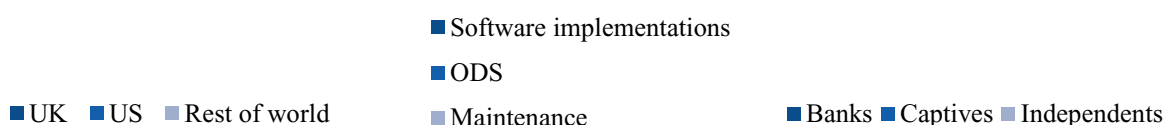
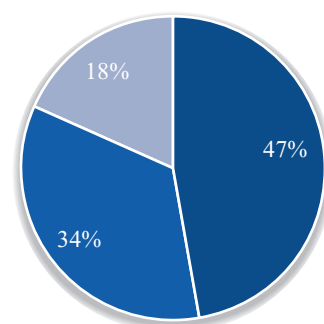
**2016 Revenue—Geography**



**2016 Revenue—Type**



**2016 Revenue—Client Sector**



### Competitive strengths

Alfa's strengths have enabled it to become one of the leaders in the asset finance software market. The Directors believe that the Group benefits from the following key business strengths:

#### *Specialists in software solutions specifically designed for the growing asset finance industry*

Alfa benefits from an in-depth understanding of the asset finance industry and an established position of market leadership in the asset finance software market. The Group specialises in developing, selling and implementing asset finance software, in a market that was valued at approximately US\$1,050 million in the year ended 31 December 2015 and is expected to continue to grow to over US\$1,465 million by the year ended 31 December 2020 (source: PwC Market Study). The Directors believe the asset finance market will benefit from a number of macro-level industry trends, including the shift from asset ownership to asset user-ship (and, consequently, increased volumes of leasing and financing transactions), and that Alfa is well placed to serve new entrants to the asset finance industry, as evidenced by Alfa's current software implementation for Xchange Leasing, an Uber subsidiary.

The Directors believe the asset finance software market is underserved. There is a lack of modern systems purpose built for asset finance, with many asset finance companies currently relying on legacy systems or non-specialist ERP systems. By contrast, Alfa Systems reflects in-depth knowledge and understanding of the asset finance industry built-up over 25 years of close dialogue with clients and a software platform that has been actively updated to reflect developments in technology and the evolving needs of the asset finance industry.

At 31 December 2016, Alfa supported 28 of the largest and most diverse asset finance companies globally, including the two largest automotive finance portfolios in the United States. The Directors believe these client relationships contribute to Alfa's credibility and position as a leading provider of asset finance software, which is a competitive strength in winning new business, and that this success reflects Alfa's differentiated offering, including its end-to-end coverage of the asset finance lifecycle, functional depth and modern technology platform.

### ***Comprehensive suite of solutions in one product***

The comprehensiveness and configurability of Alfa Systems enable asset finance enterprises to use Alfa Systems successfully for a broad range of assets and use cases. The Group offers a suite of integrated modules that can be deployed and configured as a full end-to-end solution covering the entire asset finance life cycle; selected to meet specific requirements; or deployed as a single point solution, such as point of sale or wholesale finance. Clients may initially contract with Alfa for a subset of modules and subsequently expand deployment of Alfa Systems into other areas of their business.

The integration of functions and processes onto a single platform and database provides clients with significant business benefits. A simpler and more streamlined technical architecture reduces costs and errors in software implementation and business operation. The use of a single system of record supports the flexibility to quickly create new products and services with the assurance of full compatibility throughout the systems landscape.

The Directors believe Alfa Systems provides best-in-class support for the asset finance industry. Alfa Systems is able to support low volume through to high volume transactions. Low volume asset finance transactions tend to reflect high value assets and custom asset financing, which requires a system capable of supporting highly structured terms. Servicing high volume asset finance transactions requires flexible and accurate business rules that can be highly automated. Alfa Systems' localisation features cover the languages, currencies and accounting standards required by a geographically dispersed business, whilst providing the ability to report centrally to get a single view of an asset finance enterprise.

### ***Modern, scalable and agile technology platform that can be deployed on-premise or in-cloud***

Alfa's technology platform allows it to deliver a single product capable of supporting a broad range of clients, including some of the largest asset finance providers globally. Alfa has invested significantly in the development of its technology platform to ensure that it is scalable, reliable, resilient and secure.

Alfa maintains a single code base that enables it to easily upgrade its clients using the latest version of Alfa Systems and ensure all enhancements are readily available to all clients, subject to any licence restrictions applicable to each client. Updates are managed by Alfa using an automated centralised process with quality assurance underpinned by fully automated regression testing to monitor performance and identify potential errors resulting from code updates.

Alfa Systems is designed to operate within a clustered-server environment, where using commodity hardware by varying the servers in the cluster as demand fluctuates can achieve high performance, reliability and scalability. The ability to use commodity hardware increases flexibility and reduces adoption and running costs. The technology platform has been optimised over many years.

Alfa's technical architecture facilitates efficient deployment and supports its future development roadmap. Alfa Systems utilises a service-orientated architecture, in which software components are packaged in self-contained service layers, which offers a number of benefits including the ability to test and develop components in isolation and easier integration with client systems at a lower cost. Alfa Systems is entirely written in Java, which is a stable, well-supported and platform agnostic modern programming language, to simplify development and deployment.

Alfa's platform supports on-premise or in-cloud deployment, enabling Alfa to accommodate different client IT systems and requirements. On-premise deployment can offer more control over integration and data security. In-cloud deployment can reduce the complexity and associated costs that clients need to manage and can accelerate software implementation.

Alfa Systems has been entrusted with running the asset finance portfolios of leading asset finance companies globally. For example, in the United States, Alfa Systems has been selected to power the asset finance operations of the top two automotive finance providers: Ally and Toyota Financial Services. In the United Kingdom, Alfa Systems serves three of the four largest asset finance organisations: RBS, Barclays and Lloyds, alongside a variety of other market leaders.

### ***Strategic partner to clients***

Alfa has an extensive track record in building long-term, mutually beneficial working relationships with clients in order to better understand their needs and be a trusted partner. The Directors believe this is essential to effectively service the top tier clients in the market who make large investments both in terms of funds as well as the significant time and resources they must expend to implement a new system. Once implemented, Alfa Systems is a mission-critical solution at the heart of the clients' business and clients rely on Alfa on an ongoing

basis. The solution needs to evolve with the requirements of the client leading to frequent upgrade projects and ongoing development of new features. Alfa grows with the client and supports them in their entry into new geographies and markets. Frequently, long-term programmes of work are conceived at the outset of an engagement to allow for a gradual roll out of Alfa Systems.

Alfa is active within the asset finance industry and is a frequent attendee and contributor to industry conferences and events. Alfa seeks to understand its end market and the challenges facing its clients in detail, including the need for digitalisation and changing regulatory requirements. This focus on thought leadership and depth of expertise differentiates Alfa from many of its competitors.

### ***Strength of management team and culture***

Alfa's management team has significant expertise in sales, technology, product development and implementation and has over 120 years of combined experience in the asset finance software industry. The Directors believe that the management team's expertise and experience as well as its track record constitute an important competitive advantage of Alfa Systems.

Alfa hires predominantly at the graduate level from leading universities, and graduate joiners undergo an extensive training programme and on-site training by experienced practitioners at Alfa's UK headquarters. Alfa pays particular attention to knowledge management, supported by Alfa's high employee retention rate (over 90% during the year ended 31 December 2016), which provides continuity of knowledge, culture and relationships.

### **Strategy**

Alfa intends to continue to build on the competitive strengths highlighted above. Key elements of Alfa's strategy include:

#### ***Maintain specialist focus on asset finance software to drive best-in-class functionality and performance***

The Directors believe that the Group's sole focus on asset finance software since its formation in 1990 has allowed it to develop a highly differentiated domain knowledge and promoted a very high level of product innovation in response to the requirements of its clients. This in turn has enabled the Group to establish a premium reputation and brand, making it easier to win new clients and attract talented and experienced staff. By focusing all its resources on delivering, marketing, selling and supporting innovative asset finance software solutions, the Group is well-placed to capitalise on market growth opportunities, whilst continuing to win new clients and up-sell different modules and services to existing clients.

Central to Alfa's strategy is its continual development and enhancement of Alfa Systems, which Alfa achieves in collaboration with its clients, developing solutions that meet their exacting requirements. This approach allows the Group to leverage client insights, respond in real time to changing industry trends and continually enhance the core platform.

In the short term, the Group sees a significant opportunity to continue its entry into the adjacent market of wholesale finance software. In this respect, development of a wholesale module for initial delivery to a client is currently underway, and this will be coupled with enhanced support for dealer point of sale. Together, the Directors believe that these developments will help to open this adjacent market for the Group.

In addition, the Directors believe that the trend towards asset user-ship over asset ownership will provide new opportunities for asset finance and asset finance software, with the recent contract with Xchange Leasing, an Uber subsidiary, being a case in point.

#### ***Continue to win new clients***

The Directors believe that the Group's specialist focus on asset finance software and resulting best-in-class functionality is and will continue to be a key driver of the Group's ability both to win new clients and to increase sales to the Group's existing clients.

The clearest example of the success of this strategy in recent years has been Alfa's success in penetrating the US retail automotive market, where the Board considers that earlier wins with Nissan (UK) and Toyota (New Zealand) paved the way for substantial US wins in Mercedes Benz and subsequently Ally and Toyota. Furthermore, the Directors also believe that Alfa Systems' accumulated functionality enables it to address the needs of prospective clients not only within specific vertical markets but across a wide range of asset classes.

Alfa takes a targeted approach towards potential new clients. Alfa's strong reputation and the referenceability of its installed base have helped to generate a strong pipeline of qualified new business opportunities with limited sales and marketing. Alfa has a near-term focus on larger institutions, which Alfa believes will maximise revenue growth, enhance brand awareness and further build momentum. Alfa seeks to increase its presence primarily within its existing core European and North American markets, as well as potentially extending its geographic reach in response to client demand.

### ***Increase sales to existing clients***

Coupled with winning new clients, Alfa also expects to generate a significant and increasing level of revenues from existing clients. Historically, Alfa has consistently received a level of in-bound requests from its existing clients for ODS, and expects that this demand will increase significantly in line with the increased scale and complexity of the systems implemented by Alfa at its clients. This level of repeat business from the existing client base gives the Group a level of revenue predictability and resilience and also allows the Group to upsell new modular functionality to new and other existing clients.

Alfa also believes that it has to date achieved only limited penetration of the addressable "share of wallet" within the majority of its client base, and that there is significant scope for existing clients to want to adopt Alfa Systems in new geographies, in different asset classes, or to expand the functionality of existing Alfa Systems implementations through the purchase of upgrades or additional modules or upgrades or of additional development and services that further embed Alfa Solutions within the client's operations.

### ***Pursue other strategic accelerants***

Alfa is actively addressing a number of initiatives which it believes have the potential to accelerate its growth prospects and strategic development further. Three of these are summarised briefly below.

- *Develop business-in-a-box and expand cloud deployment.* Alfa is developing a pre-configured Alfa Systems environment ("business-in-a-box") that can be rapidly deployed in-cloud and helps to de-risk implementations. Over the medium to long term, this will support expanding Alfa's addressable market further into Tier 3 and Tier 4 names, which may lack the complexity to require extensive configuration and the scale to make on-premise deployment economically attractive, without representing a change to the Group's ongoing strategy and core offering to Tier 1 and Tier 2 clients. The Directors believe that there will be particular demand for this offering in the United States and that in-cloud deployment provides a significant incremental revenue opportunity in the medium and long-term. Alfa has already onboarded Xchange Leasing, an Uber subsidiary, as an in-cloud deployed solution. Revenue from in-cloud deployment is complementary to Alfa's existing offering and introduces subscription-based pricing, which diversifies Alfa's revenue.
- *Incorporate the latest technologies to enhance functionality and differentiation.* In addition to client-driven enhancements to Alfa Systems, the Group is currently designing or developing a number of features, including containerisation (which seeks to ensure Alfa Systems runs the same regardless of environment), support for nuodb (a modern low cost, high performance database engine), 24x7 capability with no downtime for batch processing and further customer digital self-service capability across the spectrum of new business, in-life changes and end-of-life processing. In addition, the Group is working on expansion of its front-office, CRM functionality and is examining Internet of Things for connecting to assets in order to establish more accurate usage and residual values.
- *Expand global network of partners.* By partnering with a limited number of high-quality system integration providers, including local and global partners, Alfa expects to be able to undertake more software implementations with increased geographical coverage and to benefit from increased client awareness. Relationships with these partners afford Alfa greater access to potential new clients and requests for proposals.

In 2016, Alfa established a partnership with Teamwill under which Alfa has engaged Teamwill to provide implementation support on one of its current software implementations. In time, the Directors believe that this relationship and other partner relationships would enable Alfa to focus on providing specialist consulting and project governance on implementations with partners. Eventually, partners may also act as distribution agents engaging in marketing/sales and/or provide client support, although Alfa expects that it would continue to lead on select implementations.

## History

Founded in 1990 and headquartered in the City of London, the Group has developed Alfa Systems, a software platform used to underpin many of the world's largest automotive and equipment finance providers. In 1992, the Group first implemented Alfa Systems at Hambros. In 1997, by then in its third major version, Alfa Systems was implemented at Nissan, marking the Group's entry into the automotive finance market.

In 2003, the Group released the fourth version of Alfa Systems, which included embedded workflow and asset management modules. These new features made the platform more customisable and scalable and led to an expansion of the Group's addressable market. In 2004, the Group established its first international presence in Australia.

The Group achieved a milestone in 2010, when it gained Motability Operations, the largest fleet operator in the United Kingdom, as a client. Alfa has integrated Alfa Systems at the core of Motability Operations' complex systems landscape, replacing a competitor as the lease administration software system. Since then, the Group has seen steady development in billings year-on-year. In 2011 and 2012, the Group was able to attract the attention of two other blue chip clients, Mercedes-Benz Financial Services and Nordea Finance, and today counts them amongst the Group's most established clients.

In 2015 and 2016, the Selling Shareholder (or its predecessors) acquired the remaining direct and indirect interests in the Group held by Ian Hargrave and Justin Cooper, respectively (the two other founders, together with Andrew Page, of Alfa in 1990). In each case this was for consideration in the form of cash and loan notes redeemable in tranches through to 2021, funded in part by shareholder loans provided by Alfa Financial Software Limited, which have since been repaid, as described in Note 12 to the Historical Financial Information included in Section B of Part 11 "Historical Financial Information".

Alfa Systems has continued evolving through the years and today exists in its fifth version, which provides a fully web-based interface and operates entirely in the cross-platform Java programming language. In 2016, Alfa signed Uber as a new client and it will be Alfa's first client to make use of Alfa's complete cloud hosting service. From 2012 through 2016, the Group's total revenue increased at a compound annual growth rate of 24%, from £30.6 million in the year ended 31 December 2012 to £73.3 million in the year ended 31 December 2016, and over the same period, Adjusted EBIT increased at a compound annual growth rate of 32%, from £10.7 million in the year ended 31 December 2012 to £32.8 million in the year ended 31 December 2016.<sup>1</sup> The Group now has offices in London, Detroit, Los Angeles, Dallas and Auckland with more than 250 employees at 31 December 2016 working for clients across 18 countries.

## The Alfa Software Solution

### Introduction

Alfa Systems provides an integrated suite of modules that address the core processes for the asset finance industry. Through Alfa Systems, asset finance enterprises are able to customise workflows, finance products and apply business rules, which are then embedded in the software and automated. Clients can maintain complete process control without incurring oversight and software implementations costs, because Alfa Systems' modular architecture means that the platform can be tailored to any asset finance enterprise's needs. This keeps manual intervention to a minimum, reduces operating costs, ensures processes are consistent and repeatable and encourages efficient resource deployment and transaction volume growth without increasing staffing levels. This in turn leads to improved efficiency and client satisfaction enabling better value to be delivered to the clients' end customers.

Key characteristics of Alfa Systems include:

- *End-to-end asset finance life cycle support.* Alfa Systems provides full administration throughout the life cycle of a financing agreement, from proposal capture to disposal. For more information on the variety of modules which Alfa Systems offers to support the asset finance life cycle, see "*—Modules*" below.
- *Integration.* Alfa Systems has a full catalogue of web services that enables simple integration with other systems, which allows Alfa Systems to act as the central repository for all financial and end-customer information and place it at the centre of any asset finance enterprise.

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<sup>1</sup> Source: 2012 – 2013, audited financial statements of Alfa Financial Software Group Limited (formerly CHP Consulting Group Limited) and Alfa Financial Software Limited (formerly CHP Consulting Limited), which were prepared in accordance with UK GAAP rather than IFRS; 2014 – 2016, the Historical Financial Information included in Section B of Part 11 "Historical Financial Information".

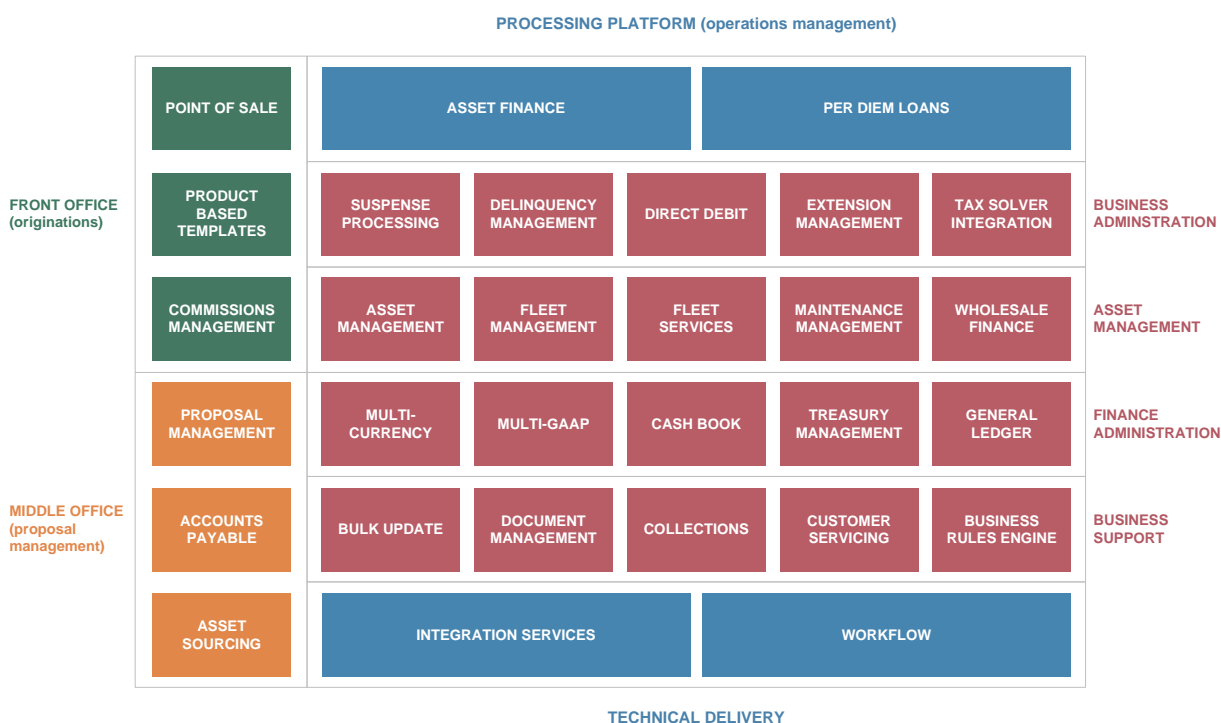
- *Flexibility.* Alfa Systems provides an integrated suite of services that satisfies both retail and commercial lending and leasing, wholesale and dealer finance, all on a single platform. Integrating all of these functions in a single platform and on a single database offers significant business benefit and is an important characteristic of the asset finance software market.

Alfa Systems allows business to be conducted without borders, in that the platform has been designed to support multi-regulatory financial environments from within a single instance, supporting the legislative, product, tax and process variations between countries. Alfa Systems also supports multiple currencies and accounting standards.

- *Workflow automation.* Alfa Systems' workflow engine provides powerful client relationship management workflow and case handling for business processes. It can support the entire end-to-end asset finance business life cycle, from proposal administration to asset disposal processing. There is also support for a wide range of sales channels.
- *Business rules engine.* The business rules engine automates clients' business decisions based on their personalised business rules (for example, credit decisioning). Clients can maintain complete process control without incurring oversight and software implementations costs, because Alfa Systems' modular architecture means that the platform can be tailored to any asset finance enterprise's needs.
- *Business intelligence.* Alfa Systems' business intelligence helps clients turn business data into usable information, due to its capability to extract insights from the Group's clients' own data. Alfa Systems takes clients' data (for example, delinquency rates, terms or amounts outstanding) and organises and aggregates it to match clients' requirements and support the latest industry-leading reporting tools giving business users the control to organise and present the data in multiple ways, revealing trends in the business and supporting fast, effective decision making. It can be configured to transform data from within Alfa Systems and deliver it to group business intelligence solutions and data warehouses.

## Modules

A typical implementation of Alfa Systems comprises between 18 and 25 modules, and following initial implementations, clients can request incremental modules which address new client needs or as new modules are released. As the diagram below indicates, Alfa Systems offers a range of modules to support the entire asset finance end-to-end life cycle, in terms of originations, proposal management, operations management, business administration, asset management, finance administration, business support and technical delivery.



More detail on each of the modules is provided below under “—Modules Summary”.

## ***Technology***

Alfa Systems version 5 runs on a unified technology platform that combines proprietary and standards-based components. A single code base is maintained and Alfa follows an agile development methodology to deliver new builds on a four-weekly schedule. Development is done entirely in-house by a dedicated team of approximately 130 employees. The single code base enables all updates to easily be made available to all clients, who may elect whether or not to adopt the update, subject to any licence restrictions, whilst also allowing clients to preserve their own configurations. Updates are managed by an automated centralised process, with quality assurance underpinned by fully automated regression testing to monitor performance and ensure there are no errors resulting from code updates.

The Group adopts robust measures for business continuity and disaster recovery of its IT systems, including using a distributed network of data centres globally and the operation of appropriate data replication and backup procedures. Significant efforts are made to safeguard information security and privacy through a number of processes and IT systems.

## ***Deployment***

Alfa offers its clients an on-premise deployed solution or a hosted cloud solution for Alfa Systems.

On-premise means that Alfa Systems is installed and run on infrastructure controlled by the client. The client is responsible for all aspects of running the software, including the licensing and maintenance of the enabling platform (such as the operating system, database and web server) and hardware. This is the predominant deployment model across the Group's client base.

Cloud-hosted means that Alfa Systems is installed and run on infrastructure supplied by Alfa. With cloud hosted deployment, clients do not need to maintain their own hardware and related support staff, which reduces software implementation timelines and client overheads by leveraging Alfa's significant experience in implementing and deploying Alfa Systems. Alfa is responsible for all aspects of running the software, although Alfa currently uses Amazon Web Services, one of a number of external suppliers of such infrastructure. This gives Alfa flexibility to scale the infrastructure quickly and cost-effectively.

Unlike software as a service, which delivers services to multiple organisations through a single instance of the software, a hosted service is dedicated to a single client. Although the hosted service may be deployed on private or public cloud, the Group does not currently offer deployment via public cloud.

New clients, such as Xchange Leasing (an Uber subsidiary), are more likely to adopt the cloud-hosted solution than existing clients which already have the infrastructure in place to run Alfa Systems.

## ***Clients***

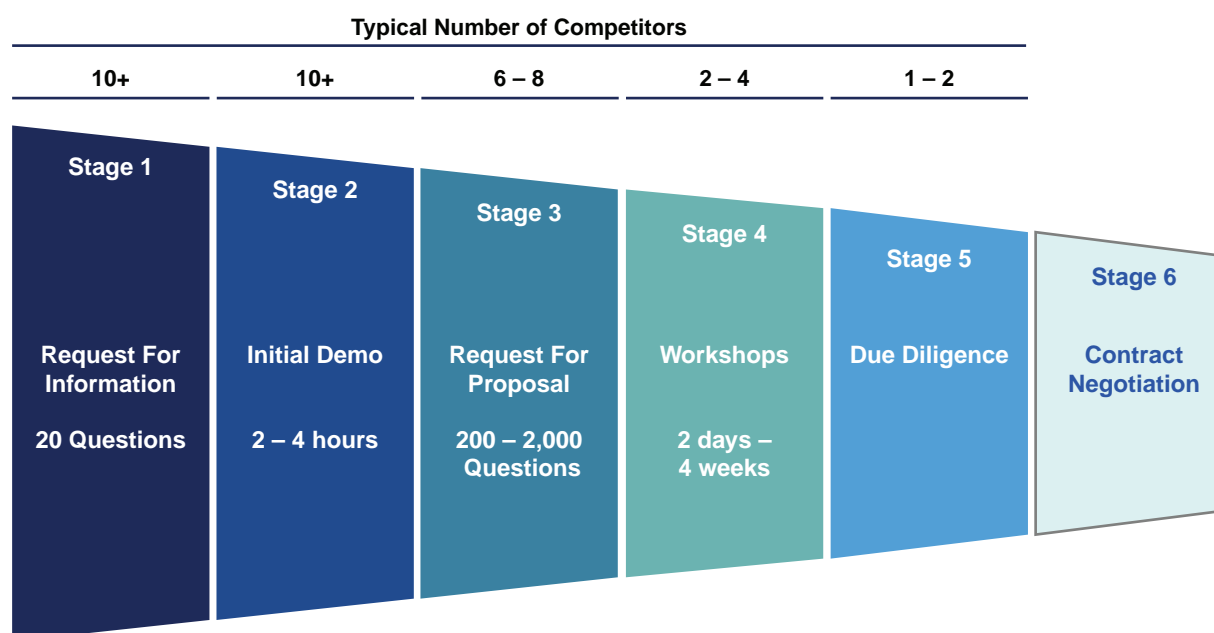
The Group markets and sells its software platform to a wide variety of asset finance enterprises globally. The Group's average client relationship is over 11 years, based on all clients of the Group since 2000. The Directors believe that strong and enduring client relationships are a key component of the Group's success given the long-term nature of the Group's contracts and importance of client references for new sales. The Group focuses on developing and maintaining client relationships through customer service and account management. As of 31 December 2016, the Group had 28 clients in 18 countries using Alfa Systems (27 clients as of 31 December 2015 and 29 clients as of 31 December 2014) and has experienced a low churn rate in clients over this period, supported by obtaining new key clients each year. The Group counts as clients banking institutions, auto financiers and equipment lessors.

## ***Sales and marketing***

To build brand awareness, Alfa sponsors and participates in asset finance conferences, publishes research on the asset finance industry, maintains active relationships with key industry analysts and conducts marketing campaigns. Alfa also has strong relationships with leading system integrators, including Ernst and Young, PwC and Teamwill Consulting, which assist Alfa in its role as a thought-leader for the asset finance industry and providing additional market awareness and validation of Alfa. In the United States in particular, many of the tender processes are co-ordinated by the leading system integrators.

As of 31 December 2016, Alfa had 10 employees in sales and marketing, with an average of over 10 years of experience in the asset finance software industry.

The sales process for Alfa Systems is complex, and the Directors believe the structure, as outlined in the graphic below, supports the Group's strengths.



The Directors believe that Alfa has an extremely strong and diversified sales pipeline, comprising a number of prospects of various sizes and types (including banks, captives and independents) in each of the stages noted above, including one prospect at the stage of due diligence and four at the stage of contract negotiation.

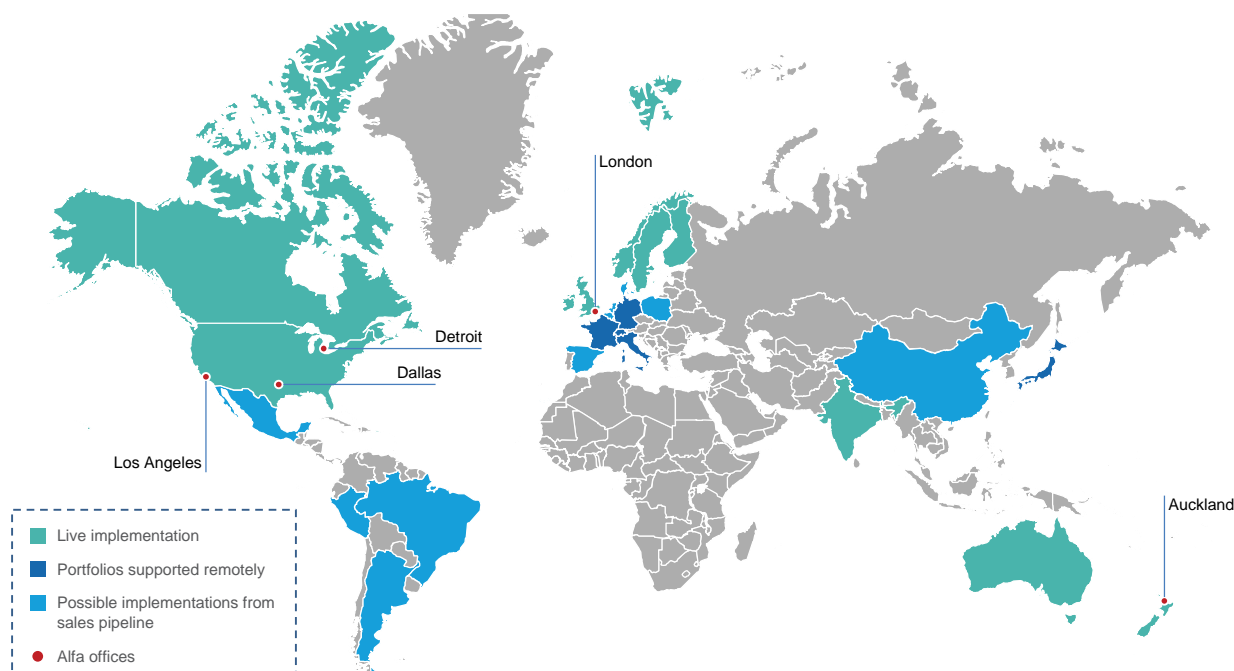
#### **Distribution channels**

All sales of Alfa Systems and related modules and additional services are made directly by Alfa, and introductions to prospective clients are made either through direct contact or through consultancy partners. Software implementations are led and delivered by Alfa, and future partnerships are not expected to change the fact that these are led by Alfa.



## Geographic footprint

The Group currently operates in the United Kingdom, the United States, Australia, New Zealand and other European countries, including Ireland, Sweden, Finland, Norway, Denmark, France, Germany and Poland.



In the United States, the Group is currently experiencing strong momentum with auto captives. The Group is maintaining its market leadership in the United Kingdom with two large mandates and is also expanding its coverage in continental Europe through recent implementations.

## Technical support

In 2016, the Group employed a team of 246 employees (on average for the year), of which approximately 126 were software developers. In addition, the Group provides software implementation services, professional services and technical support to clients.

Alfa Systems has a full suite of online help materials including functional tutorials, configuration guides and details on its accounting methodology. Alfa partners have access to an online Alfa knowledge portal providing additional background on the behaviour of Alfa Systems.

Where additional support is required this is either provided on site by dedicated client teams, or via email or telephone support. Support is provided in local business hours for all of the Group's live clients, and the primary support centres are in London, Detroit and Auckland.

## Research and development

Alfa follows a long-term strategic development plan driven by its vision of the evolution of the asset finance and technology industries and the requirements of its clients. The R&D team leads long-term design and development of all new areas of significant architectural change or functional innovation, whilst the Alfa Product Centre team leads short/medium-term, client-led development. In order to deeply understand the needs of their clients, Alfa engages in a collaborative process with clients to develop solutions that meet their exacting requirements.

Alfa follows an agile development methodology and publishes a new product release every 4 weeks with fully automated regression testing to verify performance, consistency and accuracy. Alfa uses a trunk-based development approach in order to maintain a single code base for Alfa Systems, in which it utilises branches from the trunk code base in order to implement fixes and innovations for a particular client, which can eventually be integrated back into the trunk code base. As a provider of mission-critical solutions, Alfa dedicates significant resources towards ensuring that Alfa Systems remains accurate, scalable and reliable.

During the year ended 31 December 2016, Alfa had, on average, 126 software engineers in its R&D group. Alfa's research and product development expense was £13.6 million and £9.8 million for the years ended 31 December 2016 and 31 December 2015, respectively.

### **Intellectual property**

Alfa Systems is owned by the Group and written entirely by Alfa employees. Where necessary, Alfa Systems makes use of appropriate open source libraries under approved licences.

The Group protects its intellectual property through a combination of trade secret laws, confidentiality procedures and contractual provisions.

The Group controls access to and use of its proprietary software, technology and other proprietary information through the use of internal and external procedural and technical controls, including access and download controls and licence keys, contractual protections with employees, contractors, clients and channel partners, and the Group's platform is protected by international trade secret laws.

The Group also licenses software solutions and services from third parties for integration into the Group's software, including open source software and other software available on commercially reasonable terms.

Third parties are subject to confidentiality agreements and are required to follow strict, documented control processes; third parties are not permitted to use contractors. Alfa provides market standard third party indemnification to third parties.

### **Client relationship and contractual framework**

Alfa's consistently strong revenue growth is driven by obtaining implementation mandates for new clients and expanding existing contract value via client-supported software development, additional module sales and clients' geographic expansion. Client relationships can broadly be split into four phases: client introductions and obtaining initial mandates; pre-software implementation, which involves definition, evaluation and planning of the software implementation of Alfa Systems for the client; software implementation; and post-software implementation, which involves ongoing maintenance and any additional projects for the client.

#### ***Client introductions and obtaining initial mandates***

Typically, the formal sales process is initiated by prospective clients, who require Alfa to respond to one or more tender documents as well as giving presentations before attaining preferred supplier status and advancing to pre-software implementation. In response, the Group operates a workshop-selling model with the ultimate aim of demonstrating Alfa Systems running and enhancing the prospective client's business. At the initiation of a tender process, Alfa can be competing with ten or more software providers, and the number of competitors decreases as the process progresses, until the due diligence stage, at which point Alfa would usually be competing with one or two other providers.

Alfa's dedicated, global sales team co-ordinates all aspects of the sales process whilst also drawing on a deep pool of employees from across Alfa's business who are experienced in delivering workshops. The Directors believe that the Group's sales model affords the Group the flexibility to react to prospective client's demands whilst also allowing Alfa to differentiate itself in terms of quality of both the software and the employees. This enables the Group to justify premium fees compared to many of its competitors.

#### ***Pre-software implementation phase***

The pre-software implementation phase comprises various exercises including initial planning and resourcing, definition of deliverables, resource allocation, roles and responsibilities, definition of project infrastructure and processes, scope confirmation and further evaluation and planning. The scope of Alfa's work in this phase may be set out in a standalone professional services agreement between Alfa and the client or as a statement of work ("SOW") under a master services agreement ("MSA").

As part of a client's continued due diligence, during the pre-software implementation phase, the Group may enter into a limited evaluation licence agreement with the client for the client's testing of Alfa Systems. The evaluation licence agreement allows the client to install Alfa Systems on the client's technical environment and for the client to familiarise itself with the software, identify external technical requirements and needs that are not covered by Alfa, select the preferred hardware and software stack and refine infrastructure estimates. The evaluation licence agreement is generally very restrictive and may not be utilised to process live business and usually has a term of between four weeks and three months, after which the licence expires.

Committed resources during this phase are relatively low, with corresponding revenue invoiced on a time and materials basis. Typically pre-software implementation takes between two and nine months.

### *Software implementation phase*

At the end of the pre-software implementation phase, if the client wishes to implement Alfa Systems, it will enter the software implementation phase. The Group's extensive experience includes software implementations for clients across multiple business units, product sets and geographies. The Group utilises its own proprietary implementation methodology which reflects the Group's accumulated experience and strong project control practices.

At the beginning of the software implementation phase, the Group typically enters into a MSA with the client, which provides the contractual framework to support each element of the software implementation of Alfa Systems and supersedes all previous agreements the Group and the client may have entered into. Each MSA typically has three addenda thereto: a software licence addendum ("SLA"), a software maintenance addendum ("SMA") and a professional services addendum ("PSA"), all of which are typically entered into simultaneously with the MSA and are described in greater detail below. As an alternative to the SLA and SMA a software hosting addendum ("SHA") may be entered into to provide a subscription based, hosted software product encompassing Alfa Systems deployed in-cloud and managed by Alfa. The term of the MSA begins on a specified date and ends when all addenda or SOWs thereunder are completed or terminated. In each case, the Group maintains a rigorous focus on achieving satisfactory contractual terms, to ensure protection of its intellectual property, sufficient recovery for time and expenses and risk mitigation.

The Group's revenue typically peaks during this phase, due to the Group's generation of a licence fee, maintenance fees, subscription fees and professional services fees. The Group derives its revenue from licensing the Group's software applications, providing maintenance support and providing professional services to the extent requested by clients.

### *Software Licence Addendum*

The Group uses the SLA to license its software to the client usually on a perpetual basis. The Group generally prices its licences based on the maximum number of asset finance schedules ("Contracts") that will be managed using Alfa Systems. The licence fee is based on a list price, typically discounted. The Group invoices its perpetual licence clients either in full at contract signing or on an instalment basis.

The client acknowledges in the SLA that all rights including intellectual property rights in Alfa Systems and all other licensed program materials, such as the Alfa Systems manuals, are owned and vest in the Group including any future modifications and enhancements. The client also acknowledges that it will not disclose any confidential information exchanged pursuant to the MSA to any third parties except as expressly permitted by the Group.

An additional licence fee may also become due if the client exceeds the maximum number of Contracts allowed or for any extension of the licence granted in terms of increasing the number of software instances, increasing the number of production environments, or the purchase of licences for new software modules or components. A client is generally obliged to report the number of Contracts on its production environment for purposes of calculating any additional licence fee annually to the Group. An increase in the number of Contracts may also lead to maintenance overheads, which would in turn increase charges in accordance with the SMA, described below.

### *Professional Services Addendum*

Under the PSA, the Group assists the client with the implementation and configuration of Alfa Systems as well as any additional professional services requested by the client. The PSA is supplemented by separate SOWs, which detail and document the software implementation, enhancement and/or other professional services works the Group is obliged to undertake typically on a time and materials basis.

The professional services fees are calculated on a time and materials basis based on the hours completed by each employee of the Group in relation to or in performance of any of the obligations detailed in a SOW. The rates may be increased annually by up to a specified percentage of the previous year's charge. Professional services fees are invoiced monthly in arrears and are typically received within 30 days of issuance.

The PSA usually may be terminated with or without cause immediately upon written notice by the licensee to the Group, but where the licensee terminates a SOW for convenience/without cause, a termination payment typically becomes due to the Group.

### *Software Maintenance Addendum*

Under the SMA, the Group usually undertakes to maintain and support Alfa Systems including: telephone support, online support, remote access to the software and onsite support (may require additional fees) for an annual maintenance fee. The Group also agrees to provide the client with a monthly support status report.

The client typically begins to pay the annual maintenance fee as soon as the licence is granted and the software implementation process begins. The Group typically invoices its clients annually in advance for maintenance fees, and such maintenance fees are paid throughout the term of the software licence. The maintenance fee is generally expressed as a standard per annum rate of a fixed percentage of the full price list of the modules purchased (typically approximately 20%) and may be increased by up to a specified percentage of the previous year's charge (typically approximately 5 to 10%).

The SMA is typically terminated automatically upon the termination of the SLA. Moreover, in the event of the expiry or earlier termination of the SMA the Group is entitled to terminate the SLA in connection therewith. This right, combined with the obligations on the client regarding confidential information, ensures that clients are obliged to obtain maintenance on Alfa Systems from the Group.

### *Software Hosting Addendum*

Under the SHA, the Group provides clients a licence to use Alfa Systems hosted by Alfa as well as maintenance of the software. The Group charges a set-up fee followed by a monthly subscription fee covering licence, maintenance and hosting. Under the SHA the services are purchased for a fixed term, after which it renews automatically for successive period of twelve months.

The subscription fee is based on the number of authorised environments, the volume of Contracts being processed and the modules installed, all of which are identified in a SOW. The subscription fee may be increased on an annual basis by the Group.

Additional charges may be incurred for various amendments to the SHA including but not limited to any extension of the licence granted in terms of increasing the number of software instances, increasing the number of authorised environments, or the purchase of licences for new software modules, as well as any additional storage or backup volume needed.

### ***Post-software implementation phase***

The Group's revenue post-software implementation is based on an annual maintenance fee and any ongoing activities such as development, professional services or specialist consultancy requested by the clients (version upgrades/new modules/licence to process more Contracts/supplementing the clients application support capabilities), which tend to offer ODS revenue potential between £1 million for new modules or licence expansion and over £10 million for extensive version upgrades. Typically ongoing activities are documented in SOWs under the existing MSA / PSA framework.

### **Modules summary**

The tables below summarise the key features of each of the 31 modules available for Alfa Systems.

#### *Front office (origination)*

<b>Point of Sale</b> . . . . .	New business conduit that can be deployed for remote use or over a corporate intranet, extranet or on the internet. It features sophisticated evaluation and sales workflow and can cater for the complete asset finance product set, from retail credit agreements to complex tax-based leasing.
<b>Product Template</b> . . . . .	Enables new business to be loaded using predefined product templates. It is used where speed of input is of paramount importance. Product definitions can be developed and deployed rapidly, enabling optimum speed to market. Value-added products, such as maintenance and insurance, may also be defined as part of an overall product template.
<b>Commissions Management</b> .	Provides facilities for the calculation and administration of commissions payable to third party intermediaries. A wide variety of calculation methods are available, including difference in charges, rate table and volume bonuses. Commission modifiers can be applied based on age of asset, agreement term,

rate achieved, model financed, etc. Amounts calculated can be paid using the Alfa Accounts Payable module.

*Middle office (proposal management)*

- Proposal Management** . . . . . Supports the processing of new business from initial proposal through to activation of live agreements. The module features user-configurable workflow through Alfa Workflow to cover all the key new-business activities, and provides enhanced enquiry and document management functionality to support the decision process. This module provides links with credit reference agencies and is integrated with Alfa Business Rules for scorecards, risk assessment and automated credit decisions.
- Accounts Payable** . . . . . Facilitates the automatic payment of creditor balances using a variety of payment methods, including automated methods such as Direct Credit and ACH. Payment cycles can be defined according to the type of payment and the relevant third party. Strict authorisation rules can be implemented to control the issue of any payment and the creation of ad hoc payables.
- Asset Sourcing** . . . . . Supports the procurement of assets from defined pools of asset suppliers. The functionality includes the ability to manage preferred suppliers, the opportunity to source, and source selection. Delivery authorisation and confirmation functionality is also enabled by this module.

*Processing platform (operations management)*

- Asset Finance** . . . . . Core processing module within Alfa Systems. It provides essential functionality relating to third parties, agreements, accounting and reporting. It also provides services to all the other Alfa Systems modules.
- Per Diem Loans** . . . . . Facilitates processing of loans where interest is calculated daily and is influenced by the timing of payments received.

*Business administration*

- Suspense Processing** . . . . . Used where client accounts are managed on a suspense basis rather than an open item basis. It applies receipts automatically against the appropriate receivables and maintains overpayment suspense accounts at the agreement and/or business partner level when applicable. It also includes functionality to allow reception, investigation and subsequent application or refund of general suspense items. be receipted, investigated and subsequently applied or refunded as required
- Delinquency Management** . . . Allows the workflow of arrears cases to be carefully controlled either manually or automatically using a high degree of parameterisation.
- Direct Debit** . . . . . Used to claim payments via a number of configurable automated payment methods (e.g. Direct Debit and ACH) from third parties including customers. When the Alfa Accounts Payable module is installed, automated outbound payments may also be processed.
- Extension Management** . . . . Provides enhanced options for end of lease processing. Product templates, and the agreements that use them, can be configured to provide the option of extending an agreement automatically at end of term, including support for 'evergreen' products.
- Tax Solver Integration** . . . . Supports integration with external tax solving solution for sales and use tax calculations to determine applicable rates to use in multiple tax jurisdictions for all financial elements of financial products.

### *Asset management*

- Asset Management** . . . . . Accommodates the increasingly complex requirements of the asset management business. Flexible data structures allow the user to build up complex assets involving components with differing accounting treatment, suppliers and financial and technical characteristics. By virtue of the module's tight integration with Alfa Asset Finance, full accounting support is available at the lowest component level.
- Fleet Management** . . . . . Provides the functionality to cater for the specific demands of asset management and customer services in a fleet finance environment. Functionality includes mileage, residual value and maintenance pooling, configurable invoicing options, master hire agreement processing and automated fee processing.
- Fleet Services** . . . . . Dedicated driver and service management tool. It offers a full range of value added services, including duty of care management, fuel card support, driver schemes and bands, incident management, infringement management, location tracking, payroll integration, driver history and mileage tracking.
- Maintenance Management** . . . . . Caters for the input of service, maintenance and repair authorisations by maintenance controllers. It also provides a link to fleet industry-standard online maintenance systems. Integration with Alfa Accounts Payable allows for the input and control of maintenance invoices.
- Wholesale Finance** . . . . . Enables the sophisticated end-to-end business processes that surround unit stocking, wholesale and floorplan finance to be delivered seamlessly to all parties. Intuitive online access for distributors, dealers, auditors and administrators reduces costly delays and manual activities.

### *Finance administration*

- Multi Currency** . . . . . Provides extensive support for portfolios and contracts dealing with multiple currencies. Individual contracts can have a portfolio, local, billing and information currency. Support also exists for transacting with customers, suppliers and service providers in multiple currencies at the same time.
- Multi GAAP** . . . . . Provides the accounting support to manage multiple accounting books under different GAAP standards for a single portfolio. Variances between standards are supported for all types of accounting recognition, allowing finance operations to provide reporting without many hours of manual effort at month end.
- Cash Book** . . . . . Provides support for the cash reconciliation process. All cash movements recorded within Alfa Systems are transferred automatically to the Cash Book.
- Treasury Management** . . . . . Provides support for the administration and control of treasury instruments used to fund a portfolio. Funding may be controlled for individual agreements or the portfolio as a whole. Comprehensive reporting allows the user to analyse funding match and exposure.
- General Ledger** . . . . . Functionally rich general ledger system optimised to meet the specific needs of the asset finance industry. This includes features such as non-coterminous company year-ends.

### *Business support*

- Bulk Update** . . . . . Provides a selection of bulk reschedule strategies for changing multiple contracts simultaneously in a controlled and easily manageable way.
- Document Management** . . . . . Allows the user to create and maintain rich-text letter formats and to create letters automatically based on these formats using data extracted from the Alfa Systems database and processed through Alfa Systems' document production engine.

<b>Collections</b> . . . . .	Provides support for manual management of delinquency by collectors and collection managers through dedicated functionality which includes dedicated screens for easier access to vital delinquency information, diary management and promise to pay automation. Collection manager console integrates with the Alfa Workflow module to allow the management of workload and productivity.
<b>Customer Servicing</b> . . . . .	Provides a suite of dedicated actions, highly focused to discrete tasks that can provide powerful but well controlled functionality to customer services teams. Included is a wizard framework to allow general customer service personnel to easily execute complex tasks, such as terminations and reschedules
<b>Business Rules</b> . . . . .	Designed to allow Alfa Systems users to configure their own business decision logic within the system. This can include, for example, data validation and company policy rules. Business Rules are entered into Alfa Systems using an intuitive, non-technical interface.

*Technical delivery*

<b>Integration Services</b> . . . . .	Provides high-volume, backwards-compatible web services—which expose Alfa Systems’ service oriented architecture—and flexible options for integrating Alfa Systems with other systems, often in tandem with an Enterprise Service Bus (“ <b>ESB</b> ”). This includes the manipulation of flat files, sending event notifications and synchronising data in a robust, transactional, manner across the enterprise.
<b>Reporting Services</b> . . . . .	<p>Provides an additional database layer called the Operational Data Store which is designed for rapid, easy-to-understand client reporting and bulk interfacing from Alfa Systems. It is maintained as part of the Alfa Systems product, and is often extended for each client to provide additional client-specific data (including additional fields, tables and indexes/optimisations). It also isolates a client from building reports or interfaces directly from the Alfa Systems OLTP database, both logically, and optionally physically.</p> <p>The Operational Data Store represents Alfa Systems now or at the end of the previous working day and is designed for operational reporting and interfacing.</p>
<b>Workflow</b> . . . . .	Integrates closely with the other modules to provide powerful CRM workflow and case handling processing. Features include load balancing, sophisticated activity monitoring and efficient workflow case fulfilment features. Client correspondence may be produced automatically at any stage of the workflow via the Alfa Document Management module.

**Employees**

The following table details the average numbers of the Group’s employees by function in the years ended 31 December 2014, 2015 and 2016:

***Employees by function (full and part time)***

<u>Average monthly number of people employed</u>	<u>Year ended 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
Implementation and support . . . . .	71	81	83
Research and product development . . . . .	74	95	126
Other . . . . .	31	34	37
	<u><b>176</b></u>	<u><b>210</b></u>	<u><b>246</b></u>

The following table details the average numbers of the Group’s employees by location for the years ended 31 December 2014, 2015 and 2016:

### *Employees by location (full and part time)*

<u>Average monthly number of people employed</u>	<u>Year ended 31 December</u>		
	<u>2014</u>	<u>2015</u>	<u>2016</u>
United Kingdom . . . . .	137	158	179
United States . . . . .	26	38	54
Rest of World . . . . .	13	14	13
	<u>176</u>	<u>210</u>	<u>246</u>

Employees in the United Kingdom include a centralised product engineering team and a software implementation team which supports the United Kingdom and Europe. In the United Kingdom and Europe, the Group expects to hire between 50 and 60 employees in each of 2017 and 2018. In the United States, employees include a centralised product engineering team based in Detroit and a software implementation team operating across the country. The Group expects to hire between 9 and 12 employees for operations in the United States in each of 2017 and 2018. The Group also has a small implementation team operating in Australia and New Zealand, where it expects to hire two employees in each of 2017 and 2018.

None of the Group's employees is represented by a labour organisation or covered by collective bargaining agreements. To date, the Group has not experienced a labour-related work stoppage. The Directors consider the Group's relations with its employees to be good.

### **Properties**

The Group maintains physical offices in London, Detroit and Auckland while its offices in other jurisdictions are virtual and where needed rely on temporary or serviced office arrangements. The physical offices in London, Detroit and Auckland are leased with terms that expire in 2030, 2019 and 2018 (with option to renew to 2021), respectively.

### **Environment**

The Directors believe that the Group does not have any material environmental compliance costs or environmental liabilities.

### **Insurance**

The Group maintains insurance coverage for property damage, business interruption, product liability and directors' and officers' insurance. The Directors believe that the Group's current insurance coverage is appropriate for its business, in respect of its level and applicable excesses and deductibles. The Group does not have any material outstanding insurance claims.

### **Dividend Policy**

The Company has not adopted a dividend policy with respect to future dividends, and it does not currently intend to pay cash dividends on the Shares. Any future determination related to the dividend policy will be made at the discretion of the Board and will depend upon, among other factors, the Group's results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors the Board may deem relevant.

### **Legal Proceedings**

See paragraph 16 of Part 13 "Additional Information".

### **Regulatory Matters**

Although the Group's clients are regulated entities, the Group itself is not regulated as a financial services provider.

The Group is subject to the laws and regulations of a number of countries covering a wide variety of areas affecting international transactions, including data protection and privacy, export controls, anti-corruption legislation, labour laws and data protection requirements.



## PART 7

### DIRECTORS, SENIOR MANAGERS AND CORPORATE GOVERNANCE

#### Directors

The following table lists the names, positions and ages of the Directors:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Andrew Page . . . . .	54	Executive Chairman
Andrew Denton . . . . .	45	Chief Executive Officer
Vivienne Maclachlan . . . . .	38	Chief Financial Officer
Richard Longdon . . . . .	61	Senior Independent Non-Executive Director
Karen Slatford . . . . .	60	Independent Non-Executive Director
Robin Taylor . . . . .	66	Independent Non-Executive Director

#### *Andrew Page (Executive Chairman)*

Andrew is one of the founding directors of Alfa. Andrew became the Chief Executive Officer in 2010 and subsequently Executive Chairman in September 2016. Andrew provides commercial oversight and is responsible for setting the strategic direction and goals of the company.

#### *Andrew Denton (Chief Executive Officer)*

Andrew is Alfa's Chief Executive Officer and leads the Group. Andrew joined the company in 1995 and became a member of the Board of Directors in 2003 as Sales and Marketing Director. He was made Chief Operating Officer in 2010 and became CEO in September 2016. Andrew is also director and joint founder of the Leasing Foundation, an organisation that supports the leasing and asset finance industry through charitable activities, research and development.

#### *Vivienne Maclachlan (Chief Financial Officer)*

Vivienne is the Chief Financial Officer for Alfa, in which role she oversees all of the core finance function responsibilities, as well as being a key member of the Executive Leadership Team. Vivienne joined Alfa in September 2016. Prior to joining Alfa, Vivienne was a capital markets specialist for more than 12 years at PricewaterhouseCoopers in London, assisting management teams and owners of companies raise capital in the UK and U.S. markets. Vivienne is a Fellow of the Institute of Chartered Accountants of Scotland.

#### *Richard Longdon (Senior Independent Non-executive Director)*

Richard has had a highly successful executive career in the technology sector having spent 33 years with AVEVA Group plc ("AVEVA"). Richard was Chief Executive Officer at AVEVA for 17 years and retired from that role and as a director of AVEVA in December 2016. Richard is currently President of AVEVA group, the senior independent non-executive director of Fidessa, appointed in March 2017, and has been Chairman of Process Systems Enterprise Limited since February 2015. Richard is also a Director of Flying Kiwi Inns.

#### *Karen Slatford (Independent Non-executive Director)*

Karen is Chair of Draper Esprit plc, an AIM listed venture capital firm, The Foundry, a leading special effects software Company, ECI-Debitoor, which produces cloud-based accounting software for freelancers and small businesses, and Citation Ltd, which provides HR and health and safety support to small and medium-sized enterprises. Karen is also senior independent non-executive Director of Micro Focus, a FTSE 100 global software business, and non-executive director of Intelliflo Ltd and Accesso Technology Group plc. Karen began her career at ICL before spending 20 years at Hewlett-Packard, where in 2000 she became Vice President and General Manager Worldwide Sales & Marketing for the Business Customer Organization, responsible for sales of all Hewlett-Packard products, services and software to business customers globally. Karen holds a BA Honours degree in European Studies from Bath University and a Diploma in Marketing.

#### *Robin Taylor (Independent Non-executive Director)*

Robin is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees at FDM Group (Holdings) plc, a global professional services provider with a focus on Information Technology, and at EMIS Group plc, the UK leader in connected healthcare software, where he is also the senior non-executive director. Robin is a member of the Institute of Chartered Accountants of Scotland and was formerly

Chief Financial Officer of publicly listed companies, Intec Telecom Systems plc, ITNET plc and JBA Holdings plc. Robin has also held a variety of financial and general management roles in both Europe and North America.

## Senior managers

The Company's current senior management team is as follows:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Michael Mayes . . . . .	38	Chief Commercial Officer
Ralph Neuff . . . . .	42	Chief Information Officer
Steve Taplin . . . . .	45	Global Sales and Marketing Director
Matthew White . . . . .	40	Chief Operating Officer

### ***Michael Mayes (Chief Commercial Officer)***

Michael Mayes joined Alfa in 2002 and in 2016 was appointed to the Executive Committee as the Chief Commercial Officer, and has more than 16 years of experience of the asset finance industry. His core responsibilities include leading commercial client negotiations across all of Alfa's territories in addition to project initiation, purchasing and supply chain management. Prior to holding the role of Chief Commercial Officer, Mike was most recently responsible for Alfa's growth in the Nordics whilst previously he gained experience across a number of Alfa's core service offerings, sales and project management. Mike holds a Masters in Engineering from Cambridge University.

### ***Ralph Neuff (Chief Information Officer)***

Ralph Neuff joined Alfa in 1998 as a developer, before progression to project manager and project director on a number of UK and Asia-Pac customer implementations, and has more than 19 years of experience in the asset finance industry. Ralph has been responsible for Alfa's technical operations, including software development, hosting services, internal systems, information security and business continuity since 2016 and leads a team of over 70 dedicated developers based in the United Kingdom. Ralph holds a BSc degree in Geography from the University of Nottingham.

### ***Steve Taplin (Global Sales and Marketing Director)***

Steve Taplin joined Alfa in 1997 and has more than 20 years of experience in the asset finance industry. Steve started as a consultant and developer with Alfa before progressing through systems implementation and management roles, moving into a sales role in 2005. He gained the position of Global Sales and Marketing Director in 2010. Along with his sales brief and Alfa management team activities, Steve takes a lead role in the direction of the Alfa Systems product, as well as authoring industry articles, presenting at industry events and working on strategic consultancy engagements. Steve earned BSc and PhD degrees in Physics from the University of Kent at Canterbury.

### ***Matthew White (Chief Operating Officer)***

Matthew White joined Alfa as a graduate in 1999, starting in a software development role before moving into the role of Chief Operating Officer in 2016, and sits as part of the Executive Committee. During his 17 years of experience in the asset finance industry, Matthew has undertaken a variety of roles within Alfa, from system configuration and testing support to project management for a number of UK and European implementation projects. As Project Governance Director from 2010, Matthew's responsibilities included project resourcing and development of internal project metrics. In his current role as Chief Operating Officer, Matthew is accountable for the operations of the business, including people management and delivery governance. Matthew holds a BA in Jurisprudence (a qualifying law degree) from the University of Oxford.

## Corporate governance

### ***UK Corporate Governance Code***

The Board is committed to the highest standards of corporate governance. As of the date of this Prospectus and on and following Admission, the Board will comply with the UK Corporate Governance Code (the "Governance Code") published in April 2016 by the Financial Reporting Council except as set out below. As envisaged by the Governance Code, the Board has established an audit and risk committee, a nomination

committee and a remuneration committee. If the need should arise, the Board may set up additional committees as appropriate.

The Governance Code recommends that at least half the board of directors of a UK-listed company, excluding the chairman, should comprise non-executive directors determined by the board to be independent in character and judgment and free from relationships or circumstances which may affect, or could appear to affect, the director's judgment. The Board considers that the Company complies with the requirements of the Governance Code in this respect. The Governance Code also recommends that a chief executive should not go on to be chairman of the same group. As Andrew Page was previously the Chief Executive Officer of the Group, the Company does not, at the date of this Prospectus and will not at Admission, comply with this recommendation of the Governance Code. The Board unanimously believes this is in the best interests of the Company and its shareholders, with Andrew Page ensuring stability and continuity with clients and strategic and commercial partners. Andrew Page brings continuity at a time of change and the Company will retain his experience and expertise, which make him particularly well-qualified to assume the Executive Chairmanship as judged by the Board's criteria.

The Board considers its Independent Non-Executive Directors and Senior Independent Director to bring strong judgment and considerable knowledge and experience to the Board's deliberations. In due course following Admission, the Board intends to appoint a fourth Independent Non-Executive Director.

#### ***Audit and risk committee***

The audit and risk committee's role is to assist the Board with the discharge of its responsibilities in relation to financial reporting, including reviewing the Group's annual and half year financial statements and accounting policies, internal and external audits and controls, reviewing and monitoring the scope of the annual audit and the extent of the non-audit work undertaken by external auditors, advising on the appointment of external auditors and reviewing the effectiveness of the internal audit, internal controls, whistleblowing and fraud systems in place within the Group. The audit and risk committee will normally meet not less than 3 times a year.

The audit and risk committee is chaired by Robin Taylor and its other members are Richard Longdon and Karen Slatford. The Governance Code recommends that all members of the audit and risk committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment and that one such member has recent and relevant financial experience. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

#### ***Nomination committee***

The nomination committee assists the Board in reviewing the structure, size and composition of the Board. It is also responsible for reviewing succession plans for the Directors, including the Chairman and Chief Executive and other senior executives. The nomination committee will normally meet not less than twice a year.

The nomination committee is chaired by Richard Longdon and its other members are Andrew Page, Karen Slatford and Robin Taylor. The Governance Code recommends that a majority of the nomination committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Company complies with the requirements of the Governance Code in this respect.

#### ***Remuneration committee***

The remuneration committee recommends the Group's policy on executive remuneration, determines the levels of remuneration for Executive Directors, the Chairman and other senior executives and prepares an annual remuneration report for approval by the Shareholders at the annual general meeting. The Remuneration Committee will normally meet not less than twice a year.

The remuneration committee is chaired by Karen Slatford, and its other members are Richard Longdon and Robin Taylor. The Governance Code recommends that all members of the remuneration committee be non-executive directors, independent in character and judgment and free from any relationship or circumstance which may, could or would be likely to, or appear to, affect their judgment. The Board considers that the Group complies with the requirements of the Governance Code in this respect.

### ***Share dealing code***

The Company has adopted, with effect from Admission, a code of securities dealings in relation to the Shares which is based on the requirements of the Market Abuse Regulation. The code adopted will apply to the Directors and other relevant employees of the Group.

### **Relationship Agreement with the Selling Shareholder**

As at the date of this Prospectus, to the extent known by the Company, the Company is owned or controlled by CHP Software and Consulting Limited, which holds 94.1% of the voting rights attached to the issued share capital of the Company. CHP Software and Consulting Limited is in turn controlled by Mr Andrew Page, the Executive Chairman, who holds 89.7% of CHP Software and Consulting Limited. Mr Andrew Denton, the Chief Executive Officer, holds the remaining 10.3% of CHP Software and Consulting Limited.

Immediately following the Global Offer and Admission, it is expected that CHP Software and Consulting Limited will hold approximately 68.4% of the issued share capital of the Company, assuming no exercise of the Over-allotment Option, and 65.9%, assuming the Over-allotment Option is exercised in full. Assuming no exercise of the Over-allotment Option, through his shareholding in the Selling Shareholder, Andrew Page will be indirectly interested in 184,015,647 Shares immediately following Admission.

On 26 May 2017, the Selling Shareholder, Andrew Page and Andrew Denton (together, the Controllers) and the Company entered into the Relationship Agreement which will take effect on Admission. The Directors believe that the terms of the Relationship Agreement will enable the Group to carry on its business independently of the Controllers and ensure that all agreements and transactions between the Group, on the one hand, and the Controllers and their associates and/or persons acting in concert with the Controllers or their associates, on the other hand, will be at arm's length and on a normal commercial basis.

Pursuant to the Relationship Agreement:

- (a) the parties shall procure that all transactions, agreements, arrangements and relationships between any member of the Group and the Controllers and their associates are conducted at arm's length and on normal commercial terms and, where applicable, will be entered into in accordance with the related party transaction rules set out in Chapter 11 of the Listing Rules; and
- (b) the Selling Shareholder shall (and shall procure that each of its associates shall): (i) not take any action which would or would be reasonably likely to have the effect of preventing the Company or any other member of the Group from carrying on its business independently of the Controllers; (ii) not take any actions that would have the effect of preventing the Company from complying with its obligations under the Listing Rules, the Disclosure Guidance and Transparency Rules, the Market Abuse Regulation, the FSMA and the Financial Services Act 2012; (iii) not exercise any voting rights in a manner which would prevent the Company from making decisions for the benefit of the shareholders of the Company taken as a whole or that would require the Company to operate or make decisions solely for the benefit of the Selling Shareholder and its associates; (iv) not propose or procure the proposal of a shareholder resolution that is intended to circumvent the proper application of the Listing Rules; (v) not exercise its voting rights to procure any amendment to the Articles which would be contrary to the maintenance of the Company's ability to carry on its business independently from the Selling Shareholder and its associates, prevent the election of independent directors or is otherwise inconsistent with the provisions of the Relationship Agreement, the Listing Rules, the Disclosure Guidance and Transparency Rules or the Market Abuse Regulation; and (vi) abstain from voting on any resolution required by paragraph 11.1.7R(3) of the Listing Rules to approve a transaction with a related party involving the Selling Shareholder or its associates.

In addition, until the Relationship Agreement terminates, the Selling Shareholder, Andrew Page and Andrew Denton have each undertaken that neither it nor he (as applicable) nor any of their respective associates shall operate, establish, own or acquire an undertaking which engages in any business that competes with the Group. This non-compete undertaking shall not prohibit the Selling Shareholder, Andrew Page or Andrew Denton from being entitled to acquire up to 5% in aggregate of the shares of any class of any company engaged in business that would constitute a competing business provided the shares of such company are listed on a recognised stock exchange and neither Andrew Page nor Andrew Denton shall be a consultant to or director of such company.

Furthermore, each of the Selling Shareholder, Andrew Page and Andrew Denton has undertaken that, until the later of the termination of the Relationship Agreement and Andrew Page or Andrew Denton (as the case may be) ceasing to be employed by the Group, they shall not, and will procure that none of their associates shall,

solicit for service or employment any employee of the Group without the prior approval of the majority of the independent directors of the Board.

The Relationship Agreement entitles the Selling Shareholder to appoint: one person to be a non-executive director of the Company for so long as the Selling Shareholder and its associates hold in aggregate at least 10% or more of the voting rights attaching to the issued share capital of the Company; and two persons to be non-executive directors of the Company for so long as the Selling Shareholder and its associates hold in aggregate at least 20% or more of the voting rights attaching to the issued share capital of the Company. The parties to the Relationship Agreement agree that, notwithstanding the requirement for Selling Shareholder appointed directors to be non-executive, the first such appointee is Andrew Page. Given Andrew Denton's 10.3% interest in the Selling Shareholder, the Selling Shareholder's right to appoint a second non-executive director shall be effective only from such time as Andrew Denton ceases to be a director of the Company.

For so long as the Selling Shareholder and its associates hold in aggregate at least 10% or more of the voting rights attaching to the issued share capital of the Company, and only insofar as none of its appointed directors are members of the nomination committee, it shall be able to send one of its appointed directors as an observer (being entitled to attend and speak, but not vote) at meetings of the nomination committee. Andrew Page will be a member of the nomination committee from Admission. Accordingly, this right to send an observer shall not be exercised until such time as he ceases to be a member.

The Relationship Agreement will be effective as from Admission and remain in effect for so long as:

- (a) the Selling Shareholder (and/or any of its associates) holds 10% of the Shares; and
- (b) the Shares are admitted to the premium listing segment of the Official List.

#### **Conflicts of interest**

Andrew Page, the Executive Chairman, and Andrew Denton, the Chief Executive Officer, own 89.7% and 10.3%, respectively, of the Selling Shareholder, which, immediately following Admission, will hold approximately 68.4% of the issued share capital of the Company, assuming no exercise of the Over-allotment Option, and 65.9%, assuming the Over-allotment Option is exercised in full.

Save as set out in the paragraph above, there are no potential conflicts of interest between any duties owed by the Directors or Senior Managers to the Company and their private interests or other duties.

**PART 8**  
**SELECTED FINANCIAL INFORMATION**

*The selected financial information set out below has been extracted without material amendment from Section B of Part 11 “Historical Financial Information” of this Prospectus, where it is shown with important notes describing some of the line items.*

**Consolidated statements of profit or loss and comprehensive income for the years ended 31 December**

	<b>For the year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>(£ 000s)</b>		
<b>Continuing operations</b>			
Revenue . . . . .	43,289	54,035	73,280
Implementation and support expenses . . . . .	(11,318)	(13,519)	(16,714)
Research and product development expenses . . . . .	(7,058)	(9,799)	(13,643)
Sales, general and admin expenses . . . . .	(6,842)	(8,091)	(26,370)
Other operating income . . . . .	36	36	36
<b>Operating profit</b> . . . . .	<b>18,107</b>	<b>22,662</b>	<b>16,589</b>
Finance income . . . . .	66	191	587
<b>Profit before taxation</b> . . . . .	<b>18,173</b>	<b>22,853</b>	<b>17,176</b>
Taxation . . . . .	(4,019)	(4,471)	(7,294)
<b>Profit and total comprehensive income for the financial year</b> . . . . .	<b>14,154</b>	<b>18,382</b>	<b>9,882</b>
<b>Attributable to:</b>			
Equity holders of Alfa Financial Software Group Limited . . . . .	11,269	14,659	7,869
Non-controlling interest . . . . .	2,885	3,723	2,013
	<b>14,154</b>	<b>18,382</b>	<b>9,882</b>

# Consolidated statements of financial position as at 31 December

	As at 31 December		
	2014	2015	2016
		(£ 000s)	
<b>Assets</b>			
<b>Non-current assets</b>			
Property plant and equipment . . . . .	527	1,345	1,305
Goodwill . . . . .	24,737	24,737	24,737
Amounts owed by parent company . . . . .	—	8,860	27,043
<b>Total non-current assets . . . . .</b>	<b>25,264</b>	<b>34,942</b>	<b>53,085</b>
<b>Current assets</b>			
Trade and other receivables . . . . .	3,879	12,235	9,606
Accrued income . . . . .	1,031	1,706	3,623
Prepayments . . . . .	951	998	953
Other receivables . . . . .	365	827	943
Cash and cash equivalents . . . . .	27,032	34,094	46,266
<b>Total current assets . . . . .</b>	<b>33,258</b>	<b>49,860</b>	<b>61,391</b>
<b>Total assets . . . . .</b>	<b>58,522</b>	<b>84,802</b>	<b>114,476</b>
<b>Liabilities and Equity</b>			
<b>Current Liabilities</b>			
Trade and other payables . . . . .	4,115	4,393	8,686
Corporation tax . . . . .	2,012	1,631	3,088
Deferred revenue . . . . .	7,896	15,317	14,019
Provisions for other liabilities . . . . .	—	303	—
Derivative financial liabilities . . . . .	—	231	3,536
<b>Total current liabilities . . . . .</b>	<b>14,023</b>	<b>21,875</b>	<b>29,329</b>
<b>Non-current liabilities</b>			
Provisions for other liabilities . . . . .	93	140	58
Derivative financial liabilities . . . . .	—	—	491
<b>Total non-current liabilities . . . . .</b>	<b>93</b>	<b>140</b>	<b>549</b>
<b>Total liabilities . . . . .</b>	<b>14,116</b>	<b>22,015</b>	<b>29,878</b>
<b>Capital and reserves</b>			
Ordinary shares . . . . .	21	21	27
C preference shares . . . . .	6,000	6,000	—
Share premium . . . . .	11,123	11,123	11,123
Retained earnings . . . . .	18,604	33,262	73,448
Equity attributable to parent . . . . .	35,748	50,406	84,598
Non-controlling interest . . . . .	8,658	12,381	—
<b>Total equity . . . . .</b>	<b>44,406</b>	<b>62,787</b>	<b>84,598</b>
<b>Total liabilities and equity . . . . .</b>	<b>58,522</b>	<b>84,802</b>	<b>114,476</b>

# **Consolidated statements of cash flows for the years ended 31 December**

	Year ended 31 December		
	2014	2015	2016
		(£ 000s)	
<b>Cash flows from operations</b>			
Operating profit . . . . .	18,107	22,662	16,589
Adjustments:			
Depreciation . . . . .	333	379	437
Share based payment expense . . . . .	—	—	16,200
Unrealised loss on derivative financial liabilities . . . . .	—	231	3,796
Movement in working capital:			
Movement in trade and other receivables . . . . .	911	(9,274)	850
Movement in trade and other payables and provisions (excluding derivative financial instruments and deferred revenue) . . . . .	937	678	4,902
Movement in deferred revenue . . . . .	976	7,087	(1,299)
Cash generated from operations . . . . .	21,264	21,763	41,475
Settlement of derivative financial instruments . . . . .	—	(203)	(4,036)
Income taxes paid . . . . .	(3,066)	(4,938)	(5,771)
<b>Net cash generated from operating activities . . . . .</b>	<b>18,198</b>	<b>16,622</b>	<b>31,668</b>
<b>Cash flow from investing activities</b>			
Purchases of property, plant and equipment . . . . .	(255)	(1,199)	(390)
Loans advanced to related parties . . . . .	—	(8,873)	(17,699)
Interest received . . . . .	66	139	105
<b>Net cash used in investing activities . . . . .</b>	<b>(189)</b>	<b>(9,933)</b>	<b>(17,984)</b>
<b>Cash flows from financing activities</b>			
Redemption of C preference shares . . . . .	—	—	(3,270)
Dividends paid . . . . .	—	—	(1,000)
<b>Cash used in financing activities . . . . .</b>	<b>—</b>	<b>—</b>	<b>(4,270)</b>
<b>Effect of exchange rate changes . . . . .</b>	<b>(50)</b>	<b>373</b>	<b>2,758</b>
<b>Net increase in cash and cash equivalents . . . . .</b>	<b>17,959</b>	<b>7,062</b>	<b>12,172</b>
<b>Cash and cash equivalents at the beginning of the year . . . . .</b>	<b>9,073</b>	<b>27,032</b>	<b>34,094</b>
<b>Cash and cash equivalents at the end of the year . . . . .</b>	<b>27,032</b>	<b>34,094</b>	<b>46,266</b>



## PART 9 OPERATING AND FINANCIAL REVIEW

*This Part 9 “Operating and Financial Review” should be read in conjunction with Part 2 “Presentation of Financial and Other Information”, Part 5 “Industry Overview”, Part 6 “Business” and Part 11 “Historical Financial Information”. Prospective investors should read the entire document and not just rely on the summary set out below. The financial information considered in this Part 9 “Operating and Financial Review” is extracted from the financial information set out in Part 11 “Historical Financial Information”.*

*The following discussion of the Company’s results of operations and financial conditions contains forward-looking statements. The Company’s actual results could differ materially from those that it discusses in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under Part 1 “Risk Factors” and Part 2 “Presentation of Financial and Other Information”. In addition, certain industry issues also affect the Company’s results of operations and are described in Part 5 “Industry Overview”.*

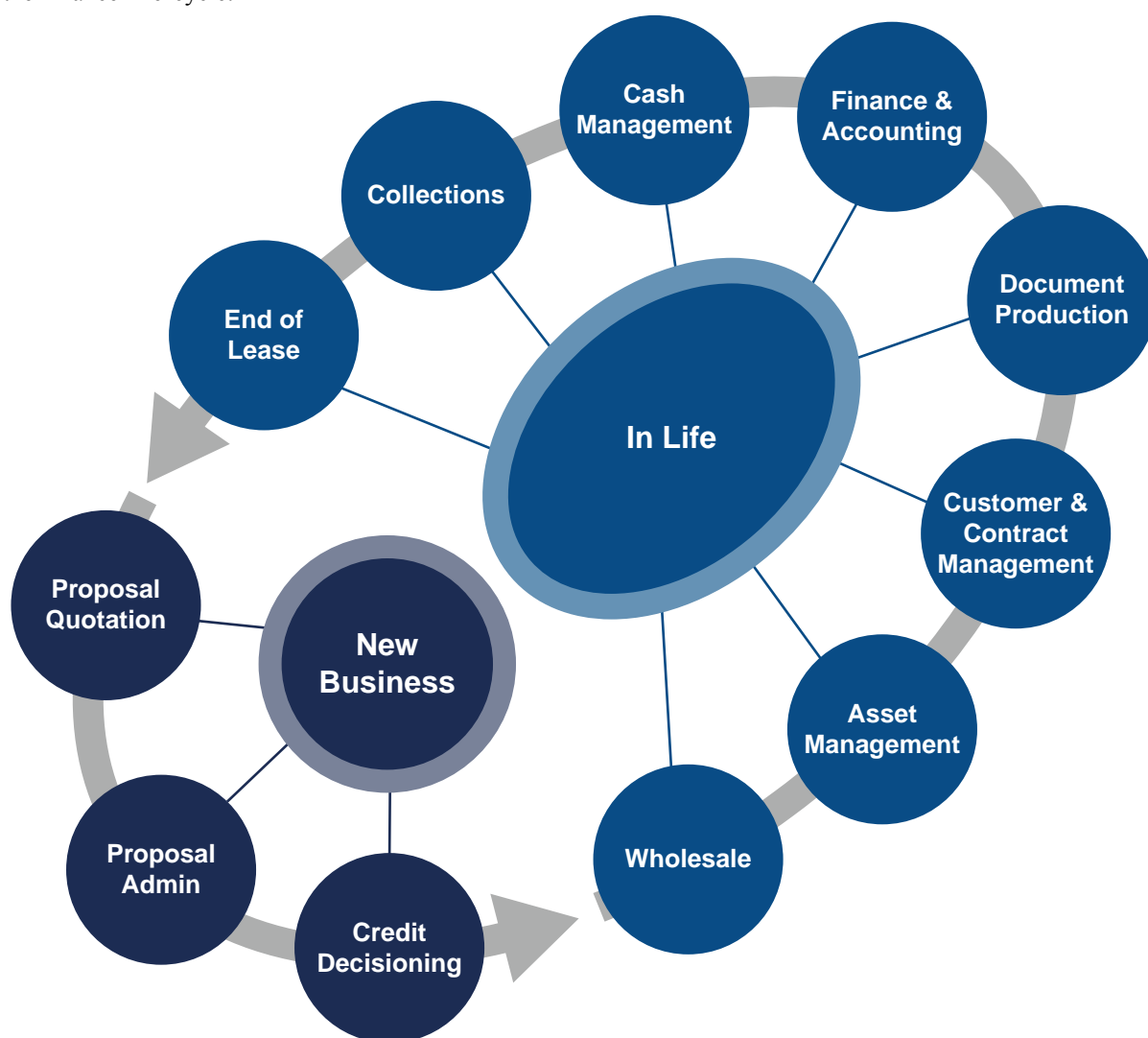
### 1. Overview

Alfa is the developer of Alfa Systems, a leading, mission-critical software platform purpose-built for asset finance enterprises globally, making it well placed to serve those providing asset finance across a wide range of asset classes. Asset finance enterprises in the automotive and equipment finance industries use Alfa Systems across the entire finance life cycle, from proposal to end of lease, across many asset types and financing structures. Alfa Systems’ unified and modern data platform provides a core system of record for all asset, contract and end-customer data whilst its comprehensive functionality enables clients to automate critical business functions and enhance business agility. It is a single product which is modern, highly scalable and flexible, offers extensive configurability of business rules and workflows to Alfa’s clients and therefore enables a high degree of automation in Alfa’s clients’ business processes.

Alfa Systems allows clients to achieve operational efficiencies by optimising their business processes whilst reducing infrastructure costs. It also provides clients the flexibility and agility to adapt to ever-changing and more complex regulations that legacy systems are not able to comply with, easily or at all.

The specialised, complex and changing requirements of the asset finance industry create particular challenges in developing solutions that are fit for purpose. This provides Alfa with many opportunities for acquiring new clients whose legacy or in-house solutions cannot cope with the evolving regulatory landscape. Many asset finance enterprises use systems (including both legacy systems and non-specialist ERP systems) that are outdated, lack flexibility and functionality, and/or impose high total costs of ownership. Legacy systems may rely on ageing programming languages that are no longer well supported and require resource-intensive custom coding to make even minor changes to process and functionality, especially if point-to-point solutions are poorly integrated. ERP systems are not explicitly designed for asset finance and lack full functionality with deep asset-by-asset detail and have limited workflow automation, which can require costly and time consuming workarounds. Even systems which look modern are often based on a legacy core and therefore cannot meet the functionality and flexibility demands of clients. The inefficient workflow, lack of real-time actionable data and digitalisation and the need for ad-hoc manual processes impede business agility and reduce competitiveness. All of these deficiencies tend to result in a higher level of staff and other costs and can also hinder regulatory compliance.

Alfa has developed its purpose-built solution to meet the current and future needs of the asset finance industry. Alfa Systems uses its modern technology platform to support a wide variety of asset finance products across the finance life cycle.



Alfa Systems version 5 runs on a single code base architected on a common data platform that can be deployed on-premise or in-cloud and is delivered through a web-based interface.

Alfa benefits from strong long-term client relationships, built over a number of years of close collaboration and continual delivery to a high standard. These deep relationships, some of which are in excess of two decades long, underpin Alfa's significant revenue visibility as well as provide references to new clients. Alfa's clients include leading asset finance companies globally (e.g. the asset finance operations of Bank of America, Barclays, Close Brothers and Nordea); captives (e.g. the asset financing divisions of Mercedes-Benz, Toyota and Siemens); and specialist independent companies (e.g. Motability and the Uber leasing subsidiary Xchange Leasing). Alfa had 28 clients as of 31 December 2016.

Alfa was founded in 1990 with its headquarters in London, and had more than 250 employees at 31 December 2016, working for clients across 18 countries, with other physical offices established in Detroit, Los Angeles, Dallas and Auckland.

Alfa earns revenue from client implementations, post-implementation ODS and maintenance. These accounted for 65%, 12% and 23% of revenue, respectively, in the year ended 31 December 2016.

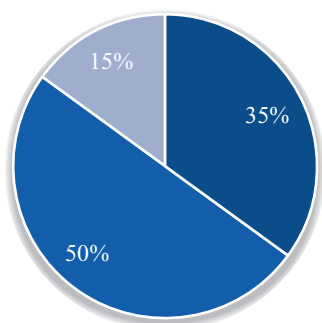
Client implementation revenue is generated from fees for licensing, software development and implementation services. Licences are usually provided on a perpetual basis and invoiced upfront. Software development and implementation fees are typically charged on a time and materials basis for the duration of the implementation period and invoiced monthly in arrears. Maintenance fees are typically charged from the end of the implementation period and invoiced annually in advance. Both licence and maintenance amounts are typically

set with reference to an expected volume of asset finance contracts processed and the modules installed, as well as geographies. Additional volume and/or modules over the expected amount normally result in increases in annual maintenance fee as well as additional licence fees.

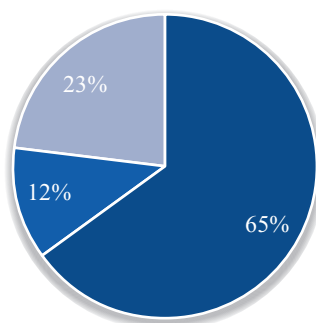
ODS revenue is earned from ongoing, post-implementation services. These services are billed on a time and expenses basis.

Alfa benefits from high Adjusted EBIT margins and strong cash conversion. In the year ended 31 December 2016, the Group generated revenue of £73.3 million, an increase of 36%, as compared to £54.0 million in the year ended 31 December 2015, and had operating profit of £16.6 million compared to £22.7 million in the year ended 31 December 2015. The Group's operating free cash flow was £37.0 million in the year ended 31 December 2016. The charts below summarise the Group's total revenue by geography, type and sector.

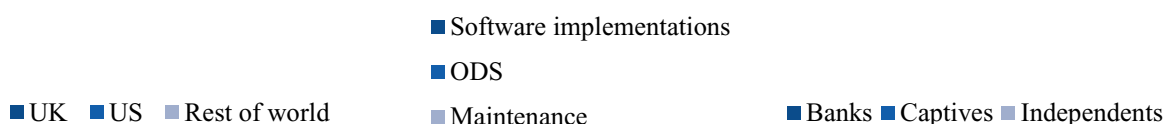
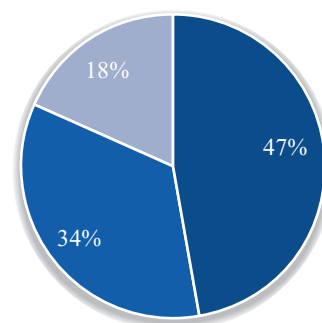
**2016 Revenue—Geography**



**2016 Revenue—Type**



**2016 Revenue—Client Sector**



## 2. Significant factors affecting the Group's results of operations

The Group's results have been affected, and are expected to be affected in the future, by a variety of factors. A discussion of key factors that have had, or may have an effect on the Group's results is set forth below. For a further discussion of the factors affecting the Group's results of operations, see Part 1 "Risk Factors".

### 2.1 Predictability of revenue

The Group earns revenue from licensing, implementing and developing Alfa Systems for asset finance clients. In addition to this, the Group earns revenue from ongoing maintenance services to its clients as well as ad hoc additional licences, development or change management related services.

The Group experiences a significant degree of revenue predictability over the life of a client relationship in the following ways:

- The software implementation of Alfa Systems typically runs two to five years due to the significant customisation, long deployment cycles and extensive development modifications, although this period can be a year or shorter for less complex implementations or upgrades. Correspondingly, depending on the size and complexity of software implementations, total implementations revenue for projects can vary significantly. There is often a significant amount of man day effort contracted at any given time, and the more projects which Alfa has in software implementation phase at any given moment, the greater visibility on contracted revenue. In addition, due to the mid-to-long term software implementation cycle, the Group typically recognises licence revenue, which is perpetual and invoiced in full at the start of the software implementation, rateably in line with software implementation effort over the period of software implementation.
- The Group also charges an annual maintenance fee, which is typically calculated as a proportion of the licence fee. The maintenance fee is invoiced in advance, predominantly in the first half of the year, and recognised rateably over the year. The maintenance fee may increase over time at a fixed percentage or based on an index, and it may also increase due to the size of the client's portfolio, additional module sales and geographical expansion, in each case depending on the terms agreed with the client. Increasingly,

the Group has charged maintenance revenue as part of multi-phase software implementations or when a client is given access to Alfa Systems for testing, and the Group has negotiated to increase recurring maintenance revenue across its portfolio of clients by approximately 9% in the year ended 31 December 2016.

- (c) Through its ODS work, consisting of software development and premium consultancy services, the Group continues to generate additional revenue from existing clients once the initial software implementation phase has completed. The Group sells incremental modules for Alfa Systems or develops specific, client-requested software enhancements which deliver new features and functionality and for which the Group retains intellectual property rights and the ability to sell those features and functionality to other clients. Clients may also request version upgrades from version 4 to version 5. In terms of premium consultancy services, the Group offers clients accounting and process improvement advice, which reflects the Group's trusted relationship with clients and its deep understanding of asset finance. Over time, the Directors believe that the Group will develop new ODS revenue streams as clients move from the software implementation phase and into obtaining ODS work, although ODS work is subject to fluctuation based on timing of requests for specific ODS work, the size of clients requesting the work and timing of completion of software implementations which can lead to an increase in the number of clients requesting ODS work. In this respect, ODS work typically scales down approximately six to twelve months after completion of the software implementation, but this period can be longer depending on the complexity and duration of the implementation.

Moreover, the Group has significant visibility over the impact of any clients' termination of licence or maintenance agreements due to the typical one-year notice requirement, which allows the Group time to compensate for any loss of revenue which may result from such termination.

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. However, the Group may be impacted by foreign currency fluctuations or certain non-recurring revenues due to licence extensions or increases in client portfolio sizes. Additionally, 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; and (ii) cash flows are impacted on the invoicing of up-front licence fees at the commencement of an implementation.

In 2016, the Group offered a cloud-based service to one of its clients, which avoids the need to provide, deploy and manage internal infrastructure at a client's premises, which accounted for less than 1% of revenue in the year ended 31 December 2016. While the Group also offers support, training and professional services to its clients who choose to take the cloud-based offering, this represents a shorter revenue cycle because it allows for a faster software implementation process but potentially increased margins and longer term stable revenue. In particular, revenue for the cloud-based offering is typically tied to the size of client portfolio serviced by Alfa Systems and, therefore, depends on the speed at which the client portfolio grows and reaches its contractually agreed plateau, where revenue is fixed based on the plateau and are not decreased in the event of a subsequent diminution in the size of the client portfolio.

## ***2.2 Growth of new clients and client retention***

The Directors believe that the Group's ability to attract new clients and grow its client base drives its success as a business. The Group acquired one new client in each of the years ended 31 December 2014, 2015 and 2016. New clients may be acquired in a different financial period from the period in which they generate revenue due to the timing of signing contracts and initiation of implementation efforts. Revenue from new clients to the Group contributed 8% of the Group's total revenue in 2016.

Additionally the Group monitors new client revenue in its revenue segmentation as follows.

- New software implementation clients are those clients who began implementations within the financial year measured as at 31 December. New software implementation clients can be either new clients to the Group or can be existing clients embarking on an upgrade or geographical roll out.
- New ODS clients represent clients who moved from the implementation phase to the ODS phase in that financial year or those clients who began ODS work in excess of £100,000 in that financial year.

- New maintenance clients represent implementation clients who either started receiving maintenance services in the financial year or were paying maintenance at a reduced rate for the expected run rate for the account.

New ODS and new maintenance clients are not new clients to the Group for the purposes of assessing new client total revenue in the year. Existing clients are all other clients.

Clients in the software implementation phase have been, and are expected to continue to be, important to the Group's revenue growth. In the years ended 31 December 2014, 2015 and 2016, the Group's top three clients in each year accounted for 46%, 53% and 54% of the Group's revenue, respectively, while the Group's top ten clients in each year accounted for 79%, 86% and 90% of the Group's revenue, respectively. This concentration reflects the size and mission-critical nature of software implementations. In each year, the top five clients are all in the software implementation phase, while the next five clients are ODS clients in the post- software implementation phase. The top five clients tend to evolve every two to three years as a result of new clients signed for software implementations and where in the software implementation cycle clients are, with those in the middle to end of implementation representing the most significant revenue streams.

The Group's success also depends on its ability to maintain and expand its relationship with existing clients. The average client life of an Alfa client is more than a decade (calculated since 2000), with some relationships lasting more than two decades. In light of the strength of the Group's relationships and the importance of Alfa Systems to clients, clients also often seek increased licences based on volumes of leases or contracts, and/or modules, for example as a result of geographical expansion or changing regulatory requirements. This increasing product attachment contributes further to the Group's growth and, in the case of new modules developed at a particular client's request, enhances Alfa's offering for prospective clients. Revenue from Alfa's existing client base contributed 92% of the Group's total revenue in 2016.

### **2.3 Research and product development**

Unlike other software companies, a significant majority of the Group's developments and enhancements of Alfa Systems are client-supported, that is, driven by specific client requests and therefore charged to the client and included in revenue, while the Group retains the rights to the underlying intellectual property. This model allows the Group to continuously enhance the capabilities of Alfa Systems at reasonable costs and enables its new and existing clients access to such developments. The Group invests significantly more in research and product development than in sales and marketing, with 19% of its revenue spent in relation to the continued development of the Group's platform in the year ended 31 December 2016. In the year ended 31 December 2016 the Group had an average of 126 developer personnel and expects to continue to grow this group of personnel.

Although the Group has historically not capitalised development costs, costs may be capitalised once the product's viability, target market and timetable to completion are established. Going forward, any significant research and development projects which the Group undertakes may result in an increase in capitalised costs.

### **2.4 Currency fluctuations**

The Group's principal currencies of operation are pounds sterling and U.S. Dollar, and other operational currencies include the euro, the Australian Dollar, the New Zealand Dollar and the Swedish Kroner. The Group is therefore subject to currency exchange risk including translation risk and economic transaction risk related to the U.S. dollar and pounds sterling. For the year ended 31 December 2016, 35%, 50% and 15% of the Group's revenue were from the United Kingdom, the United States and the rest of the world, respectively. To mitigate currency exchange risk, the Group generally seeks to match its billings and expenses for its operations in each jurisdiction by typically invoicing clients in their local currency and paying local expenses in local currency.

In addition to the natural hedging arrangements described above, the Group has in the past used foreign currency forwards to reduce its exposures to changes in U.S. Dollar exchange rates, however the Group does not currently maintain a consistent programme to hedge all such foreign currency exposures. In the future, the Group may continue to use derivative instruments to hedge certain exposures, although the Group does not currently apply hedge accounting and has no current plans to do so.

See also "*Quantitative and qualitative disclosures about market risks—Foreign exchange risk*".

### **2.5 Personnel costs**

The Group's personnel costs, excluding share-based payment expenses, represented 49% of its overall operating costs for the year ended 31 December 2016. The Group intends to increase staffing levels at the same rate as in

the year ended 31 December 2016 and continue to invest in its employees and expects personnel costs to increase as a proportion of total operating costs.

Personnel costs, excluding share based payment expenses of £16.2 million in 2016, increased by 32% in the year ended 31 December 2016 compared to the year ended 31 December 2015 as a result of a proportion of bonus being paid as a dividend in the year ended 31 December 2015 of £1.0 million, annual salary increases and an increase in bonus reflecting increased profitability.

Adjusting 2015 personnel costs to include the bonus paid as a dividend, adjusted personnel costs increased by 26%. The average number of FTEs has increased from 176 in the year ended 31 December 2014 to 246 in the year ended 31 December 2016, and personnel costs per average employee (excluding share based payment expenses but including the bonus paid as a dividend) have increased from £102,000 in the year ended 31 December 2014 to £112,000 in the year ended 31 December 2016.

## ***2.6 Share-based compensation***

In the years ended 31 December 2014 and 2015, certain employees of the Group were offered the opportunity to participate in one of two share schemes which allowed them to purchase an ownership interest in the Group at the share's nominal value. These interests will vest in tranches following a listing or change of control event. A charge for these plans was not recorded in prior periods as a vesting event was not deemed probable. During the fourth quarter ended 31 December 2016, management determined that a listing was probable and recorded an accelerated charge of £16.2 million in the year ended 31 December 2016, with an additional charge of £4.4 million expected in 2017.

## ***2.7 Costs as a listed company***

From Admission, the Group will incur additional costs as a listed company which it had not previously incurred. These costs principally consist of the costs associated with maintaining the Board (as detailed in paragraph 6 of Part 13 "Additional Information"), the Company's share schemes (as detailed in paragraph 8 of Part 13 "Additional Information"), the establishment of an investor relations function and the costs of communications with Shareholders, including the annual report. These are estimated to be approximately £1 million per annum.

## **3. Current trading and prospects**

The Directors are confident in the Group's outlook for the remainder of 2017 and the Group's longer term prospects. The Group currently estimates its 2017 total contracted value at £63 million, and the Group expects to obtain two to three new clients of various magnitudes in 2017. Total contracted value is not defined by IFRS and 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 and recognise deferred licence amounts; and (iii) ODS work which is contracted under a statement of work.

For the current financial year and at a budget rate of USD:GBP 1.25, the Group targets double-digit growth in revenue from 2016 levels, with stable operating free cash flow conversion. The Directors are encouraged by the Group's Q1 2017 performance, with revenues in the first quarter ended 31 March 2017 being both robustly ahead of the prior year comparative period and ahead of internal expectations, reflecting high levels of activity on both implementation and ODS projects. Adjusted EBIT also exceeded internal plans as well as being strongly ahead of the prior year period. The pipeline of new business prospects has continued to develop very satisfactorily in the financial year to date, with a number of larger deals at advanced and exclusive diligence and/or contract negotiation stages, and other significant new prospects also advancing. The second quarter of 2017, as in previous years, is expected to benefit from seasonally stronger cashflows as a significant proportion of annual maintenance billings are invoiced and collected in the second quarter.

On 28 April 2017, Alfa Financial Software Group Limited advanced a loan of £5.1 million to the Selling Shareholder. This loan will be repaid in full prior to Admission, out of the proceeds of a £29.2 million dividend from Alfa Financial Software Group Limited to the Selling Shareholder, which was declared on 4 May 2017 and will be paid prior to Admission.

#### 4. Description of key line items

##### ***Revenue***

The Group generates revenue from software implementations, maintenance and post-implementation ongoing development and services.

*Software implementation services*—this represents income from perpetual licences, the cost of software implementation and client-specific development efforts, all of which are delivered under a master services agreement. Long-term software implementation arrangements are accounted for on a percentage-of-completion basis, whereby revenue recognised during the period represents the man-days effort incurred up to the end of the reporting period as a percentage of the total estimated man days to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue due to changes in estimates are accounted for in the period in which the change in estimates occurs. Such revenue is recognised when man-days efforts are provided and collection is deemed probable. Provisions are made for estimated losses on contracts where applicable and such provision would comprise the valuation of the estimated loss until the completion of the work.

*Maintenance*—revenue from annual maintenance contracts is recognised on a straight line basis over the course of the contract, which is generally 12 months. Revenue is recognised when collection is reasonably assured.

*Ongoing development services*—such services are recognised as revenue as services are delivered.

In terms of revenue by function, licence and software development revenue accounted for 40%, 39% and 38% of the Group's total revenue, and software-related services revenue accounted for 34%, 40% and 39% of the Group's total revenue, in the years ended 31 December 2014, 2015 and 2016, respectively, while maintenance revenue accounted for the remainder of the Group's total revenue. For these purposes, revenue has been split by type of service, being software and software-related services. Software is revenue related to licensing, development and maintenance of the Group's software solutions, including software development fees for requested functionality, as well as providing hosting and subscription arrangements. Software-related services is revenue related to implementation and other post-implementation consultancy and support services. There is a degree of judgement in relation to the proportion of the implementation revenue which is derived from development services that enhance the functionality of the software and is therefore classified as software revenue, in comparison to the proportion of implementation revenue related to the implementation of the existing software, and therefore is classified as software-related services revenue.

The Group has made an accounting policy election to recognise unrealised gains or losses on derivative financial instruments within revenue; therefore, such gains or losses are shown net of revenue where instruments have been entered into match the U.S. dollar denominated projected cash flows. These losses represented nil, £0.2 million and £3.8 million in the years ended 31 December 2014, 2015 and 2016, respectively.

##### ***Operating expenses***

The Group's operating expenses are comprised of implementation and support expenses, research and product development and sales, general and administrative expenses.

Implementation and support expenses relate to the personnel expenses associated with personnel assigned to software implementation services with an appropriate portion of relevant overheads and project related travel and accommodation expenses.

The Group invests a substantial part of its time in research and product development work in relation to the enhancement of its product platform and capabilities and predominantly relates to personnel costs, with an appropriate portion of relevant overheads. Such research and product development work is recharged to the client where it is linked to project software implementation. All research product and development costs have been expensed as incurred historically as such internally generated research and product development costs only qualify for capitalisation if the Group can demonstrate technical feasibility of the project, the ability to use or sell the intangible asset, 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 the ability to measure reliably the expenditure attributable to the intangible asset during development. As the Group has not historically measured the expenditure attributable to individual projects reliably, development costs have not been capitalised. However, the Group continues to assess the eligibility of development costs for capitalisation on a project by project basis.

Sales, general and administrative costs consist of employee costs in relation to sales and marketing personnel, management and other administrative roles, depreciation of property, plant and equipment and other operating expenses.

### *Net finance income*

The Group's finance income includes interest received on cash and cash equivalents.

### *Taxation*

The Group's effective tax rate is driven by the mix of geographical revenue and software sold in any given period. As the Group's business decisions are not driven by a target tax rate, but rather by its operating activities, this will result in fluctuations of the Group's effective tax rate year over year, which in turn has an impact on the Group's results of operations.

## **5. Results of operations**

### **Consolidated statement of profit or loss and comprehensive income**

	<b>For the year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>(£ 000s)</b>		
<b>Continuing operations</b>			
Revenue	43,289	54,035	73,280
Implementation and support expenses	(11,318)	(13,519)	(16,714)
Research and product development expenses	(7,058)	(9,799)	(13,643)
Sales, general and admin expenses	(6,842)	(8,091)	(26,370)
Other operating income	36	36	36
<b>Operating profit</b>	<b>18,107</b>	<b>22,662</b>	<b>16,589</b>
Finance income	66	191	587
<b>Profit before taxation</b>	<b>18,173</b>	<b>22,853</b>	<b>17,176</b>
Taxation	(4,019)	(4,471)	(7,294)
<b>Profit and total comprehensive income for the financial year</b>	<b>14,154</b>	<b>18,382</b>	<b>9,882</b>

### *5.1 Comparison of the year ended 31 December 2016 with the year ended 31 December 2015*

	<b>For the year ended 31 December 2015</b>		<b>For the year ended 31 December 2016</b>		<b>Percentage change</b>
	<b>(£ 000s)</b>	<b>(% of revenue)</b>	<b>(£ 000s)</b>	<b>(% of revenue)</b>	
<b>Continuing operations</b>					
Revenue	54,035	100%	73,280	100%	36%
Implementation and support expenses	(13,519)	(25)%	(16,714)	(23)%	(24)%
Research and product development expenses	(9,799)	(18)%	(13,643)	(19)%	(39)%
Sales, general and admin expenses	(8,091)	(15)%	(26,370)	(36)%	(226)%
Other operating income	36	0%	36	0%	0%
<b>Operating profit</b>	<b>22,662</b>	<b>42%</b>	<b>16,589</b>	<b>23%</b>	<b>(27)%</b>
Finance income	191	0%	587	1%	207%
<b>Profit before taxation</b>	<b>22,853</b>	<b>42%</b>	<b>17,176</b>	<b>23%</b>	<b>(25)%</b>
Taxation	(4,471)	8%	(7,294)	(10)%	(63)%
<b>Profit and total comprehensive income for the financial year</b>	<b>18,382</b>	<b>34%</b>	<b>9,882</b>	<b>13%</b>	<b>(46)%</b>

### *Revenue*

Total revenue increased £19.2 million, or 36%, to £73.3 million in the year ended 31 December 2016 from £54.0 million in the year ended 31 December 2015. Growth in total revenue was attributable to ongoing implementations, specifically in the United States, as well as increased revenue from new clients, which contributed £5.5 million, or 8%, to the overall revenue growth, offset by unrealised losses on financial instruments of £3.8 million. Revenue by average client facing employee increased by 14% in the year ended 31 December 2016 to £351,000, specifically impacted by the strengthening of the U.S. dollar.



In the year ended 31 December 2016, revenue from clients located in the United States grew to 50% of total revenue, excluding unrealised losses on derivative instruments, compared to 46% in the year ended 31 December 2015. On a constant currency basis, revenue growth was 32%, in the year ended 31 December 2016, assuming 2016 revenues were calculated using the relevant average rate for the prior year.

#### Revenue by type—implementations, ODS and maintenance

Implementations revenue increased by £10.4 million, or 28%, to £47.9 million in the year ended 31 December 2016 (comprising £5.3 million of implementations revenue in respect of new implementation clients and £42.6 million of implementations revenue in respect of ongoing implementations) from £37.5 million in the year ended 31 December 2015 (comprising £3.1 million of implementations revenue in respect of new clients and £34.4 million of implementations revenue in respect of ongoing implementations). The Group performed implementations for eight clients in the year ended 31 December 2016 compared to seven clients in the year ended 31 December 2015. On a constant currency basis, implementation revenue growth was 16%.

ODS revenue increased by £3.5 million, or 67%, to £8.7 million in the year ended 31 December 2016 (comprising £3.1 million of ODS revenue in respect of new clients and £5.6 million of ODS revenue in respect of existing clients) from £5.2 million in the year ended 31 December 2015. New ODS clients represent clients who moved from the implementation phase to the ODS phase in that financial year or those clients who began ODS work in excess of £100,000 in that financial year. New ODS clients are not new clients to the Group. The increase in ODS revenue was attributable to an implementation client moving into ODS services in the second half of 2016. The Group performed ODS work (with revenues of more than £0.1 million) for ten clients and nine clients in the years ended 31 December 2016 and 2015, respectively.

Maintenance revenue increased by £5.4 million, or 47%, to £16.7 million in the year ended 31 December 2016 (comprising £3.3 million of maintenance revenue in respect of new clients, £11.0 million of maintenance revenue in respect of existing clients, and £2.4 million of non-recurring maintenance revenue) from £11.4 million in the year ended 31 December 2015 (comprising £1.3 million of maintenance revenue in respect of new clients and £10.1 million of maintenance revenue in respect of existing clients). New maintenance clients represent implementation clients who either started receiving maintenance services in the financial year or were paying maintenance at a reduced rate for the expected run rate for the account. New maintenance clients are not new clients to the Group. The increase in maintenance revenue was attributable to new client wins and generating maintenance from implementation clients and annual price rises. Average maintenance revenue per client increased to £0.6 million in the year ended 31 December 2016 from £0.4 million in the year ended 31 December 2015. Non-recurring maintenance revenue is revenue received in excess of contractual maintenance amounts which includes increases for volume uplifts or maintenance in relation to customers who have given notice they are exiting the market in the next 12 months.

#### *Implementation and support expenses*

Implementation and support expenses increased £3.2 million, or 24%, to £16.7 million in the year ended 31 December 2016 from £13.5 million in the year ended 31 December 2015 but decreased to 23% of revenues in the year ended 31 December 2016 from 25% of revenues in the year ended 31 December 2015. The decrease as a percentage of revenues is due to personnel mix, as the Group benefited from ongoing graduate recruitment and training, offset by increased recruitment and project-related travel and accommodation expenses. Implementation and support expenses per employee increased to approximately £201,000 in the year ended 31 December 2016 from approximately £167,000 in the year ended 31 December 2015, primarily related to project-related expenses.

#### *Research and product development expenses*

Research and product development expenses increased by £3.8 million, or 39%, to £13.6 million in the year ended 31 December 2016 from £9.8 million in the year ended 31 December 2015. The overall increase was primarily a result of increased recruitment of developers, primarily for client related specific enhancements and developments. As a percentage of revenue, research and product development expenses increased from 18% in the year ended 31 December 2015 to 19% in the year ended 31 December 2016, as headcount increased to an average of 126 from 95. Research and product development expenses per relevant employee increased to approximately £108,000 in the year ended 31 December 2016 from approximately £103,000 in the year ended 31 December 2015.

### *Sales, general and administrative expenses*

Sales, general and administrative expenses increased £18.3 million, or 226%, to £26.4 million in the year ended 31 December 2016 from £8.1 million in the year ended 31 December 2015 due to a share based payment expense of £16.2 million in the year ended 31 December 2016 and an increase in sales and marketing headcount, to support the Group's continued global expansion.

### *Operating profit, Adjusted EBIT and Adjusted EBIT margin*

Operating profit decreased to £16.6 million in the year ended 31 December 2016 from £22.7 million in the year ended 31 December 2015, and operating profit margin decreased to 23% of revenue in the year ended 31 December 2016 from 42% in the year ended 31 December 2015.

After adjusting for share based payment expenses of £16.2 million, Adjusted EBIT margin in the year ended 31 December 2016 was 45% primarily due to increased implementation revenue and the strengthening of the U.S. dollar.

### *Finance income*

Finance income increased by £0.4 million in the year ended 31 December 2016, compared to the year ended 31 December 2015 due to interest received from parent company due to increase in the related party loan receivable.

### *Taxation*

The Group reported tax expense of £7.3 million on pre-tax income of £17.2 million, which resulted in an effective tax rate of 42% for the year ended 31 December 2016, while the Group reported tax expense of £4.5 million, which resulted in an effective tax rate of 20% for the year ended 31 December 2015. The increase in the effective tax rate is due to the share based payment expense of £16.2 million for the year ended 31 December 2016, as this expense is not tax-deductible. Other non-deductible expenses for the year ended 31 December 2016 relate to client development activities and expenses related to the Global Offer. Excluding the share based payment expense, the adjusted effective tax rate would have been 22% in 2016.

### *Profit for the financial year*

Due to the reasons described above, the group's profit for the period decreased by £8.5 million, or 46%, to £9.9 million in the year ended 31 December 2016 from a profit of £18.4 million in the year ended 31 December 2015.

## **5.2 Comparison of the year ended 31 December 2015 with the year ended 31 December 2014**

	For the year ended 31 December 2014		For the year ended 31 December 2015		Percentage change
	(£ 000s)	(% of revenue)	(£ 000s)	(% of revenue)	
<b>Continuing operations</b>					
Revenue . . . . .	43,289	100%	54,035	100%	25%
Implementation and support expenses . . . . .	(11,318)	(26)%	(13,519)	(25)%	19%
Research and product development expenses . . . . .	(7,058)	(16)%	(9,799)	(18)%	39%
Sales, general and admin expenses . . . . .	(6,842)	(16)%	(8,091)	(15)%	18%
Other operating income . . . . .	36	0%	36	0%	0%
<b>Operating profit . . . . .</b>	<b>18,107</b>	<b>42%</b>	<b>22,662</b>	<b>42%</b>	<b>25%</b>
Finance income . . . . .	66	0%	191	0%	189%
<b>Profit before taxation . . . . .</b>	<b>18,173</b>	<b>42%</b>	<b>22,853</b>	<b>42%</b>	<b>26%</b>
Taxation . . . . .	(4,019)	(9)%	(4,471)	8%	11%
<b>Profit and total comprehensive income for the financial year . . . . .</b>	<b>14,154</b>	<b>33%</b>	<b>18,382</b>	<b>34%</b>	<b>30%</b>

### *Revenue*

Total revenue increased £10.7 million, or 25%, to £54.0 million in the year ended 31 December 2015 from £43.3 million in the year ended 31 December 2014. Growth in total revenue was attributable to increased revenue from implementations, marginally offset by a decrease in ODS revenue of £0.9 million. New

implementation clients contributed £3.1 million, or 6%, to the overall revenue growth with ongoing implementation projects increasing by £8.7 million. Revenue by average client facing employee increased by 3% in the year ended 31 December 2015 to £307,000, reflecting inflationary increases in day rates. On a constant currency basis, revenue growth would have been marginally lower at 23% in the year ended 31 December 2015. In the year ended 31 December 2015, revenue from clients located in the United States grew to 46% of total revenue, excluding unrealised losses on derivative instruments, compared to 34% in the year ended 31 December 2014.

#### Revenue by type—implementations, ODS and maintenance

Implementations revenue increased by £11.8 million, or 46%, to £37.5 million in the year ended 31 December 2015 (comprising £3.1 million of implementations revenue in respect of new clients and £34.4 million of implementations revenue in respect of existing clients) from £25.6 million in the year ended 31 December 2014 (comprising £5.9 million of implementations revenue in respect of new clients and £19.7 million of implementations revenue in respect of existing clients). The increase in implementations revenue was attributable to a significant increase in revenue due to existing implementation clients plus new implementation clients. The Group performed implementations for seven clients in the year ended 31 December 2015 compared to nine clients in the year ended 31 December 2014. On a constant currency basis, implementations revenue growth would have been 42%.

ODS revenue decreased by £0.9 million, or 14%, to £5.2 million in the year ended 31 December 2015 from £6.1 million in the year ended 31 December 2014. The decrease in ODS revenue was attributable to a number of ODS projects nearing completion.

Maintenance revenue decreased by £0.2 million, or 2%, to £11.4 million in the year ended 31 December 2015 (comprising £1.3 million of maintenance revenue in respect of new clients and £10.1 million of maintenance revenue in respect of existing clients) from £11.6 million in the year ended 31 December 2014 (comprising £0.7 million of maintenance revenue in respect of new clients and £10.9 million of maintenance revenue in respect of existing clients). The decrease in maintenance revenue was attributable to non-recurring revenue in the year ended 31 December 2014 of £1.1 million offset by new client wins and generating maintenance from implementation clients and annual price rises. Average maintenance revenue per client remained at £0.4 million in the year ended 31 December 2015 and year ended 31 December 2014. Non-recurring maintenance revenue is revenue received in excess of contractual maintenance amounts which includes increases for volume uplifts or maintenance in relation to customers who have given notice they are exiting the market in the next 12 months.

#### *Implementation and support expenses*

Implementation and support expenses increased £2.2 million, or 19%, to £13.5 million in the year ended 31 December 2015 from £11.3 million in the year ended 31 December 2014 but decreased to 25% of revenue in the year ended 31 December 2015 from 26% of revenue in the year ended 31 December 2014. The overall increase was primarily a result of an increase in personnel costs following further recruitment and related overhead and project related travel and accommodation expenses. Implementation and support expenses per employee increased to £167,000 in the year ended 31 December 2015 from £159,000 in the year ended 31 December 2014.

#### *Research and product development expenses*

Research and product development expenses increased by £2.7 million, or 39%, to £9.8 million in the year ended 31 December 2015 from £7.1 million in the year ended 31 December 2014. The overall increase was primarily a result of increased recruitment of developers, both for dedicated research and development activities and for client related specific enhancements and developments. As a percentage of revenue, research and product development expenses increased from 16% in the year ended 31 December 2014 to 18% in the year ended 31 December 2015 as headcount increased to an average of 95 from 74. Research and product development expenses per employee increased to £103,000 in the year ended 31 December 2015 from £95,000 in the year ended 31 December 2014.

#### *Sales, general and administrative expenses*

Sales, general and administrative expenses increased £1.2 million, or 18%, to £8.1 million in the year ended 31 December 2015 from £6.8 million in the year ended 31 December 2014.

Sales expenses increased primarily as a result of an increase in employee-related costs, with headcount increasing during the period as a result of hiring additional personnel to support the Group's global expansion.

General administrative expense increased primarily as a result of the relocation of the UK head office in September 2015.

#### *Operating profit, Adjusted EBIT and Adjusted EBIT margin*

Operating profit increased to £22.7 million in the year ended 31 December 2015 from £18.1 million in the year ended 31 December 2014, and operating profit margin remained stable at 42% in the year ended 31 December 2015 and the year ended 31 December 2014.

After adjusting for non-recurring property costs and including bonus expense of £1.0 million paid as a dividend, Adjusted EBIT margin in the year ended 31 December 2015 was 42%.

#### *Finance income*

Finance income increased by £0.1 million in the year ended 31 December 2015, compared to the year ended 31 December 2014 due to interest received from cash balances, reflecting the higher average group cash balances compared with the prior year.

#### *Taxation*

The Group reported tax expense of £4.5 million on pre-tax income of £22.9 million, which resulted in an effective tax rate of 20% for the year ended 31 December 2015, while the Group reported tax expense of £4.0 million, which resulted in an effective tax rate of 22% for the year ended 31 December 2014. The decrease in expense and effective tax rate is due to a reduction in the standard rate of corporation tax in the United Kingdom at 1 April 2015.

#### *Profit for the financial year*

Due to the reasons described above, the group's profit for the period increased by £4.2 million, or 30%, to £18.4 million in the year ended 31 December 2015 from a profit of £14.2 million in the year ended 31 December 2014.

### **6. Key performance indicators**

The Directors consider the following metrics to be the key performance indicators (“KPIs”) used by the Group to help evaluate growth trends, establish budgets and assess operational performance and efficiencies. In addition to the Group's results determined in accordance with IFRS, the Directors believe the following non-IFRS financial measures are useful in evaluating the Group's operating performance and are as presented below.

See also Part 2 “Presentation of Financial and Other Information—Non-IFRS financial information”.

	<b>For the year ended 31 December</b>		
	<b>2014</b>	<b>2015</b>	<b>2016</b>
	<b>(£ 000s, except as otherwise indicated)</b>		
Adjusted EBIT <sup>(1)</sup>	18,107	22,521	32,789
Adjusted EBIT margin (%) <sup>(1)</sup>	42%	42%	45%
Operating free cash flow <sup>(2)</sup>	21,009	20,361	37,049
Operating free cash flow conversion (%) <sup>(2)</sup>	116%	90%	113%
Billings <sup>(3)</sup>	45,552	61,182	73,891

(1) Adjusted EBIT represents profit for the period before taxation, interest income, share based compensation and other exceptional, unusual or generally non-recurring items such as onerous lease provisions and after deducting a bonus paid as a dividend. Adjusted EBIT margin represents Adjusted EBIT as a proportion of revenue. Management utilises Adjusted EBIT and Adjusted EBIT margin 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 table below presents a reconciliation of profit for the period to Adjusted EBIT.

	For the year ended 31 December		
	2014	2015 (£ 000s)	2016
<b>Profit for the year</b>	<b>14,154</b>	<b>18,382</b>	<b>9,882</b>
Adjusted for:			
Taxation	4,019	4,471	7,294
Interest income	(66)	(191)	(587)
Share based compensation <sup>(1)</sup>	—	—	16,200
Onerous lease and property costs <sup>(2)</sup>	—	859	—
Bonus paid as a dividend <sup>(3)</sup>	—	(1,000)	—
<b>Adjusted EBIT</b>	<b>18,107</b>	<b>22,521</b>	<b>32,789</b>

(1) Relates to pre IPO share based payment expense as detailed in note 20 to the Historical Financial Information.

(2) Relates to onerous lease provision expenses and property costs connected with the move of the Group's London headquarters.

(3) Reflects the £1.0 million of bonus payments made by way of a dividend.

Adjusted EBIT has limitation as an analytical tool. Some of these limitations are that it does not reflect changes in, or cash requirements for, the Group's working capital needs; it is not adjusted for all non-cash income or expense items that are reflected in the Group's statements of cash flows; and the further adjustments made in calculating Adjusted EBIT are those that management consider are not representative of the underlying operations of the Group and therefore are subjective in nature.

- (2) Operating free cash flow represents net cash generated from operations less settlement of derivative instruments and margin calls and after purchase of property, plant and equipment. Operating free cash flow conversion represents operating cash generation as a proportion of Adjusted EBIT. Management uses operating free cash flow as a control for monitoring and managing cash flows. The Group has demonstrated strong operating free cash flow conversion, at more than 100% in 2016, as a result of its established client relationships, comprising creditworthy, blue-chip clients, and its excellent billing management processes. The table below presents a reconciliation of operating free cash flow to cash generated by operations.

	For the year ended 31 December		
	2014	2015 (£ 000s)	2016
<b>Cash generated by operations</b>	<b>21,264</b>	<b>21,763</b>	<b>41,475</b>
Adjusted for:			
Settlement of derivative financial instruments and margin calls	—	(203)	(4,036)
Purchases of property, plant and equipment	(255)	(1,199)	(390)
<b>Operating free cash flow</b>	<b>21,009</b>	<b>20,361</b>	<b>37,049</b>

- (3) Billings represents the value of products and services invoiced to customers. Cash is typically received at the start of an implementation project in relation to licence fees or at the start of an annual maintenance period. Additionally, cash is received monthly in relation to implementation or ODS revenue excluding licence fees. Billing is used by management as it aids visibility over future revenues and aids cash management.

In addition to the KPIs above, the Group uses a measure of total contracted value to monitor its revenue visibility. Total contracted value is not defined by IFRS and is calculated by analysing future contracted revenue based on the following components: (i) an assumption of three years of annual maintenance payments; (ii) the estimated remaining time to complete any software implementations and recognise deferred licence amounts; and (iii) ODS work which is contracted under a statement of work. Total contracted value as of 1 January 2017 was £107 million, comprising £50 million of maintenance revenue, £49 million of implementation revenue and £8 million of ODS revenue. Of this total, the Group estimates that £63 million will be recognised in the year ending 31 December 2017, based on contracted 2017 maintenance arrangements, estimated time to be spent on software implementations in the year, including the related recognition of deferred licence amounts, and ODS work which is contracted under a statement of work. Additionally, actual maintenance contractual terms vary from contract to contract and ODS work can be contracted for up to a year, although in some cases it is undertaken on a rolling 60-day basis. Estimated ODS revenue will fluctuate dependent on where Alfa's implementation clients are in the implementation or client cycle. Where there is a number of large or complex software implementations completing, the number of ODS clients would therefore be expected to increase and therefore revenue from ODS clients would therefore increase.

## 7. Liquidity and capital resources

### 7.1 Cash flows

The table below presents a summary of the Group's cash flows for the periods indicated, which have been extracted without material adjustment from the historical financial information set out in Section B of Part 11 "Historical Financial Information".

	Year ended 31 December		
	2014	2015	2016
		(£ 000s)	
Cash generated from operations . . . . .	21,264	21,763	41,475
Income taxes paid . . . . .	(3,066)	(4,938)	(5,771)
Settlement of derivative financial instruments and margin calls . . . . .	—	(203)	(4,036)
Net cash generated from operating activities . . . . .	18,198	16,622	31,668
Net cash used in investing activities . . . . .	(189)	(9,933)	(17,984)
Cash used in financing activities . . . . .	—	—	(4,270)
Effect of exchange rate changes . . . . .	(50)	373	2,758
Net increase in cash and cash equivalents . . . . .	<u>17,959</u>	<u>7,602</u>	<u>12,172</u>

#### *Net cash generated from operating activities*

Net cash generated from operating activities increased by £15.0 million, or 91%, to £31.7 million in the year ended 31 December 2016 from £16.6 million in the year ended 31 December 2015, primarily due to an increase in operating profit, before share based payment expense, of £10.1 million, aided by an increase of £4.9 million in trade payables due to an increase to the bonus payable reflecting an increase in profitability in the year. This was partially offset by a decrease in deferred revenue of £1.3 million.

Net cash generated from operating activities decreased by £1.6 million, or 9%, to £16.6 million in the year ended 31 December 2015 from £18.2 million in the year ended 31 December 2014, primarily due to a significant increase in trade receivables of £9.3 million due to licence and maintenance for implementation clients invoiced in December and not yet collected and an increase of £1.9 million in taxes paid in the year ended 31 December 2015 as a reflection of higher profit before tax attained in 2015. The increase in trade receivables is partially offset by a corresponding increase in deferred revenue of £7.1 million. Such decreases were offset by an increase in operating profit of £4.6 million.

#### *Net cash used in investing activities*

Net cash used in investing activities increased by £8.1 million, or 81%, to £18.0 million in the year ended 31 December 2016 from £9.9 million in the year ended 31 December 2015 primarily due to an increase of £8.9 million in loans advanced to related parties. This was partially offset by a decrease in purchase of property, plant and equipment.

Net cash used in investing activities increased by £9.7 million to £9.9 million in the year ended 31 December 2015 due to a loan advanced to the parent company of £8.9 million and an increase in non-recurring capital expenditure of £0.9 million as a result of the move of the London headquarters. The £8.9 million loan advanced to the parent company was to facilitate the restructuring and payment to a former owner in September 2015 on settlement of his shares. The loan was unsecured, denominated in pounds sterling, and was repaid in February 2017.

#### *Cash used in financing activities*

Cash used in financing activities increased by £4.3 million from nil in the year ended 31 December 2015, primarily due payments in the year ended 31 December 2016 for the redemption of C preference shares of £3.3 million and a £1.0 million dividend paid in relation to employee bonuses for the year ended 31 December 2015.

Cash used in financing activities was nil in the year ended 31 December 2015 and the year ended 31 December 2014.

## 7.2 Capital resources

The Group's principal source of liquidity for its operations is cash generated from operating activities. The Group has no external debt facilities. The Directors believe that the Group's robust balance sheet reflects its strong operating free cash flow conversion and expect that the Group will continue to rely on cash generated from operating activities as its principal sources of liquidity going forward.

As at 30 April 2017, the latest practicable date prior to publication of this Prospectus, the Group's cash and cash equivalents balance was £42.6 million.

## 7.3 Capital expenditure

The Group has modest capital expenditure requirements, which have related historically to buildings and leasehold improvements and computer and other equipment. Total capital expenditure amounted to £0.3 million, £1.2 million and £0.4 million for each of the years ended 31 December 2014, 2015 and 2016, respectively. Capital expenditure is principally based in the United Kingdom. The increase in capital expenditure in the year ended 31 December 2015 was attributable to leasehold improvements relating to the Group's new headquarters in London.

The Group expects 2017 capital expenditure to be broadly in line with 2016 and does not expect any significant capital expenditure in the short to medium term.

## 8. Commitments and contingent liabilities

The Group's commitments relate to non-cancellable operating leases. The table below presents a summary of the Group's commitments as at 31 December 2016:

(£ 000s)	Payments due			
	Within 1 year	2 – 5 years	Over 5 years	Total
Property leases . . . . .	1,453	4,549	4,664	10,666
<b>Total</b> . . . . .	<u>1,493</u>	<u>4,549</u>	<u>4,664</u>	<u>10,706</u>

The Group has no contingent liabilities at 31 December 2016.

## 9. Off-balance sheet arrangements

Other than operating leases principally in respect of property and office equipment, the Group generally does not use off-balance sheet arrangements.

## 10. Quantitative and qualitative disclosures about market risks

For a description of the Group's management of liquidity, interest rate and foreign exchange risks, see Note 22 of the Group's consolidated historical financial information in Part 11 "Historical Financial Information".

## 11. Critical accounting estimates and judgments and recent accounting pronouncements

For a full description of the Group's critical accounting estimates and judgments and key sources of estimation uncertainty, see Note 3 of the Group's consolidated historical financial information in Part 11 "Historical Financial Information".

For a description of recent accounting pronouncements not yet applied in the Group's consolidated historical financial information, see Note 2.3 of the Group's consolidated historical financial information in Part 11 "Historical Financial Information".

## PART 10 CAPITALISATION AND INDEBTEDNESS

### Capitalisation and indebtedness of the Group

The table below sets out the Group's capitalisation as at 31 March 2017.

The capitalisation information has been extracted without material adjustment from the Group's unaudited accounting records.

	As at 31 March 2017 (£ 000s)
<b>Shareholder's equity</b>	
Share capital . . . . .	27
Share premium . . . . .	11,123
<b>Total</b> . . . . .	<b>11,150</b>

The table below sets out the Group's net indebtedness as at 31 March 2017. As of the date of this Prospectus, the Group has no indebtedness. This statement of indebtedness has been extracted without material adjustment from the Group's unaudited accounting records.

	As at 31 March 2017 (£ 000s)
Cash . . . . .	47,653
<b>Liquidity</b> . . . . .	<b>47,653<sup>(1)</sup></b>

(1) The Group has no indebtedness, current or non-current.

The Group has no indirect and contingent indebtedness.

There has been no material change in the Group's capitalisation and indebtedness since 31 March 2017 other than on 28 April 2017, the Group made a loan of £5.1 million to the Selling Shareholder, which is intended to be settled in full prior to Admission, and the declaration on 4 May 2017 of a dividend to the Selling Shareholder of £29.2 million, which the Company intends to pay prior to Admission.



**PART 11**  
**HISTORICAL FINANCIAL INFORMATION**

**Section A—Accountant’s Report**

**Deloitte.**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

The Board of Directors  
on behalf of Alfa Financial Software Holdings PLC  
Moor Place  
1 Fore Street Avenue  
London  
EC2Y 9DT

Barclays Bank PLC  
5 The North Colonnade  
Canary Wharf  
London  
E14 4BB

Numis Securities Limited  
London Stock Exchange Building  
10 Paternoster Square  
London  
EC4M 7LT

26 May 2017

Dear Sirs/Madams

**Alfa Financial Software Holdings PLC**

We report on the financial information for the three years ended 31 December 2016 of Alfa Financial Software Group Limited and its subsidiaries (the “**AFS Group**”) set out in Section B of Part 11 of the prospectus dated 26 May 2017 of Alfa Financial Software Holdings PLC (the “**Company**”) (the “**Prospectus**”). This financial information has been prepared for inclusion in the Prospectus on the basis of the accounting policies set out in note 2 to the financial information. This report is required by Annex I item 20.1 of Commission Regulation (EC) No 809/2004 (the “**Prospectus Directive Regulation**”) and is given for the purpose of complying with that requirement and for no other purpose.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Save for any responsibility arising under Prospectus Rule 5.5.3R(2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

**Basis of opinion**

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and

judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards and practices.

### **Opinion on financial information**

In our opinion, the financial information gives, for the purposes of the Prospectus, a true and fair view of the state of affairs of the AFS Group as at 31 December 2014, 2015 and 2016 and of its profits, cash flows and changes in equity for the three years ended 31 December 2016 in accordance with International Financial Reporting Standards as adopted by the European Union.

### **Declaration**

For the purposes of Prospectus Rule 5.5.3R(2)(f), we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

### **Deloitte LLP**

Chartered Accountants

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 2 New Street Square, London EC4A 3BZ, United Kingdom. Deloitte LLP is the United Kingdom member firm of Deloitte Touche Tohmatsu Limited ("DTTL"), a UK private company limited by guarantee, whose member firms are legally separate and independent entities. Please see [www.deloitte.co.uk/about](http://www.deloitte.co.uk/about) for a detailed description of the legal structure of DTTL and its member firms.*

## Section B—Consolidated Financial Information

### Alfa Historical Financial Information

#### Consolidated statements of profit or loss and comprehensive income for the years ended 31 December

<u>In £'000s</u>	<u>Note</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Continuing operations</b>				
Revenue . . . . .	4	43,289	54,035	73,280
Implementation and support expenses . . . . .	5	(11,318)	(13,519)	(16,714)
Research and product development expenses . . . . .	5	(7,058)	(9,799)	(13,643)
Sales, general and admin expenses . . . . .	5/20	(6,842)	(8,091)	(26,370)
Other operating income . . . . .	24	36	36	36
<b>Operating profit</b> . . . . .		18,107	22,662	16,589
Finance income . . . . .	7	66	191	587
<b>Profit before taxation</b> . . . . .		18,173	22,853	17,176
Taxation . . . . .	8	(4,019)	(4,471)	(7,294)
<b>Profit and total comprehensive income for the financial year</b> . . . . .		14,154	18,382	9,882
<b>Attributable to:</b>				
Equity holders of AFSGL . . . . .		11,269	14,659	7,869
Non-controlling interest . . . . .		2,885	3,723	2,013
		<u>14,154</u>	<u>18,382</u>	<u>9,882</u>
<b>Earnings per share (in pounds)</b>				
Basic and diluted . . . . .	9	5.33	6.89	3.69
Weighted average no. of shares – basic and diluted . . . . .	9	2,115,159	2,128,548	2,132,576

The accompanying notes are an integral part of this Historical Financial Information.

**Alfa Historical Financial Information**  
**Consolidated statements of financial position as at 31 December**

<u>In £'000s</u>	<u>Note</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Assets</b>					
<b>Non-current assets</b>					
Property plant and equipment . . . . .	10	606	527	1,345	1,305
Goodwill . . . . .	11	24,737	24,737	24,737	24,737
Amounts owed by parent company . . . . .	12	—	—	8,860	27,043
<b>Total non-current assets</b> . . . . .		<u>25,343</u>	<u>25,264</u>	<u>34,942</u>	<u>53,085</u>
<b>Current assets</b>					
Trade and other receivables . . . . .	13	4,029	3,879	12,235	9,606
Accrued income . . . . .	13	542	1,031	1,706	3,623
Prepayments . . . . .	13	2,157	951	998	953
Other receivables . . . . .	13	456	365	827	943
Cash and cash equivalents . . . . .	14	9,073	27,032	34,094	46,266
<b>Total current assets</b> . . . . .		<u>16,257</u>	<u>33,258</u>	<u>49,860</u>	<u>61,391</u>
<b>Total assets</b> . . . . .		<u>41,600</u>	<u>58,522</u>	<u>84,802</u>	<u>114,476</u>
<b>Liabilities and Equity</b>					
<b>Current Liabilities</b>					
Trade and other payables . . . . .	15	3,289	4,115	4,393	8,686
Corporation tax . . . . .	15	1,065	2,012	1,631	3,088
Deferred revenue . . . . .	15	6,920	7,896	15,317	14,019
Provisions for other liabilities . . . . .	16	—	—	303	—
Derivative financial liabilities . . . . .	17	—	—	231	3,536
<b>Total current liabilities</b> . . . . .		<u>11,274</u>	<u>14,023</u>	<u>21,875</u>	<u>29,329</u>
<b>Non-current liabilities</b>					
Provisions for other liabilities . . . . .	16	74	93	140	58
Derivative financial liabilities . . . . .	17	—	—	—	491
<b>Total non-current liabilities</b> . . . . .		<u>74</u>	<u>93</u>	<u>140</u>	<u>549</u>
<b>Total liabilities</b> . . . . .		<u>11,348</u>	<u>14,116</u>	<u>22,015</u>	<u>29,878</u>
<b>Capital and reserves</b>					
Ordinary shares . . . . .	19	21	21	21	27
C preference shares . . . . .	19	6,000	6,000	6,000	—
Share premium . . . . .		11,123	11,123	11,123	11,123
Retained earnings . . . . .		<u>7,335</u>	<u>18,604</u>	<u>33,262</u>	<u>73,448</u>
Equity attributable to parent . . . . .		24,479	35,748	50,406	84,598
Non-controlling interest . . . . .		<u>5,773</u>	<u>8,658</u>	<u>12,381</u>	<u>—</u>
<b>Total equity</b> . . . . .		<u>30,252</u>	<u>44,406</u>	<u>62,787</u>	<u>84,598</u>
<b>Total liabilities and equity</b> . . . . .		<u>41,600</u>	<u>58,522</u>	<u>84,802</u>	<u>114,476</u>

The accompanying notes are an integral part of this Historical Financial Information

## Alfa Historical Financial Information

### Consolidated statements of changes in equity for the years ended 31 December

£'000	Notes	Share capital	Share premium	Retained earnings	Equity Attributable to owners of the parent	Non-controlling interest	Total Equity
<b>Balance as at 1 January 2014</b>		6,021	11,123	7,335	24,479	5,773	30,252
Profit for the financial year		—	—	11,269	11,269	2,885	14,154
<b>Total comprehensive income for the year</b>		—	—	11,269	11,269	2,885	14,154
<b>Balance as at 31 December 2014</b>		6,021	11,123	18,604	35,748	8,658	44,406
Profit for the financial year		—	—	14,659	14,659	3,723	18,382
<b>Total comprehensive income for the year</b>		—	—	14,659	14,659	3,723	18,382
<b>Balance as at 31 December 2015</b>		6,021	11,123	33,262	50,406	12,381	62,787
Profit for the financial year		—	—	7,869	7,869	2,013	9,882
<b>Total comprehensive income for the year</b>		—	—	7,869	7,869	2,013	9,882
<b>Transactions with owners in their capacity as owners:</b>							
Dividend	21	—	—	(1,000)	(1,000)	—	(1,000)
Settlement of C preference shares	2.5	(6,000)	—	2,729	(3,271)	—	(3,271)
Shares issued in consideration for non-controlling interests	2.5	6	—	—	6	(6)	—
Acquisition of Non-controlling interest	2.5	—	—	14,388	14,388	(14,388)	—
Share based payment expense	20	—	—	16,200	16,200	—	16,200
		(5,994)	—	32,317	26,323	(14,394)	11,929
<b>Balance as at 31 December 2016</b>		<b>27</b>	<b>11,123</b>	<b>73,448</b>	<b>84,598</b>	<b>—</b>	<b>84,598</b>

The accompanying notes are an integral part of this Historical Financial Information

## Alfa Historical Financial Information

### Consolidated statements of cash flows for the years ended 31 December

<u>£'000s</u>	<u>Note</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Cash flows from operations</b>				
Operating profit . . . . .		18,107	22,662	16,589
Adjustments:				
Depreciation . . . . .		333	379	437
Share based payment expense . . . . .	20	—	—	16,200
Unrealised loss on derivative financial liabilities . . . . .		—	231	3,796
Movement in working capital:				
Movement in trade and other receivables . . . . .		911	(9,274)	850
Movement in trade and other payables and provisions (excluding derivative financial instruments and deferred revenue) . . . . .		937	678	4,902
Movement in deferred revenue . . . . .		976	7,087	(1,299)
Cash generated from operations . . . . .		21,264	21,763	41,475
Settlement of derivative financial instruments and margin calls . . . . .		—	(203)	(4,036)
Income taxes paid . . . . .		(3,066)	(4,938)	(5,771)
<b>Net cash generated from operating activities</b> . . . . .		<u>18,198</u>	<u>16,622</u>	<u>31,668</u>
<b>Cash flow from investing activities</b>				
Purchases of property, plant and equipment . . . . .		(255)	(1,199)	(390)
Loans advanced to related parties . . . . .		—	(8,873)	(17,699)
Interest received . . . . .		66	139	105
<b>Net cash used in investing activities</b> . . . . .		<u>(189)</u>	<u>(9,933)</u>	<u>(17,984)</u>
<b>Cash flows from financing activities</b>				
Redemption of C preference shares . . . . .		—	—	(3,270)
Dividends paid . . . . .		—	—	(1,000)
<b>Cash used in financing activities</b> . . . . .		<u>—</u>	<u>—</u>	<u>(4,270)</u>
<b>Effect of exchange rate changes</b> . . . . .		<u>(50)</u>	<u>373</u>	<u>2,758</u>
<b>Net increase in cash</b> . . . . .		17,959	7,062	12,172
<b>Cash and cash equivalents at the beginning of the year</b> . . . . .		9,073	27,032	34,094
<b>Cash and cash equivalents at the end of the year</b> . . . . .		<u><u>27,032</u></u>	<u><u>34,094</u></u>	<u><u>46,266</u></u>

The accompanying notes are an integral part of this Historical Financial Information

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information**  
**for the years ended 31 December 2014, 2015 and 2016**

**1. General information**

Alfa Financial Software Group Limited (formerly known as CHP Consulting Group Limited) (“AFSGL”) and its subsidiaries (together the “AFS Group”) is a private 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, United Kingdom, EC2Y 9DT. The registration no. of AFSGL is 08278888.

The principal activity of the AFS 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.

This special purpose financial information (the “Historical Financial Information”) presents the financial track record of the AFS Group as of and for each of the years ended 31 December 2016, 2015 and 2014. This Historical Financial Information has been prepared for the inclusion in the prospectus of Alfa Financial Software Holdings PLC for the purpose of admission to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the main market operated by the London Stock Exchange. This Historical Financial Information has been prepared in accordance with the requirements of item 20.1 of Annex I to the Prospectus Directive regulation, the Listing Rules, International Financial Reporting Standards as adopted by the European Union (“IFRS”), IFRIC interpretations, and with those parts of the Companies Act 2006 as applicable to companies reporting under IFRS. All accounting policies have been applied consistently, unless otherwise stated.

The Historical Financial Information has been approved for issue by the Board of Alfa Financial Software Holdings PLC on 25 May 2017.

**2. Accounting policies**

The principal accounting policies applied in the preparation of this Historical Financial Information are set out in the notes to the Historical Financial Information. These policies have been consistently applied to all the years presented, unless otherwise stated.

**2.1 Basis of preparation**

The Historical Financial Information has been prepared on a going concern basis, under the historical cost convention, as modified to include the fair value of certain financial instruments.

**2.2 Application of IFRS**

The AFS Group’s deemed transition date to IFRS is 1 January 2014 therefore the opening balance sheet has been presented as at 31 December 2013. The principles and requirements for first time adoption of IFRS are set out in IFRS 1 “First-time adoption of International Financial Reporting Standards”. IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. In this regard, the AFS Group has applied the exemption under IFRS 3 business combinations. It should be noted that the AFS Group has not published consolidated UK GAAP financial information as of and for the years ended 31 December 2015 and 2016 as the consolidation was performed at the parent level outside the AFS Group and therefore no reconciliations of these periods are required to be presented. The required reconciliations are laid out in note 22 to this Historical Financial Information.

**2.3 Standards, amendments and interpretations relevant to the AFS Group’s operation that are not yet effective and have not been early adopted by the AFS Group.**

International Financial Reporting Standards expected to be applicable, in so far as this is currently known, to the first annual financial statements of the AFS Group post listing, which will be for the year ended 31 December 2017, have been applied. The following standards and amendments have been published and are mandatory for the AFS Group’s accounting periods beginning on or after 1 January 2018 or later periods, but

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**2. Accounting policies (Continued)**

the AFS Group has not early adopted them. Unless otherwise indicated, these publications are not expected to have any significant impact on the AFS Group's financial statements:

- IFRS 15 (standard) 'Revenue from Contracts with Customers', effective for annual periods beginning on or after 1 January 2018. This new standard replaces the current IAS 18 'Revenue', IAS 11 'Construction Contracts', IFRIC 13 'Customer Loyalty Programmes'. It establishes a comprehensive framework for determining core principles for revenue recognition, improves comparability and requests extensive disclosures. The AFS Group will apply this new standard for the financial reporting period commencing on 1 January 2018 and will apply the retrospective method of adoption of this standard. The AFS Group does not expect any significant changes in its methods of revenue recognition.
- IFRS 9 (standard) 'Financial Instruments', effective for annual periods beginning on or after 1 January 2018. This new standard replaces existing guidance in IAS 39 'Financial Instruments: Recognition and Measurement' and introduces revised guidance on the classification, recognition, derecognition and measurement of financial assets and financial liabilities as well as a new expected credit losses model for calculating impairment on financial assets. It also includes new general hedge accounting requirements. Although the AFS Group is still assessing the potential effect of this new standard, it is not expected to have a significant impact on the AFS Group's financial statements. The AFS Group will apply this new standard for the financial reporting period commencing on 1 January 2018.
- IFRS 16 (standard) 'Leases', effective for annual periods beginning on or after 1 January 2019. This new standard supersedes IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases-Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. It sets out a comprehensive new set of rules for recognition and measurement of arrangements containing a lease. Although the AFS Group has not evaluated the full impact of this new standard, it is expected that it will result in the recognition of most of its operating lease commitments as a 'right to use' asset and a corresponding liability. The AFS Group will apply this new standard for the financial reporting period commencing on 1 January 2019.

**2.4 Going concern**

On the basis of their assessment of AFSGL's financial position and resources, the AFSGL Directors believe that AFSGL is well placed to manage its business risks. Therefore the AFSGL Directors have a reasonable expectation that AFSGL has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements and this Historical Financial Information.

**2.5 Basis of consolidation**

The Historical Financial Information includes the financial information of AFSGL as well as its subsidiary undertakings.

Subsidiaries – Subsidiaries are all entities over which the AFS Group has control. The AFS Group controls an entity when the AFS 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 AFS Group.



**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**2. Accounting policies (Continued)**

	<b>Country of incorporation</b>	<b>Ownership at 31 December</b>		
		<b>2014</b>	<b>2015</b>	<b>2016</b>
Alfa Financial Software Limited *	UK	80.45%	80.45%	100%
Alfa Financial Software Inc**	US	100%	100%	100%
Alfa Financial Software Australia Pty Limited***	Australia	100%	100%	100%
Alfa Financial Software NZ Limited****	NZ	100%	100%	100%

\* (formerly known as CHP Consulting Limited)

\*\* (formerly known as CHP Consulting Inc)

\*\*\* (formerly known as CHP Consulting Australia Pty Limited)

\*\*\*\* (formerly known as CHP Consulting NZ Limited)

All intra-Group transactions, balances, income and expenses are eliminated on consolidation.

**2.6 Non-controlling interests and Group reorganisations**

The non-controlling interest of 19.55% in Alfa Financial Software Limited at 31 December 2014 and 2015 relates to the shareholding of ordinary shares held by a former founder and owner of the business. No cash flows were paid to the non-controlling interests in any of the periods presented.

There were no restrictions on the AFS Group's ability to access or use assets, or to settle liabilities in the periods that the non-controlling interest was in existence. In December 2016 AFSGL acquired the remaining interest in this subsidiary.

In March 2016, the 6,000,000 C preference shares held by the AFSGL Directors were cancelled by way of a directors' solvency capital reduction. A return on capital was made for the C preference shares held by the AFSGL Directors for their par value of £3,270,526, paid by cash funded by an intercompany loan from Alfa Financial Software Limited.

In March 2016, the 1,114,400 ordinary shares held by the AFSGL Directors in Alfa Financial Software Limited were acquired by CHP Software and Consulting Limited (the "Parent"). As a consequence, the then-current AFSGL Directors received a total of 2,114,398 new ordinary shares in the Parent. Furthermore, the Parent undertook a bonus issue of 5,873,474 £1 C preference shares to the then-current AFSGL Directors for the purpose of facilitating a return of capital through the subsequent cancellation of these shares.

In May 2016, 1,000,000 ordinary shares in Alfa Financial Software Limited previously held by the former founder (which represented the non-controlling interest) were acquired by the Parent and therefore remain as a non-controlling interest held by a related party.

In December 2016, the 1,000,000 ordinary shares held by CHP Software and Consulting Limited were transferred to Alfa Financial Software Group Limited in exchange for 549,290 ordinary shares in Alfa Financial Software Group Limited. At this point the AFS Group owns 100% of Alfa Financial Software Limited.

**2.7 Foreign currency**

- (i) Functional currency – Items included in the financial statements of each of the AFS Group's subsidiaries are measured using the currency deemed to be their functional currency which is pound sterling as the foreign entities are considered to be operating as an extension of the UK trading subsidiary.
- (ii) Presentation currency – The Historical Financial Information is presented in pound sterling. AFSGL's functional and presentation currency is the pound sterling, which is the AFS Group's presentation currency and the currency in which the majority of the AFS Group's transactions are denominated.
- (iii) 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. The

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**2. Accounting policies (Continued)**

average annual rate for the US dollar used was 1.3554 in 2016 (2015: 1.5286; 2014: 1.6478). The closing rate for the US dollar used was 1.2341 in 2016 (2015: 1.4819; 2014 1.5533).

**3. Critical accounting estimates and judgements and 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 estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

**Critical accounting estimates**

3.1 Revenue recognition—As detailed in note 4.2, the AFS Group is required to make an assessment in relation to each new software license contract as to whether the underlying software requires significant modification or customisation by the AFS Group in order to meet the customer's requirements. As significant modification or customisation is required, the license fee is recognised over the life of the software implementation based on a percentage-of-completion method.

The AFS Group also exercises judgement in determining the percentage of completion, specifically with regards to the total man days remaining to complete the software implementation. As reliable estimates of total project days necessary can be made based on historical evidence, knowledge of the customer's systems being replaced and scope of customisation, the AFS Group applies the percentage-of-completion method and update estimates at each quarter end accordingly.

3.2 Share based payment expense—The AFS Group's estimate of the fair value of the A and A1 shares (which are described in greater detail in note 19—Called up share capital) has been performed internally as at the grant date. The shares are valued using a combination of capitalised earnings approach, more commonly known as price-earnings, based on peer company multiples, a discounted cash flow valuation based on the AFS Group's expectations of future performance and the price at which the shares have most recently been transacted in an arm's length transaction.

The AFS Group considers numerous objective and subjective factors to determine the fair values of the shares including, but not limited to, recent business performance and, where relevant, revisions to future business performance, the market performance of comparable companies based on equivalent size and industry and their relative price-earnings multiples. The AFS Group also considers the relative illiquidity of the shares given they are not publicly traded and accordingly applies a discount to the valuation to take into consideration this illiquidity.

**Critical judgements in applying the AFS Group's accounting policies**

3.3 Internally generated software development—As detailed in note 5.4, the AFS Group is required to make an assessment for each ongoing project in order to determine at what stage a project meets the criteria outlined in the AFS Group's accounting policies. Such assessment may, in certain circumstances, require significant judgement. In making this judgement, the AFS 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, likelihood of success, availability of technical and financial resources to complete the development phase and management's ability to reliably measure the expenditure attributable to the project. Research and product development expenditure incurred on minor or major upgrades, or other changes in software functionalities does not satisfy the criteria as the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense.

The total research and product development expenses for the period was £13.6 million (2015: £9.8 million; 2014: £7.1 million) and there was nil capitalised development costs in the periods presented.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**4. Segment information**

4.1 Segments—Operating segment and reporting segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (“CODM”). The Chief Operating Decision Maker, who is responsible for allocating resources and assessing performance, has been identified as the AFS Group’s Chief Executive Officer (“CEO”). The CODM regularly reviews the AFS 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 AFS Group is choosing to present a revenue segmentation by type and a consolidated adjusted Earnings Before Interest and Taxation (“Adjusted EBIT”), as presented to the CODM, as additional information in this note, along with the required entity wide disclosure.

The AFS Group discloses revenue split by type of project; being Software implementations, Ongoing development and services and Maintenance.

There is judgement in relation to which revenues are derived from implementations, which include initial implementations and upgrades, in comparison to ongoing development and services.

**4.2 Revenue**

The AFS Group derives revenue from the following sources: (1) Software implementation revenue which includes software licenses, software development services and other software implementation services; (2) software maintenance (help desk services other support services); and (3) ongoing development and support services post software implementation.

The AFS Group recognises revenue in accordance with IAS 18: ‘Revenue’. This requires the exercise of judgment and the use of estimates in connection with the determination of the amount of revenue to be recognised in each accounting period. In exercising such judgment, the AFS Group draws upon guidance from specific software industry revenue recognition practices which comply with IAS 18: ‘Revenue’.

Revenue, which excludes value added tax and trade discounts, represents the value of goods and services supplied.

- (i) Software implementation services—represents income from perpetual licenses, the cost of software implementation and client specific development efforts, all of which are delivered under a master services agreement. Long term software implementation arrangements are accounted for on a percentage-of-completion basis, whereby revenue recognised during the period represents the man days effort incurred up to the end of the reporting period as a percentage of the total estimated man days to complete. These estimates are continually re-evaluated and revised, when necessary, throughout the life of the contract. Any adjustments to revenue due to changes in estimates are accounted for in the period in which the change in estimates occurs. Such revenue is recognised when man-days efforts are provided and collection is deemed probable. Provisions are made for estimated losses on contracts where applicable and such provision would comprise the valuation of the estimated loss until the completion of the work.
- (ii) Ongoing development and services—such services are recognised as revenue as services are delivered.
- (iii) Maintenance—Revenue from annual maintenance contracts is recognised on a straight line basis over the course of the contract, which is generally 12 months. Revenue is recognised when collection is reasonably assured.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**4. Segment information (Continued)**

**4.3 Unrealised losses on derivative financial instruments**

The AFS Group has made an accounting policy election to recognise unrealised gains or losses on derivative financial instruments within revenue, therefore such gains or losses are shown net of revenue where instruments have been entered into match the US dollar denominated projected cash flows. Unrealised losses on derivative financial instruments was £3.8 million in the year ended 31 December 2016 (2015: £0.2 million; 2014: nil)

**Revenue by type**

The AFS Group assesses revenue by type of project, being software implementations, Ongoing development and services (“ODS”) and maintenance, as summarised below:

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Software implementations . . . . .	25,626	37,481	47,881
ODS . . . . .	6,078	5,199	8,667
Maintenance . . . . .	11,585	11,355	16,732
Total revenue . . . . .	<u>43,289</u>	<u>54,035</u>	<u>73,280</u>

Customers accounting for more than 10% of total revenue are as follows:

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Customer A . . . . .	n/a	n/a	20%
Customer B . . . . .	15%	22%	18%
Customer C . . . . .	18%	17%	14%
Customer D . . . . .	n/a	13%	n/a
Customer E . . . . .	13%	n/a	n/a

**Geographical information**

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

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
UK . . . . .	18,339	23,282	25,894
US . . . . .	14,684	24,610	36,493
Rest of world . . . . .	<u>10,266</u>	<u>6,143</u>	<u>10,893</u>
Total revenue . . . . .	<u>43,289</u>	<u>54,035</u>	<u>73,280</u>

Non-current assets (other than financial instruments and deferred tax assets) attributable to each geographical market:

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
UK . . . . .	25,210	34,904	52,928
US . . . . .	52	—	108
Rest of world . . . . .	<u>2</u>	<u>38</u>	<u>49</u>
Total non-current assets other than financial instruments and deferred tax assets . . . . .	<u>25,264</u>	<u>34,942</u>	<u>53,085</u>

**Adjusted EBIT**

The CODM analyses the financial performance of the business on an adjusted EBIT which is income from continuing operations before income taxes, interest income, pre-IPO share based payments and other exceptional, unusual or generally non-recurring items such as onerous lease provisions and after adding back

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
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**4. Segment information (Continued)**

certain operating expenses paid as a dividend. Adjusted EBIT is not a measure defined by IFRS. The most directly comparable IFRS measure to Adjusted EBIT is net income for the relevant period. 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 AFS Group or adding items which are reflective of the overall trading operations.

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Profit for the year . . . . .	14,154	18,382	9,882
Adjusted for:			
Taxation . . . . .	4,019	4,471	7,294
Interest income . . . . .	(66)	(191)	(587)
Share based compensation <sup>(1)</sup> . . . . .	—	—	16,200
Onerous lease and property costs <sup>(2)</sup> . . . . .	—	859	—
Bonus paid as a dividend <sup>(3)</sup> . . . . .	—	(1,000)	—
Adjusted EBIT . . . . .	<u>18,107</u>	<u>22,521</u>	<u>32,789</u>

(1) Relates to pre IPO share based payment expense as detailed in note 20.

(2) Relates to non-recurring onerous lease provision expenses and property costs connected with the move of the Group's London headquarters.

(3) Reflects the £1.0million of bonus payments made by way of a dividend.

**5. Operating profit**

**5.1 Operating profit**

Operating profit is calculated after items such as personnel costs, cost of hardware not capitalised and research and development.

Implementation and Services expenses—Such expenses relate to the personnel costs associated with personnel assigned to software implementation services with an appropriate portion of relevant overheads and project related travel and accommodation expenses.

Research and product development expenses—The AFS Group invests a substantial part of its time in research and development work in relation to the enhancement of its product platform and capabilities. Research and product development work is charged to the client where it is linked to specific client projects such as initial software implementations.

Internally generated research and product development costs only qualify for capitalisation if the AFS 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; 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;
- Its ability to measure reliably the expenditure attributable to the intangible asset during development.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**5. Operating profit (Continued)**

Generally, commercial viability of new products, modules or capabilities is not proven until all high risk development issues have been resolved through testing in the market place. Development expenditure incurred on minor or major upgrades, or other changes in software functionalities does not satisfy the criteria, as the product is not substantially new in its design or functional characteristics. Such expenditure is therefore recognised as an expense.

However, the AFS Group continues to assess the eligibility of development costs for capitalisation on a project by project basis. The AFS Group's research and product development costs include the employee costs and an appropriate portion of relevant overheads.

All other operating costs are recorded through "Sales, General and Administrative" expenses.

5.2 Leases—Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Various buildings, machinery and equipment from third parties are leased under operating lease agreements. Under such operating lease agreements, the total lease payments are recognised as rent expense on a straight-line basis over the term of the lease agreement, and are included in Selling, General and administrative expenses, reflecting the nature of the leased assets. Lease incentives received to enter into an operating lease are credited to the consolidated income statement, to reduce the lease expense, on a straight-line basis over the period of the lease. The AFS Group's property lease in respect of its London headquarters has a lease term of 15 years.

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

<b>£'000s</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Personnel, external consultants, training and recruitment expenses . . . . .	19,678	22,923	30,804
Advertising, sponsorship and marketing expenses . . . . .	519	535	793
Depreciation (note 10) . . . . .	333	379	437
Property expenses . . . . .	813	2,213	1,929
Travel expenses . . . . .	2,302	2,735	2,589
IT expenses . . . . .	506	707	721
Professional advisor expenses . . . . .	768	1,445	1,797
Foreign currency differences . . . . .	(244)	(36)	1,251
Share based payment expense (note 20) . . . . .	—	—	16,200
Other . . . . .	506	472	171

The AFS Group also incurred £13.6 million (2015: £9.8 million; 2014: £7.1 million) in research and product development expenditure of which £11.6 million (2015: £7.8 million; 2014: £6.0 million) is included in personnel costs, external consultants, training and recruitment expenses.

**Operating leases**

Operating lease payments in the year amounted to £1.2 million (2015: £1.2 million; 2014: £0.5 million). Future operating lease payments, in respect of non-cancellable leases, are set out below at the applicable dates:

<b>£'000s</b>	<b>Within 12 months</b>	<b>2 – 5 years</b>	<b>Over 5 years</b>
As at 31 December 2014 . . . . .	558	427	—
As at 31 December 2015 . . . . .	1,561	4,693	4,664
As at 31 December 2016 . . . . .	1,493	4,549	4,664

Operating lease commitments relate to property and motor vehicles leases.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**5. Operating profit (Continued)**

**Services provided by the AFS Group's auditors and network firms**

The AFS Group (including its overseas subsidiaries) obtained the following services from the AFS Group's auditors at costs as detailed below:

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Fees payable to the AFS Group's auditor for the audit of the consolidated financial statements . . . . .	30	30	38
Fees payable to the AFS Group's auditor for the audit of the AFS Group's subsidiaries . . . . .	18	18	22
Fees payable to the AFS Group's auditor for audit related assurance services . . . . .	—	—	260
Total audit and audit related services . . . . .	48	48	320
Tax compliance services . . . . .	30	24	—
Tax advisory services . . . . .	183	335	—
Total fees . . . . .	<u>261</u>	<u>407</u>	<u>320</u>

The 2016 audit related assurance services relate to the reporting accountant fees payable to Deloitte who were appointed as the AFS Group's auditors in 2016 (2015 and 2014: PricewaterhouseCoopers LLP).

**6. Employees and AFSGL Directors**

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

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

Pensions—The AFS Group operates various defined contribution plans for its employees. A defined contribution plan is a pension plan under which the company pays fixed contributions into a separate independent entity. The AFS 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.

<u>Average monthly number of people employed (incl AFSGL Directors)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
UK . . . . .	137	158	179
US . . . . .	26	38	54
RoW . . . . .	13	14	13
	<u>176</u>	<u>210</u>	<u>246</u>

<u>Average monthly number of people employed (incl AFSGL Directors)</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Software implementations . . . . .	71	81	83
Research and product development . . . . .	74	95	126
Other . . . . .	31	34	37
	<u>176</u>	<u>210</u>	<u>246</u>

<u>Personnel costs (including AFSGL Directors on service contracts) £'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Wages and salaries . . . . .	14,858	17,015	22,889
Social security . . . . .	2,062	2,692	3,195
Post-employment benefits . . . . .	1,108	1,296	1,535
Share-based payments . . . . .	—	—	16,200
	<u>18,028</u>	<u>21,003</u>	<u>43,819</u>

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
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**6. Employees and AFSGL Directors (Continued)**

<b>Key management compensation £'000s</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Wages, salaries and short term benefits . . . . .	1,820	1,838	1,533
Post-employment benefits . . . . .	206	141	116
Share-based payments . . . . .	—	—	4,498
	<u>2,026</u>	<u>1,979</u>	<u>6,147</u>

Key management includes AFSGL Directors and members of the Executive committee or those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly including Managing Directors of key activities of the AFS Group.

<b>Aggregate Director compensation £'000s</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Wages, salaries and short term benefits . . . . .	1,089	1,052	726
Post-employment benefits . . . . .	76	1	—
	<u>1,165</u>	<u>1,053</u>	<u>726</u>

<b>Highest paid Director compensation £'000s</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Wages, salaries and short term benefits . . . . .	368	388	388
Post-employment benefits . . . . .	36	—	—
	<u>404</u>	<u>388</u>	<u>388</u>

**7. Finance income**

Finance income is recognised on related party loans using the effective interest method.

<b>£'000s</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Finance income			
—Interest income on cash or short term bank deposits . . . . .	66	116	89
—Interest income on related party loans . . . . .	—	75	498
Total finance income . . . . .	<u>66</u>	<u>191</u>	<u>587</u>

**8. Income tax expense**

Taxation expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case tax is also recognised in other comprehensive income or directly in equity respectively. Current or deferred taxation assets and liabilities are not discounted.

i) 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 AFS Group's subsidiaries and associates 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.

ii) 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 AFS Group's financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.



**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**8. Income tax expense (Continued)**

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit 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.

<b>Analysis of charge in the year £'000s</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Current tax on profit for the year . . . . .	3,817	4,361	6,318
Adjustment in respect of prior years . . . . .	—	(243)	228
Foreign tax on profit of subsidiaries for the current year . . . . .	222	291	656
Current tax . . . . .	4,039	4,409	7,202
Deferred tax			
Origination and reversal of temporary differences . . . . .	(19)	55	(10)
Effect of changes in tax rates . . . . .		7	—
Adjustment in respect of prior years . . . . .	(1)	—	102
Deferred tax . . . . .	(20)	62	92
Total tax charge in the year . . . . .	4,019	4,471	7,294

The effective tax rate for the year is higher (2015: lower; 2014: same) than the standard rate of corporation tax in the UK for the year ended 31 December 2016 of 20% (2015:20.25%; 2014: 21.5%) The differences are explained below:

<b>Analysis of charge in the year £'000s</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Profit on ordinary activities before taxation . . . . .	18,173	22,853	17,176
Profit on ordinary activities at the standard rate of corporation tax			
Tax effects of:	3,907	4,628	3,435
Effect of different tax rates of subsidiaries operating in other jurisdictions . . . .	81	118	419
Expenses not deductible for tax purposes . . . . .	150	265	150
Income not taxable for tax purposes . . . . .	(119)	(259)	(188)
Adjustment in respect of prior years . . . . .	—	(243)	330
Share based payments . . . . .	—	—	3,240
Group relief . . . . .	—	(45)	(92)
Impact of tax rate change . . . . .	—	7	—
Tax charge for the year . . . . .	4,019	4,471	7,294

Changes to the UK corporation tax rates were substantively enacted as part of Finance Act 2016 on 6 September 2016. These include reductions to the main rate of corporation tax to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in this Historical Financial Information.

**9. Earnings per share**

Basic earnings per share is calculated by dividing the profit attributable to equity holders of AFSGL by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings per share are computed by dividing the profit attributable to equity holders of AFSGL adjusted for the effect that would result from the weighted average number of ordinary shares plus the weighted average number of shares that would be issued on the conversion of all the dilutive potential A and A1 shares.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
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**9. Earnings per share (Continued)**

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Profit attributable to equity holders of AFSGL (£'000s) . . . . .	11,269	14,659	7,869
Weighted average number of shares outstanding during the year (thousands) . . . . .	<u>2,115,159</u>	<u>2,128,548</u>	<u>2,132,576</u>
Basic earnings per share (pence per share) . . . . .	<u>5.33</u>	<u>6.89</u>	<u>3.69</u>

Diluted—For the periods presented in these consolidated financial statements, the Group does not have any shares which have a potential dilutive effect.

As described in note 26, on 28 April 2017 Alfa Financial Software Holdings PLC acquired the entire ordinary share capital, A and A1 shares of AFSGL, through a share for share exchange.

**10. Property, plant and equipment**

10.1 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 (in years):

Furniture and fittings . . . . .	3 – 10 years
IT equipment . . . . .	3 – 5 years
Motor vehicles . . . . .	10 years, or over life of the lease

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 income statement as incurred. Any gains or losses on disposals are recognised within 'General and administrative' in the income statement unless otherwise specified.

**10.2 Impairment of finite lived non-financial assets**

Assets that are subject to amortisation 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.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**10. Property, plant and equipment (Continued)**

	<u>Fixtures and fittings</u>	<u>Computer equipment</u>	<u>Motor vehicles</u>	<u>Total</u>
<b>Cost</b>				
At 1 January 2014 . . . . .	402	2,219	21	2,642
Additions . . . . .	2	213	40	255
Disposals . . . . .	<u>—</u>	<u>—</u>	<u>(21)</u>	<u>(21)</u>
At 31 December 2014 . . . . .	404	2,432	40	2,876
<b>Depreciation</b>				
At 1 January 2014 . . . . .	260	1,763	14	2,037
Charge for the year . . . . .	61	258	14	333
Disposals . . . . .	<u>—</u>	<u>—</u>	<u>(21)</u>	<u>(21)</u>
At 31 December 2014 . . . . .	321	2,021	7	2,349
<b>Net book value</b>				
At 31 December 2014 . . . . .	<u>83</u>	<u>411</u>	<u>33</u>	<u>527</u>
<b>Cost</b>				
At 1 January 2015 . . . . .	404	2,424	40	2,868
Additions . . . . .	756	443	—	1,199
Disposals . . . . .	<u>—</u>	<u>(16)</u>	<u>—</u>	<u>(16)</u>
At 31 December 2015 . . . . .	1,160	2,851	40	4,051
<b>Depreciation</b>				
At 1 January 2015 . . . . .	321	2,015	7	2,343
Charge for the year . . . . .	85	286	8	379
Disposals . . . . .	<u>—</u>	<u>(16)</u>	<u>—</u>	<u>(16)</u>
At 31 December 2015 . . . . .	406	2,285	15	2,706
<b>Net book value</b>				
At 31 December 2015 . . . . .	<u>754</u>	<u>566</u>	<u>25</u>	<u>1,345</u>
<b>Cost</b>				
At 1 January 2016 . . . . .	1,160	2,845	40	4,045
Additions . . . . .	85	317	—	402
Disposals . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2016 . . . . .	1,245	3,162	40	4,447
<b>Depreciation</b>				
At 1 January 2016 . . . . .	406	2,284	15	2,705
Charge for the year . . . . .	127	302	8	437
Disposals . . . . .	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
At 31 December 2016 . . . . .	533	2,586	23	3,142
<b>Net book value</b>				
At 31 December 2016 . . . . .	<u>712</u>	<u>576</u>	<u>17</u>	<u>1,305</u>

**11. Goodwill**

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred and the amount of any non-controlling interest in the investment over the fair value of the identifiable assets acquired and liabilities and contingent liabilities assumed.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
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**11. Goodwill (Continued)**

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.

<u>£’000s</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<b>Cost</b>				
At 1 January . . . . .	24,737	24,737	24,737	24,737
At 31 December . . . . .	24,737	24,737	24,737	24,737

Impairment of goodwill—The AFS Group tests annually whether goodwill has suffered any impairment on an annual basis in accordance with the accounting policy stated above. The AFS Group has one CGU, being the AFS 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 based on financial budgets for a five year period using a discount rate of 11%. Cash flows beyond these periods have been extrapolated using a steady 2% average growth rate in both the US and Europe. This growth rate does not exceed the long term average growth rate for the markets in which the AFS Group operates.

Budgeted cash flow projections are determined based on the expectation of signing new clients in the AFS Group’s current pipeline as well as ongoing projects or additional scope with existing clients. 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 represents the AFS Group’s Weighted Average Cost of Capital adjusted for tax effect to determine the pre-tax rate as required by IFRS.

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

At 31 December 2016 the carrying amount of the goodwill was £24.7 million (2013, 2014 & 2015: £24.7 million).

**12. Amounts owed by related parties**

Amounts owed by the Parent of £27.0 million (2015: £8.9 million, 2013 & 2014: £nil million) are unsecured, bearing interest at 2% above base rate and repayable on maturity, being 17 – 20 years. The loan was made to the Parent on its incorporation in September 2015 to facilitate the buyout of a prior owner of the business. See note 2.6—Non-controlling interests and Group reorganisations—for further discussion of the 2016 restructuring.

**13. Trade and other receivables**

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 AFS Group will not be able to collect all amounts due according to the original terms of the receivable. The amount of the impairment charge is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The impairment loss is recognised in the income statement within ‘Sales and marketing’. Subsequent recoveries are credited in the same account previously used to recognise the impairment charge.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**13. Trade and other receivables (Continued)**

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 to the contractual amount or the fair value initially recognised.

Accrued income represents fees earned but not yet invoiced at the reporting date.

Amounts owed by related parties are unsecured, bearing interest at 2% above base rate and repayable on maturity, being 17 – 20 years.

<b>£'000s</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Trade receivables . . . . .	4,029	3,879	12,235	9,606
Provision for impairment . . . . .	—	—	—	—
Trade receivables—net . . . . .	4,029	3,879	12,235	9,606
Accrued income . . . . .	542	1,031	1,706	3,623
Prepayments . . . . .	2,157	951	998	953
Other receivables . . . . .	456	365	827	943
Amounts owed by related parties . . . . .	—	—	8,860	27,043
Total trade receivables, accrued income and other receivables . . . . .	<u>7,184</u>	<u>6,226</u>	<u>24,626</u>	<u>42,168</u>

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 AFS Group does not hold any collateral as security.

<b>Ageing of net trade receivables £'000s</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Less than 30 days . . . . .	3,063	2,094	11,062	7,922
Past due 31 – 90 days . . . . .	198	1,599	892	1,684
Past due 91 – 180 days . . . . .	48	132	137	—
Past due 181 – 360 days . . . . .	<u>720</u>	<u>54</u>	<u>144</u>	<u>—</u>
Trade receivables—net . . . . .	4,029	3,879	12,235	9,606

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

<b>Currency of trade receivables £'000s</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
GBP . . . . .	1,251	1,107	2,006	3,120
USD . . . . .	1,469	1,675	9,669	5,291
SEK . . . . .	1,093	801	390	910
Other . . . . .	<u>216</u>	<u>296</u>	<u>170</u>	<u>285</u>
Trade receivables—net . . . . .	4,029	3,879	12,235	9,606

**14. 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.

<b>£'000s</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>
Cash at bank and in hand . . . . .	9,073	27,032	34,094	45,921
Short term deposits . . . . .	—	—	—	345
Cash and cash equivalents . . . . .	<u>9,073</u>	<u>27,032</u>	<u>34,094</u>	<u>46,266</u>

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**14. Cash and cash equivalents (Continued)**

Short term deposits relate to deposit accounts held in relation to financial instruments. Cash and cash equivalents at 31 December 2016 does not include funds of £0.5 million in relation to amounts held in margin accounts.

<u>Currency of cash and cash equivalents £'000s</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
GBP . . . . .	5,891	22,115	25,066	39,668
USD . . . . .	2,069	2,064	6,195	2,724
SEK . . . . .	47	354	989	2,289
AUD . . . . .	266	1,716	760	541
Other . . . . .	800	783	1,084	1,044
Cash and cash equivalents . . . . .	9,073	27,032	34,094	46,266

**15. Trade and other payables—current liabilities**

Trade 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.

Deferred revenue—Licenses collected in advance are reported within ‘Deferred revenue’ and then subsequently recognised as revenue in line with the percentage of completion of the software implementation process.

Amounts owed to related parties—Such amounts are unsecured, non-interest bearing and repayable on demand.

Trade and 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.

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

<u>£'000s</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Trade payables . . . . .	3,289	4,115	4,393	8,686
Corporation tax . . . . .	1,065	2,012	1,631	3,088
Deferred revenue . . . . .	6,920	7,896	15,317	14,019
Provisions for other liabilities . . . . .	74	93	443	58
Total trade and other payables . . . . .	11,348	14,116	21,784	25,851
Less non-current portion . . . . .	(74)	(93)	(140)	(58)
Total current trade and other payables . . . . .	11,274	14,023	21,644	25,793

**16. Provisions**

Provisions are recognised when the AFS 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 time value is material, provisions are measured at the present value of the expenditures expected to be required to settle the obligation.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**16. Provisions (Continued)**

A provision for onerous leases is recognised when the expected benefits to be derived from a lease are lower than the unavoidable costs of meeting the obligations under the contract. The onerous lease provision comprises future rent and rate expenses in relation to a vacated property. Provisions are not recognised for future operating losses.

<b>Onerous lease provision £'000s</b>	<b>Onerous lease provision</b>	<b>Dilapidation provision</b>	<b>Total</b>
At 1 January 2014 . . . . .	—	74	74
New provision in the period . . . . .	—	19	19
Utilised in the period . . . . .	—	—	—
Unused amounts reversed . . . . .	—	—	—
<b>At 31 December 2014 . . . . .</b>	<b>—</b>	<b>93</b>	<b>93</b>
New provision in the period . . . . .	303	47	350
Utilised in the period . . . . .	—	—	—
Unused amounts reversed . . . . .	—	—	—
<b>At 31 December 2015 . . . . .</b>	<b>303</b>	<b>140</b>	<b>443</b>
New provision in the period . . . . .	—	29	29
Utilised in the period . . . . .	(303)	(111)	(414)
Unused amounts reversed . . . . .	—	—	—
<b>At 31 December 2016 . . . . .</b>	<b>—</b>	<b>58</b>	<b>58</b>

The onerous lease provision is in relation to a vacated property where the lease was terminated and property vacated during 2015. The final lease payment was due 29 September 2016.

Dilapidation provisions are made for expected future expenditure of the Group's headquarters at Moor Place in London in accordance with lease obligations and are based on the AFS Group's best estimate of the likely committed cash outflow. These costs are expected to be incurred at the end of the lease.

**17. Financial assets and liabilities (including financial instruments)**

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

17.2 Financial assets—Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivables or as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

Regular purchases and sales of financial assets are recognised on the trade-date, being the date on which the AFS Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the AFS Group has transferred substantially all risks and rewards of ownership.

All financial assets are initially recognised at fair value plus, in the case of financial assets not subsequently reported at fair value through profit or loss, transactions costs that are attributable to the acquisition of the financial asset.

Subsequent measurement—Financial assets at fair value through profit or loss (FVTPL)

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- A derivative not designated and effective as a hedging instrument.



**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**17. Financial assets and liabilities (including financial instruments) (Continued)**

They are subsequently measured at fair value and the resulting gains or losses are presented in profit or loss within 'Revenue'. FVTPL financial assets are classified as current assets.

**Loans and receivables**—Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the reporting date. The AFS Group's loans and receivables comprise trade and other receivables and cash and cash equivalents (notes 13 and 14).

Loans and receivables are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost using the effective interest method, except for the current portion where the recognition of interest would be immaterial. The effective interest income is recognised in profit or loss within 'Finance income'.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and allocating the interest income or expense over the relevant periods. The effective interest rate is the rate that exactly discounts estimated future cash flows (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period.

**Impairment of financial assets**—Financial assets, other than those measured at fair value through profit or loss, are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial asset has been impacted. The carrying amount of the financial asset is directly reduced by the impairment loss for all financial assets carried at amortised costs with the exception of trade receivables, where the carrying amount may be reduced through the use of an allowance account (note 13).

**17.3 Financial liabilities**—Financial liabilities are classified as either financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost. All financial liabilities are recognised initially at fair value and, in the case of financial liabilities measured at amortised costs, net of directly attributable costs.

**Subsequent measurement**—Financial liabilities at fair value through profit or loss (FVTPL)—Financial liabilities at fair value through profit or loss are financial liabilities held for trading. A financial liability is classified as held for trading if it is:

- Acquired or incurred principally for the purpose of selling or repurchasing it in the near-term;
- A derivative not designated and effective as a hedging instrument.

**Financial liabilities measured at amortised costs**—Financial liabilities measured at amortised costs are initially recognised at fair value, net of transaction costs and subsequently measured at amortised cost using the effective interest method. The resulting discounted interest charge is recognised in profit or loss within 'Finance costs'.

The AFS Group derecognises financial liabilities when, and only when, the AFS Group's obligations are discharged, cancelled or expired.

**17.4 Derivative financial instruments**—Derivative financial instruments are initially recognised at fair value on the date the contract is entered into and are subsequently re-measured at fair value at each reporting date. The method of recognising the gains and losses depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the hedged item. The AFS Group designates derivatives as held for trading. While providing effective economic hedges under the AFS Group's risk management policies, certain derivatives are not designated as hedging instruments according to IAS 39 'Financial Instruments: Recognition and Measurement'.



**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**17. Financial assets and liabilities (including financial instruments) (Continued)**

They are classified as held for trading and the changes in the fair value are immediately recognised within 'Revenue'. Related cash-flows are reported as cash flows from investing activities. Derivatives not designated for hedge accounting are classified as a current asset or liability.

**17.5 Fair value measurement**—The AFS Group measures certain financial instruments at fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability; or in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal market or the most advantageous market must be accessible to or by the AFS Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The AFS Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the AFS Group's Historical Financial Information are categorised within the fair value hierarchy, as follows:

- Level 1 inputs: Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 inputs: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly;
- Level 3 inputs: Inputs for the asset or liability that are not based on observable market data.

The AFS Group's policy is to recognise transfers into and out of fair value hierarchy levels at the end of the reporting period when the event or change in circumstances occurred.

**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 AFS Group has £4.0 million of foreign currency financial instruments liabilities outstanding at 31 December 2016 (2015: £0.2 million, 2014: nil). The AFS Group uses Level 2 inputs for determining and disclosing the fair value of financial instruments. See note 22.2 for settlement profiles of such instruments.

**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 unpaid pensions accruals and share based payments.

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Deferred tax assets due within 12 months . . . . .	131	118	20
Deferred tax liabilities due within 12 months . . . . .	—	(48)	(42)
Total provision . . . . .	<u>131</u>	<u>70</u>	<u>(22)</u>

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**18. Deferred income tax (Continued)**

There are no balances due after 12 months.

<u>£'000s</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Balance as at 1 January . . . . .	112	131	70
Adjustment in respect of prior period . . . . .	—	—	(102)
Deferred income taxes recognised in the income statement . . . . .	19	(61)	(10)
Balance as at 31 December . . . . .	<u>131</u>	<u>70</u>	<u>(22)</u>
Consisting of			
Depreciation in excess of capital allowances . . . . .	(1)	48	42
Other timing differences . . . . .	(130)	(118)	(20)

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 AFS 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 £3.2 million at 31 December 2016 (2015: £2.4 million; 2014: £1.7 million).

**19. Called up share capital**

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

Preference shares are classified as equity where they are non-redeemable and will not be settled in cash.

	<u>2013</u>		<u>2014</u>		<u>2015</u>		<u>2016</u>	
	<u>Shares</u>	<u>£'000s</u>	<u>Shares</u>	<u>£'000s</u>	<u>Shares</u>	<u>£'000s</u>	<u>Shares</u>	<u>£'000s</u>
<b>Issued and fully paid</b>								
Balance as at 1 January:								
Ordinary shares—1pence . . .	2,114,400	21	2,114,400	21	2,114,400	21	2,114,400	21
Ordinary shares issued . . . . .	—	—	—	—	—	—	549,290	6
C preference shares—£1 . . . .	6,000,000	6,000	6,000,000	6,000	6,000,000	6,000	—	—
A shares—0.1 pence . . . . .	—	—	91,020	—	91,020	—	91,020	—
A1 shares—0.1 pence . . . . .	—	—	—	—	75,689	—	75,689	—
Balance as at 31 December . .	<u>—</u>	<u>6,021</u>	<u>—</u>	<u>6,021</u>	<u>—</u>	<u>6,021</u>	<u>—</u>	<u>27</u>

The voting rights and restrictions attached to the Ordinary £1 shares, the A and A1 shares and the C preference shares, and are summarised as follows:

Voting rights are attached to the ordinary shares only. The holders of the A, A1 and C preference shares have no voting rights and have no right to attend or receive notice of the general meeting. The holders of the A and A1 shares have the right to share in any dividend declared by AFSGL. The holders of the ordinary shares and the A shares have the right to share in the proceeds of winding up the company in proportion to the number of shares held up to a maximum amount of £1.22 per Ordinary Share and the holders of the ordinary, A and A1 shares are entitled to the distribution of the remaining assets of AFSGL proportionate to their holding.

The C preference shares are non-redeemable and have no profit sharing features. On winding up of the company, the holders of the C preference shares are entitled to £1.00 per C share held, in priority to any payment to the holders of any other classes of shares.

Other than those disclosed in the tables above, there were no movements in shares allotted during the period. See note 2.6—Non-controlling interests and Group reorganisations—for further discussion of the 2016 restructuring.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**20. Share based compensation**

Share based payment arrangements in which the AFS Group receives goods or services as consideration for its own equity instruments are accounted for as equity-settled share based payment transactions. The grant date fair value of share-based payment awards granted to any Director or employee is recognised as an associated expense, with a corresponding increase in equity, over the period that any Director or employee becomes unconditionally entitled to the awards. The fair value of the awards granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions upon which the awards were granted.

In 2014 and 2015, certain employees of the AFS Group were offered the opportunity to participate in one of two share schemes which allow certain individuals to purchase an ownership interest in the AFS Group at the share's nominal value. This interest will vest in tranches following a listing or change of control event. A charge for these plans has not been recorded in prior periods as a vesting event was not deemed probable. During the fourth quarter ended 31 December 2016, management determined that a listing was probable with an estimated date in the second quarter of 2017 and recorded a charge of £16.2 million which includes a catch up charge for prior periods where no charge was recorded.

In December 2014 the AFS Group issued 91,020 Ordinary A shares to certain employees. In April 2016 the AFS Group issued a further 75,689 Ordinary A1 shares. The shares cannot be sold or exchanged under any other circumstances prior to this exit event. In order to be eligible to hold the shares at an exit event, the employee must have remained in employment with the AFS Group. In performing the valuation management have assumed, at the grant date, a volatility of 30% at each grant dates, no expected dividend yield, an exit event occurring three years after the date of grant and 0.9% and 0.7% as the risk free rate at December 2014 and April 2015 respectively.

**21. Dividends**

Dividends are recognised through equity when approved by AFSGL's shareholders or on payment, whichever is earlier.

In July 2016 an interim dividend of £7.57 per ordinary share was declared. The controlling shareholders waived their right to the dividend and £1.0 million was paid to the A and A1 shareholders in July 2016. No final dividends were declared or paid.

**22. Financial risk management**

**22.1 Financial risk factors**

The AFS Group is exposed to a variety of financial risks: market risk (including currency risk and price risk), credit risk and liquidity risk. The AFS Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the AFS Group's financial performance.

The AFS Group uses financial instruments to hedge certain risk exposures. Risk management is carried out by the finance function under policies approved by the Chief Financial Officer ("CFO"). The finance function identifies, evaluates and mitigates financial risks when deemed necessary.

**Market risk**

**(i) Foreign exchange risk**

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

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**22. Financial risk management (Continued)**

Foreign exchange risk arises from:

- Forecasted 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.

The policy of the AFS Group is to hedge committed and highly probable forecasted foreign currency operational transactions. The AFS Group uses foreign exchange forwards for this purpose. At any point in time, the AFS Group's policy is to mitigate the next 12 months of future cash-flows in foreign currency. The AFS Group uses forward contracts as hedging instruments.

The notional principal amounts of the outstanding commercial foreign exchange contracts at 31 December 2016 and 2015 were as follows (2013 & 2014: nil):

<u>Forward exchange contracts- notional</u>	<u>2015</u> <u>\$'000s</u>	<u>2015</u> <u>£'000s</u>	<u>2016</u> <u>\$'000</u>	<u>2016</u> <u>£'000s</u>
USD . . . . .	49,300	33,072	41,000	29,014

Hedge accounting is not applied and therefore the mark-to-market impact is recorded net of revenue as disclosed in note 4.3. For the year ended 31 December 2016, the impact of these derivatives was an unrealised loss of £3.8 million (2015: £0.2 million, 2014: nil) as the US dollar continued to appreciate against the pound sterling in 2016. The offsetting gain related to the forecasted sales are not visible due to the sales not yet being recorded in the books of the AFS Group as a significant amount of US dollar denominated revenue is in relation to license and maintenance which are recognised rateably in the income statement.

As the US dollar appreciates against the pound sterling, the derivative contracts entered into with financial institutions have a negative mark-to-market. The AFS Group's financial derivative counterparties require margin call should its mark-to-market exceed a pre-agreed contractual limit. In order to protect from the potential margin calls for significant market movements, the AFS Group holds a liquidity buffer in cash and monitors margin requirements on a daily basis for adverse movements in the US dollar versus the pound sterling.

At 31 December 2016 and 2015, the margin requirement related to foreign exchange hedges was £0.5 million and nil respectively.

A 10% movement in the USD GBP exchange rate in the year ended 31 December 2016 would impact revenue and operating profit by 5% and 16% respectively.

**Credit risk**

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The AFS Group is exposed to credit risk with financial institutions and other parties as a result of cash at bank, cash deposits, mark-to-market on derivative transactions and customer trade receivables arising from the AFS Group's operating activities. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The AFS Group does not generally hold any collateral as security.

**(i) Credit risk related to transactions with financial institutions**

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

All financial counterparties where assets held are over £250,000 are AA rated or above (as per Parent ratings from Moody's Investor Services).

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**22. Financial risk management (Continued)**

**(ii) 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 the trade receivable could be impaired. Given the complexity, the size and the length of certain software implementation of service-related projects, a delay in the settlement of an open trade receivable does not constitute objective evidence that the trade receivable is impaired.

The AFS Group has a relatively diverse customer base geographically and by industry. The responsibility for customer credit risk management rests with management of the AFS 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 the use of upfront payments of licenses and maintenance. Historically, there has been a very low level of customer default as a result of long history of dealing with the AFS 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.

See note 13—Trade and other receivables for the aging of trade receivables.

**22.2 Capital risk management and liquidity**

The AFS Group's principal objective when managing capital is to safeguard the AFS Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The capital structure of the AFS Group consists of cash and cash equivalents (note 14) and equity attributable to equity holders of the parent.

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

The AFS 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 AFS 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 AFS Groups' derivative and non-derivative financial liabilities. The amounts disclosed in the table are the contractual undiscounted cash flows.

		<b>31 December 2016</b>				
<b>£'000s</b>		<b>Less than 6 months</b>	<b>Between 6 – 12 months</b>	<b>Between 1 – 2 years</b>	<b>Between 2 – 5 years</b>	<b>More than 5 years</b>
Trade and other payables . . . . .		8,141	545	—	—	—
Provisions . . . . .		—	—	—	—	58
Financial instruments . . . . .		13,835	8,453	6,726	—	—
		<b>31 December 2015</b>				
<b>£'000s</b>		<b>Less than 6 months</b>	<b>Between 6 – 12 months</b>	<b>Between 1 – 2 years</b>	<b>Between 2 – 5 years</b>	<b>More than 5 years</b>
Trade and other payables . . . . .		2,405	1,988	—	—	—
Provisions . . . . .		—	303	140	—	—
Financial instruments . . . . .		16,556	16,516	—	—	—

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**22. Financial risk management (Continued)**

£'000s	31 December 2014				
	Less than 6 months	Between 6 – 12 months	Between 1 – 2 years	Between 2 – 5 years	More than 5 years
Trade and other payables . . . . .	2,048	1,518	—	—	—
Provisions . . . . .	—	—	93	—	—

**22.3 Fair value measurement**

Forward foreign exchange contracts are the only financial assets held at fair value through the profit and loss. These have been valued using Level 2 of the fair value hierarchy and there have been no transfers between levels during the periods presented.

**23. Contingencies and commitments**

The AFS Group has no capital commitments, no contingent liabilities and no contingent assets. See note 5 for details of the AFS Group's total commitments under non-cancellable operating leases.

**24. Related party**

Details of key management personnel compensation is set out in note 6.

Details of interests in subsidiaries are set out in note 2.5.

The ultimate parent undertaking is CHP Software and Consulting Limited, which is the parent undertaking of the smallest and largest group in relation to this Historical Financial Information. There was no trading between the AFS Group and the Parent. At 31 December 2015 and 2016 amounts owing from the parent were £8.9 million and £27.0 million respectively (see note 12).

During the period, the AFS Group made arms-length transactions with Classic Technology Limited, a company in which the founder holds an interest. These transactions amounted £0.04 million (2015: £0.04 million, 2014: £0.04 million) in relation to fees paid for rental of property. There were no outstanding receivables balances at the end of the reporting period.

**25. Transition to IFRS**

As stated in note 1 this Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU). The date of transition to IFRS is 1 January 2014 (the "Transition date"). The accounting policies described throughout this Historical Financial Information were applied when preparing the consolidated Historical Financial Information as presented.

In preparing its opening IFRS Consolidated Statement of Financial Position and adjusting amounts reported previously in the Historical Financial Information prepared in accordance with UK GAAP (Generally Accepted Accounting Practice in the UK, previous GAAP), the AFS Group has applied IFRS 1 First-Time Adoption of International Financial Reporting Standards, which contains a number of voluntary exemptions and mandatory exceptions from the requirement to apply IFRS retrospectively.

***Exceptions and Exemptions used during transition to IFRS***

The AFS Group has applied the following mandatory exception required by IFRS 1 in the conversion from UK GAAP to IFRS:

Estimates—Hindsight is not used to create or revise estimates. The estimates previously made by AFSGL under UK GAAP were not revised for the application of IFRS except where necessary to reflect any difference in accounting policies.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**25. Transition to IFRS (Continued)**

***Adjustments Made in Connection with Transition to IFRS***

The most significant impacts of the adoption of IFRS on the AFS Group's previously reported financial information are as follows:

- Cessation of goodwill;
- vacation accruals;
- Other reclassification adjustments to both the income statement and the balance sheet

***Impact on the cash flow statements***

The AFS Group has made a number of reclassifications to the values reported under UK GAAP in order to present its cash flows in accordance with IFRS. These reclassification adjustments have no significant impact on the results presented for each type of the AFS Group's activities.

Below are the reconciliations of the Consolidated Statements of Financial Position as of 1 January 2014 and 31 December 2014 and the Consolidated Income Statement for the year ended 31 December 2014. The reconciliations of the statements of financial position as at 31 December 2015 and 2016 and the income statements for the years ended 31 December 2015 and 2016 have not been presented as the AFS Group did not publish consolidated financial information for those periods as consolidated financial information was presented for the ultimate parent.

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**25. Transition to IFRS (Continued)**

<b>In £'000s</b>	<b>At 1 January 2014</b>			
	<b>UK GAAP</b>	<b>Vacation accrual<sup>(2)</sup></b>	<b>Other<sup>(3)</sup></b>	<b>IFRS</b>
<b>Assets</b>				
<b>Non-current assets</b>				
Property plant and equipment . . . . .	606	—	—	606
Goodwill . . . . .	24,737	—	—	24,737
<b>Total non-current assets</b> . . . . .	<u>25,343</u>	<u>—</u>	<u>—</u>	<u>25,343</u>
<b>Current assets</b>				
Trade and other receivables . . . . .	7,002	—	(2,973)	4,029
Accrued income . . . . .	—	—	542	542
Prepayments . . . . .	—	—	2,157	2,157
Other receivables . . . . .	—	110	346	456
Cash and cash equivalents . . . . .	9,073	—	—	9,073
<b>Total current assets</b> . . . . .	<u>16,075</u>	<u>110</u>	<u>72</u>	<u>16,257</u>
<b>Total assets</b> . . . . .	<u>41,418</u>	<u>110</u>	<u>72</u>	<u>41,600</u>
<b>Liabilities and equity</b>				
<b>Current liabilities</b>				
Trade and other payables . . . . .	10,761	441	(7,913)	3,289
Corporation tax payable . . . . .	—	—	1,065	1,065
Deferred revenue . . . . .	—	—	6,920	6,920
<b>Total current liabilities</b> . . . . .	<u>10,761</u>	<u>441</u>	<u>72</u>	<u>11,274</u>
<b>Non-current liabilities</b>				
Provisions for financial liabilities . . . . .	74	—	—	74
<b>Total non-current liabilities</b> . . . . .	<u>74</u>	<u>—</u>	<u>—</u>	<u>74</u>
<b>Total liabilities</b> . . . . .	<u>10,835</u>	<u>441</u>	<u>72</u>	<u>11,348</u>
<b>Capital and reserves</b>				
Share capital . . . . .	6,021	—	—	6,021
Share premium . . . . .	11,123	—	—	11,123
Cumulative translation reserve . . . . .	(176)	—	176	—
Retained earnings . . . . .	7,777	(266)	(176)	7,335
	<u>24,745</u>	<u>(266)</u>	<u>—</u>	<u>24,479</u>
Non-controlling interest . . . . .	5,838	(65)	—	5,773
<b>Total equity</b> . . . . .	<u>30,583</u>	<u>(331)</u>	<u>—</u>	<u>30,252</u>
<b>Total liabilities and equity</b> . . . . .	<u>41,418</u>	<u>110</u>	<u>72</u>	<u>41,600</u>



**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**25. Transition to IFRS (Continued)**

In £'000s	At 31 December 2014					IFRS
	UK GAAP	Goodwill <sup>(1)</sup>	Vacation accrual <sup>(2)</sup>	Reclasses <sup>(3)</sup>	Deferred tax <sup>(4)</sup>	
<b>Assets</b>						
<b>Non-current assets</b>						
Property plant and equipment	527	—	—	—	—	527
Goodwill	23,703	1,034	—	—	—	24,737
<b>Total non-current assets</b>	<u>24,230</u>	<u>1,034</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>25,264</u>
<b>Current assets</b>						
Trade and other receivables	6,093	—	—	(2,324)	—	3,769
Accrued income	—	—	—	1,031	—	1,031
Prepayments	—	—	—	951	—	951
Other receivables	—	—	110	342	23	475
Cash and cash equivalents	27,032	—	—	—	—	27,032
<b>Total current assets</b>	<u>33,125</u>	<u>—</u>	<u>110</u>	<u>—</u>	<u>23</u>	<u>33,258</u>
<b>Total assets</b>	<u>57,355</u>	<u>1,034</u>	<u>110</u>	<u>—</u>	<u>23</u>	<u>58,522</u>
<b>Liabilities and equity</b>						
<b>Current liabilities</b>						
Trade and other payables	13,474	—	549	(9,908)	—	4,115
Corporation tax payable	—	—	—	2,012	—	2,012
Deferred revenue	—	—	—	7,896	—	7,896
<b>Total current liabilities</b>	<u>13,474</u>	<u>—</u>	<u>549</u>	<u>—</u>	<u>—</u>	<u>14,023</u>
<b>Non-current liabilities</b>						
Provisions for other liabilities	93	—	—	—	—	93
<b>Total non-current liabilities</b>	<u>93</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>93</u>
<b>Total liabilities</b>	<u>13,567</u>	<u>—</u>	<u>549</u>	<u>—</u>	<u>—</u>	<u>14,116</u>
<b>Capital and reserves</b>						
Share capital	6,021	—	—	—	—	6,021
Share premium	11,123	—	—	—	—	11,123
Cumulative translation reserve	56	—	—	(56)	—	—
Retained earnings	17,843	1,034	(352)	56	23	18,604
	<u>35,043</u>	<u>1,034</u>	<u>(352)</u>	<u>—</u>	<u>23</u>	<u>35,748</u>
Non-controlling interest	8,745	—	(87)	—	—	8,658
<b>Total equity</b>	<u>43,788</u>	<u>1,034</u>	<u>(439)</u>	<u>—</u>	<u>23</u>	<u>44,406</u>
<b>Total liabilities and equity</b>	<u>57,355</u>	<u>1,034</u>	<u>110</u>	<u>—</u>	<u>23</u>	<u>58,522</u>

**Alfa Historical Financial Information**  
**Notes to the Historical Financial Information (Continued)**  
**for the years ended 31 December 2014, 2015 and 2016**

**25. Transition to IFRS (Continued)**

	Year ended 31 December 2014					IFRS
	UK GAAP	Goodwill <sup>(1)</sup>	Vacation accrual <sup>(2)</sup>	Reclasses <sup>(3)</sup>	Exchange differences <sup>(4)</sup>	
<b>Continuing operations</b>						
Revenue . . . . .	43,289	—				43,289
Personnel costs . . . . .	(18,028)	—	(107)	18,135		—
Amortisation . . . . .	(1,034)	1,034	—	—		—
Depreciation . . . . .	(333)	—	—	333		—
Other operating charges . . . . .	(6,785)	—	—	6,785		—
Implementation and support expenses . .	—	—	—	(11,318)		(11,318)
Research and product development expenses . . . . .	—	—	—	(7,058)		(7,058)
Sales, general and administrative expenses . . . . .	—	—	—	(6,877)	35	(6,842)
Other operating income . . . . .	36	—	—	—		36
<b>Operating profit</b> . . . . .	<u>17,145</u>	<u>1,034</u>	<u>(107)</u>	<u>—</u>	<u>35</u>	<u>18,107</u>
Finance income . . . . .	66	—	—	—		66
Finance costs . . . . .	—	—	—	—		—
<b>Profit before taxation</b> . . . . .	<u>17,211</u>	<u>1,034</u>	<u>(107)</u>	<u>—</u>	<u>35</u>	<u>18,173</u>
Taxation . . . . .	(4,042)	—	23	—	—	(4,019)
<b>Profit for the financial year</b> . . . . .	<u>13,169</u>	<u>1,034</u>	<u>(84)</u>	<u>—</u>	<u>35</u>	<u>14,154</u>

(1) *Goodwill*—Under UK GAAP goodwill was previously being amortised over a period of 20 years. Under IFRS, goodwill is not amortised but subject to annual impairment review. The cost of goodwill at 1 January 2014, under IFRS, represents the unamortised amount of goodwill.

(2) *Vacation accrual*—Under UK GAAP accruals in relation to vacation earned but unused at the period end were not recognised and were charged to the income statement in the period in which they were paid. Under IFRS, such short term benefits are accrued in line with the service received.

(3) *Reclasses*—Other adjustments relate to reclassifications on the balance sheet and income statement in line with IFRS.

(4) *Exchange differences*—To reclass foreign exchange differences from other comprehensive income to the statement of profit or loss.

**26. Subsequent events**

On 10 February 2017, AFSGL paid a dividend of £31.5 million to the Parent. On 10 February 2017, AFSGL received settlement in full of the loan receivable from the Parent of £27.0 million.

On 28 April 2017, the AFSGL Group made a loan of £5.1 million to the Parent. The loan has a one year maturity and bears interest at 2% above LIBOR.

On 8 May 2017, the AFSGL Group issued a notice of intention to seek admission to the premium listing segment of the Official List of the Financial Conduct Authority and to trading on the London Stock Exchange (together, “**Admission**”) through the issue of shares in a newly formed ultimate parent company Alfa Financial Software Holdings PLC. Alfa Financial Software Holdings PLC was incorporated on 6 April 2017 as a private company limited by shares in the United Kingdom and re-registered as a public limited company on 4 May 2017.

On incorporation, the share capital of Alfa Financial Software Holdings PLC was £0.01, being 1 ordinary share of £0.01. On 28 April 2017, Alfa Financial Software Holdings PLC replaced AFSGL as the holding company of the Group.

As part of the reorganisation, the holders of the A and A1 shares in AFSGL exchanged their shares for ordinary shares in Alfa Financial Software Holdings PLC which will vest in tranches and conditional on ongoing service.

A dividend of £29.2 million has been declared, as of 4 May 2017, and will be paid by AFSGL to the Parent prior to Admission. At this time, the loan of £5.1 million paid to the Parent by AFSGL Group will be settled in full.

## **PART 12**

### **DETAILS OF THE GLOBAL OFFER**

#### **Background**

Pursuant to the Global Offer 78,000,000 Existing Shares are expected to be sold by the Selling Shareholder. In addition, a further 7,500,000 Over-allotment Shares are being made available by the Selling Shareholder pursuant to the Over-allotment Option described below.

In the Global Offer, Shares will be offered (i) to certain institutional investors in the United Kingdom and elsewhere outside the United States and (ii) in the United States only to qualified institutional buyers in reliance on Rule 144A or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

Certain restrictions that apply to the distribution of this Prospectus and the Shares being issued and sold under the Global Offer in jurisdictions outside the United Kingdom are described below.

When admitted to trading, the Shares will be registered with ISIN number GB00BDHXPG30 and SEDOL (Stock Exchange Daily Official List) number BDHXPG3 and trade under the symbol “ALFA”.

Immediately following Admission, it is expected that approximately 25.5% of the Company’s issued ordinary share capital will be held in public hands (within the meaning of paragraph 6.1.19 of the Listing Rules) assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option (increasing to 28.0% if the maximum number of Over-allotment Shares are acquired pursuant to the Over-allotment Option).

#### **Use of Proceeds**

Pursuant to the Global Offer, the Selling Shareholder will receive aggregate proceeds of approximately £248.4 million from the sale of the Existing Shares, net of base underwriting commissions and other estimated fees and expenses of approximately £5.1 million. No proceeds will be received by the Company pursuant to the Global Offer.

#### **Reasons for the Global Offer**

The Directors believe that the Global Offer will:

- further increase the Group’s profile and brand recognition whilst giving clarity on the Group’s ongoing independence to its clients, prospects, suppliers and employees;
- assist in recruiting, retaining and incentivising key management and employees; and
- provide the Selling Shareholder with a partial realisation of its investment in the Group.

#### **Allocation**

The rights attaching to the Shares will be uniform in all respects and they will form a single class for all purposes. The Shares allocated under the Global Offer have been underwritten, subject to certain conditions, by the Underwriters as described in the paragraph headed “Underwriting arrangements” below and in paragraph 10 of Part 13 “Additional Information”. Allocations under the Global Offer will be determined at the sole discretion of the Company and the Selling Shareholder and shall be agreed in consultation with the Joint Global Co-ordinators. All Shares issued or sold pursuant to the Global Offer will be issued or sold, payable in full, at the Offer Price. Liability for UK stamp duty and stamp duty reserve tax is described in paragraph 13.3 of Part 13 “Additional Information”.

#### **Dealing arrangements**

The Global Offer is subject to the satisfaction of certain conditions contained in the Underwriting Agreement, which are typical for an agreement of this nature. Certain conditions are related to events which are outside the control of the Company, the Directors and the Underwriters. Further details of the Underwriting Agreement are described in paragraph 10.1 of Part 13 “Additional Information”.

Conditional dealings in the Shares are expected to commence on the London Stock Exchange on 26 May 2017. Dealings on the London Stock Exchange before Admission will only be settled if Admission takes place. The earliest date for such settlement of such dealings will be 1 June 2017. It is expected that Admission will become effective, and that unconditional dealings in the Shares will commence on the London Stock Exchange at 8.00 a.m. (London time) on 1 June 2017. Settlement of dealings from that date will be on a two-day rolling

basis. **All dealings before the commencement of unconditional dealings will be of no effect if Admission does not take place and such dealings will be at the sole risk of the parties concerned. These dates and times may be changed without further notice.**

Each investor in the Global Offer will be required to undertake to pay the Offer Price for the Shares issued or sold to such investor in such manner as shall be directed by the Joint Global Co-ordinators.

It is expected that Shares allocated to investors in the Global Offer will be delivered in uncertificated form and settlement will take place through CREST on Admission. No temporary documents of title will be issued. Dealings in advance of crediting of the relevant CREST stock account shall be at the risk of the person concerned.

### **Over-allotment and stabilisation**

In connection with the Global Offer, Barclays Capital Securities Limited, as Stabilising Manager, or any of its agents, may (but will be under no obligation to), to the extent permitted by applicable law, over-allot Shares or effect other stabilising transactions with a view to supporting the market price of the Shares at a higher level than that which might otherwise prevail in the open market. The Stabilising Manager is not required to enter into such transactions and such transactions may be effected on any securities market, over-the-counter market, stock exchange or otherwise and may be undertaken at any time during the period commencing on the date of the commencement of conditional dealings in the Shares on the London Stock Exchange and ending no later than 30 calendar days thereafter. However, there will be no obligation on the Stabilising Manager or any of its agents to effect stabilising transactions and there is no assurance that stabilising transactions will be undertaken. Such stabilisation, if commenced, may be discontinued at any time without prior notice. In no event will measure be taken to stabilise the market price of the Shares above the Offer Price. Except as required by law or regulation, neither the Stabilising Manager nor any of its agents intends to disclose the extent of any over-allotments made and/or stabilising transactions conducted in relation to the Global Offer.

In connection with the Global Offer, the Stabilising Manager may, for stabilisation purposes, over-allot Shares up to a maximum of 9.6% of the total number of Shares comprised in the Global Offer. For the purposes of allowing the Stabilising Manager to cover short positions resulting from any such over-allotments and/or from sales of Shares effected by it during the stabilising period, the Selling Shareholder will have granted to the Stabilising Manager the Over-allotment Option, pursuant to which the Stabilising Manager may purchase or procure purchasers for additional Shares up to a maximum of 9.6% of the Over-allotment Shares at the Offer Price. The Over-allotment Option will be exercisable in whole or in part, upon notice by the Stabilising Manager, at any time on or before the 30<sup>th</sup> calendar day after the commencement of conditional dealings of the Shares on the London Stock Exchange. Any Over-allotment Shares made available pursuant to the Over-allotment Option will rank *pari passu* in all respects with the Shares, including for all dividends and other distributions declared, made or paid on the Shares, will be purchased on the same terms and conditions as the Shares being issued or sold in the Global Offer and will form a single class for all purposes with the other Shares.

For a discussion of certain stock lending arrangements entered into in connection with the Over-allotment Option, see paragraph 10.2 of Part 13 “Additional Information—Stock lending agreement”.

### **CREST**

CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another's without the need to use share certificates or written instruments of transfer. With effect from Admission, the Articles will permit the holding of Shares in the CREST system.

Application has been made for the Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in the Shares following Admission may take place within the CREST system if any shareholder so wishes. CREST is a voluntary system and holders of Shares who wish to receive and retain share certificates will be able to do so.

### **Underwriting arrangements**

The Underwriters have entered into commitments under the Underwriting Agreement pursuant to which they have agreed, subject to certain conditions, to use reasonable endeavours to procure, as agent for the Selling Shareholder, purchasers for the Existing Shares to be sold by the Selling Shareholder in the Global Offer, or, failing which, for the Underwriters to purchase such Shares, at the Offer Price. The Underwriting Agreement contains provisions entitling the Underwriters to terminate the Underwriting Agreement (and the arrangements

associated with it) at any time prior to Admission in certain circumstances. If this right is exercised, the Underwriting Agreement and these arrangements will lapse and any moneys received in respect of the Global Offer will be returned to applicants without interest. The Underwriting Agreement provides for the Underwriters to be paid commission in respect of the Existing Shares sold and any Over-allotment Shares sold following exercise of the Over-allotment Option. Any commissions received by the Underwriters may be retained, and any Shares acquired by them may be retained or dealt in, by them, for their own benefit.

Further details of the terms of the Underwriting Agreement are set out in paragraph 10.1 of Part 13 “Additional Information—Underwriting arrangements”. Certain selling and transfer restrictions are set out below.

### **Lock-up arrangements**

Pursuant to the Underwriting Agreement, the Company has agreed that, subject to certain exceptions, during the period of 180 days from the date of Admission, it will not, without the prior written consent of the Joint Global Co-ordinators (not to be unreasonably withheld or delayed), directly or indirectly, offer, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce any offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect (including a transaction involving derivatives) as, or agree to do, any of the foregoing.

Pursuant to the Underwriting Agreement and related arrangements, the Selling Shareholder and the Directors have agreed that, subject to certain exceptions, during the period of 365 days from the date of Admission, they will not, without the prior written consent of the Joint Global Co-ordinators (not to be unreasonably withheld or delayed), directly or indirectly, offer, allot, issue, lend, mortgage, assign, charge, pledge, sell or contract to sell or issue, issue or sell options in respect of, or otherwise dispose of, directly or indirectly, or announce an offering or issue of, any Shares (or any interest therein or in respect thereof) or any other securities exchangeable for or convertible into, or substantially similar to, Shares or enter into any transaction with the same economic effect (including a transaction involving derivatives) as, or agree to do, any of the foregoing.

Further details of these arrangements, which are contained in the Underwriting Agreement, are set out in paragraph 10 of Part 13 “Additional Information—Underwriting arrangements”.

### **Selling restrictions**

The distribution of this Prospectus and the offer of Shares in certain jurisdictions may be restricted by law and therefore persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions, including those set out in the paragraphs that follow. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

No action has been or will be taken in any jurisdiction that would permit a public offering of the Shares, or possession or distribution of this Prospectus or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the Shares may not be offered or sold, directly or indirectly, and neither this Prospectus nor any other offering material or advertisement in connection with the Shares may be distributed or published in or from any country or jurisdiction except in circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this Prospectus comes should inform themselves about and observe any restrictions on the distribution of this Prospectus and the offer of Shares contained in this Prospectus. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction. This Prospectus does not constitute an offer to purchase any of the Shares to any person in any jurisdiction to whom it is unlawful to make such offer of solicitation in such jurisdiction.

### ***European Economic Area***

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “**Relevant Member State**”) no Shares have been offered or will be offered pursuant to the Global Offer to the public in that Relevant Member State prior to the publication of a prospectus in relation to the Shares which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, all in accordance with the Prospectus Directive, except that offers of Shares may be made to the public in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to any legal entity which is a qualified investor as defined under the Prospectus Directive;
- (b) to fewer than 100, or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons in a Relevant Member State (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Global Co-ordinators; or
- (c) in any other circumstances which do not require the publication by the Company of a prospectus pursuant to Article 3(2) of the Prospectus Directive,

*provided that* no such offer of Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State or of a supplement to a prospectus pursuant to Article 16 of the Prospectus Directive.

**For the purposes of this provision, the expression an “offer to the public” in relation to any Shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and any Shares to be offered so as to enable an investor to decide to purchase any Shares, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state. The expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.**

#### ***United States***

The Shares have not been and will not be registered under the U.S. Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be QIBs in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. The Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S.

In addition, until 40 days after the commencement of the Global Offer of the Shares an offer or sale of Shares within the United States by any dealer (whether or not participating in the Global Offer) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the U.S. Securities Act.

The Underwriting Agreement provides that the Underwriters may directly or through their respective United States broker-dealer affiliates arrange for the offer and resale of Shares within the United States only to QIBs in reliance on Rule 144A or another exemption from, or transaction not subject to, the registration requirements of the U.S. Securities Act.

Each acquirer of Shares that are part of the underwritten portion of the Global Offer within the United States, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that it has received a copy of this Prospectus and such other information as it deems necessary to make an investment decision and that:

- (a) it is (a) a QIB within the meaning of Rule 144A, (b) acquiring the Shares for its own account or for the account of one or more QIBs with respect to whom it has the authority to make, and does make, the representations and warranties set forth herein, (c) acquiring the Shares for investment purposes, and not with a view to further distribution of such Shares, and (d) aware, and each beneficial owner of the Shares has been advised, that the sale of the Shares to it is being made in reliance on Rule 144A or in reliance on another exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.
- (b) it understands that the Shares are being offered and sold in the United States only in a transaction not involving any public offering within the meaning of the U.S. Securities Act and that the Shares have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold, pledged or otherwise transferred except (a) to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB in a transaction meeting the requirements of Rule 144A, or another exemption from, or in a transaction not subject to, the registration requirements of

the U.S. Securities Act, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, (c) pursuant to an exemption from registration under the U.S. Securities Act provided by Rule 144 thereunder (if available) or (d) pursuant to an effective registration statement under the U.S. Securities Act, in each case in accordance with any applicable securities laws of any state of the United States. It further (a) understands that the Shares may not be deposited into any unrestricted depositary receipt facility in respect of the Shares established or maintained by a depositary bank, (b) acknowledges that the Shares (whether in physical certificated form or in uncertificated form held in CREST) are “restricted securities” within the meaning of Rule 144(a)(3) under the U.S. Securities Act and that no representation is made as to the availability of the exemption provided by Rule 144 for resales of the Shares and (c) understands that the Company may not recognise any offer, sale, resale, pledge or other transfer of the Shares made other than in compliance with the above-stated restrictions.

- (c) it understands that the Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

**THE SHARES REPRESENTED HEREBY HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “U.S. SECURITIES ACT”) OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO A PERSON THAT THE SELLER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE U.S. SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE U.S. SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE U.S. SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE U.S. SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE U.S. SECURITIES ACT FOR RESALES OF THE SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARES REPRESENTED HEREBY MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF THE SHARES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK. EACH HOLDER, BY ITS ACCEPTANCE OF SHARES, REPRESENTS THAT IT UNDERSTANDS AND AGREES TO THE FOREGOING RESTRICTIONS; and**

- (d) it represents that if, in the future, it offers, resells, pledges or otherwise transfers such Shares while they remain “restricted securities” within the meaning of Rule 144, it shall notify such subsequent transferee of the restrictions set out above.

The Company, the Underwriters and their affiliates and others will rely on the truth and accuracy of the foregoing acknowledgements, representations and agreements.

### ***Canada***

The Shares may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Shares must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Prospectus (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Underwriters are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

### ***Australia***

This Prospectus does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (Cth) (“**Australian Corporations Act**”) and does not purport to include the information required of a disclosure document under the Australian Corporations Act. This Prospectus has not been, and will not be, lodged with the Australian Securities and Investments Commission (whether as a disclosure document under the Australian Corporations Act or otherwise). Any offer in Australia of the Shares under this Prospectus or otherwise may only be made to persons who are “sophisticated investors” (within the meaning of section 708(8) of the Australian Corporations Act), to “professional investors” (within the meaning of section 708(11) of the Australian Corporations Act) or otherwise pursuant to one or more exemptions under section 708 of the Australian Corporations Act so that it is lawful to offer the Shares in Australia without disclosure to investors under Part 6D.2 of the Australian Corporations Act.

Any offer for on-sale of the Shares that is received in Australia within 12 months after their issue by the Company is likely to need prospectus disclosure to investors under Part 6D.2 of the Australian Corporations Act, unless such offer for on-sale in Australia is conducted in reliance on a prospectus disclosure exemption under section 708 of the Australian Corporations Act or otherwise. Any persons acquiring Shares should observe such Australian on-sale restrictions.

The Company is not licensed in Australia to provide financial product advice in relation to the Shares. Any advice contained in this Prospectus is general advice only. This Prospectus has been prepared without taking account of any investor’s objectives, financial situation or needs, and before making an investment decision on the basis of this Prospectus, investors should consider the appropriateness of the information in this Prospectus, having regard to their own objectives, financial situation and needs. No cooling off period applies to an acquisition of the Shares.

### ***Japan***

The Shares have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the FIEA). Neither the Shares nor any interest therein may be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or entity organised under the laws of Japan), or to others for reoffering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

### ***Hong Kong***

This Prospectus has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. No person may offer or sell in Hong Kong, by means of any document, any Shares other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance, or (ii) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance.

No person may issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Shares which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Shares which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

### ***Switzerland***

The Shares may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange (“SIX”) or on any other stock exchange or regulated trading facility in Switzerland.



The Prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under article 652a or article 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under article 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither the Prospectus nor any other offering or marketing material relating to the Shares or the Global Offer may be publicly distributed or otherwise made publicly available in Switzerland.

Neither the Prospectus nor any other offering or marketing material relating to the Global Offer, the Company or the Shares has been or will be filed with, and the offer of the Shares will not be supervised by, the Swiss Finance Market Supervisory Authority FINMA, and the offer of the Shares has not been and will not be authorised under the Swiss Federal Act on collective investment schemes (“CISA”). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of the Shares.

### ***Singapore***

This Prospectus has not been and will not be registered as a prospectus with the Monetary Authority of Singapore and the securities will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the “SFA”). Accordingly, this Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Shares may not be circulated or distributed, nor may the Shares be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (1) to an institutional investor under Section 27 4 of the SFA; (2) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions, specified in Section 275 of the SFA or (3) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Shares are purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) (as defined in Section 4A of the SFA) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the securities under Section 275 of the SFA except:

- i. to an institutional investor or to a relevant person defined in Section 275(2) of the SFA or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- ii. where no consideration is or will be given for the transfer;
- iii. where the transfer is by operation of law;
- iv. as specified in Section 276(7) of the SFA;
- v. or as specified in Regulation 32 of the Securities and Futures (Offers and Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**PART 13**  
**ADDITIONAL INFORMATION**

**1. INCORPORATION AND SHARE CAPITAL**

- 1.1 The Company was incorporated and registered in England and Wales on 6 April 2017 as a private company limited by shares under the Act with the name Alfa Financial Software Holdings Limited and with the registered number 10713517.
- 1.2 On 4 May 2017, the Company was re-registered as a public limited company with the name Alfa Financial Software Holdings PLC.
- 1.3 The Company's registered office and principal place of business is at Moor Place, 1 Fore Street Avenue, London EC2Y 9DT, United Kingdom, and its telephone number is +44 20 7588 1800.
- 1.4 The principal laws and legislation under which the Company operates and the ordinary shares have been created are the Act and regulations made thereunder.
- 1.5 On incorporation the share capital of the Company was £0.01 being one ordinary share of £0.01 which was allotted to CHP Software and Consulting Limited.
- 1.6 On 30 May 2017, the following resolutions will be put to the Company's shareholders:
  - 1.6.1 in substitution for any prior authority conferred upon the Board, the authority conferred on the Board by Article 13 of the Company's existing articles of association will be conferred for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date falling 15 months after the resolution conferring it is passed) and for that period the section 551 amount shall comprise, conditional on Admission, (i) up to an aggregate nominal amount equal to one third of the aggregate nominal value of the share capital of the Company on the day following Admission and (ii) in connection with an offer by way of a rights issue only to holders of Shares in proportion (as nearly as practicable) to their existing holdings and to people who are holders of other equity securities if this is required by the rights of those equity securities, up to an aggregate nominal amount equal to two thirds of the aggregate nominal value of the share capital of the Company on the day following Admission (including within such limit any shares or rights issued under (i) above).
  - 1.6.2 in substitution for any prior authority conferred upon the Board, the power conferred on the Board by Article 13 of the Company's existing articles of association will be conferred for a period expiring (unless previously renewed, varied or revoked by the Company in general meeting) at the end of the next annual general meeting of the Company (or, if earlier, at the close of business on the date falling 15 months after the resolution conferring it is passed) and for that period the section 561 amount shall comprise, conditional on Admission, (i) pursuant to the authority referred to in paragraph 1.6.1(i) above: (A) up to the amount referred to in such paragraph in connection with a pre-emptive offer; and (B) otherwise than in connection with a pre-emptive offer, up to an aggregate nominal amount representing 5% of the aggregate nominal value of the share capital of the Company on the day following Admission and (ii) pursuant to the authority referred to in paragraph 1.6.1(ii) above, up to the amount referred to in such paragraph in connection with a rights issue.
- 1.6.3 the Company will be generally and unconditionally authorised to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Shares each subject to the following conditions:
  - (a) maximum aggregate number of Shares authorised to be purchased shall be 30,000,000, representing 10% of the Company's issued ordinary share capital immediately following Admission;
  - (b) the minimum price (excluding expenses) which may be paid for each Share shall be 0.1 pence (being the nominal value of a Share);
  - (c) the maximum price (excluding expenses) which may be paid for each Share is the higher of: (i) 105% of the average of the middle market quotations for the Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the share is contracted to be purchased; and (ii) an amount equal to the higher of the price of the last independent trade of a Share and the highest current independent bid for a Share as derived from the London Stock Exchange Trading System; and

- (d) the authority shall expire on the date falling 15 months after the resolution conferring it is passed or, if earlier, at the end of the next annual general meeting of the Company so that the Company may, before the expiry of the authority enter into a contract to purchase Shares which will or may be executed wholly or partly after the expiry of such authority.
- 1.6.4 the Company will be authorised in accordance with the Articles, until the Company's next annual general meeting, to call general meetings on 14 clear days' notice.
- 1.6.5 the Company and all companies that are its subsidiaries at any time up to the end of the next annual general meeting of the Company were authorised, in aggregate, to:
  - (a) make political donations to political parties and/or independent election candidates not exceeding £50,000 in total;
  - (b) make political donations to political organisations other than political parties not exceeding £50,000 in total; and
  - (c) incur political expenditure not exceeding £50,000 in total.

Terms used in this paragraph 1.6.5 have the meanings given by sections 363 to 365 of the Act.

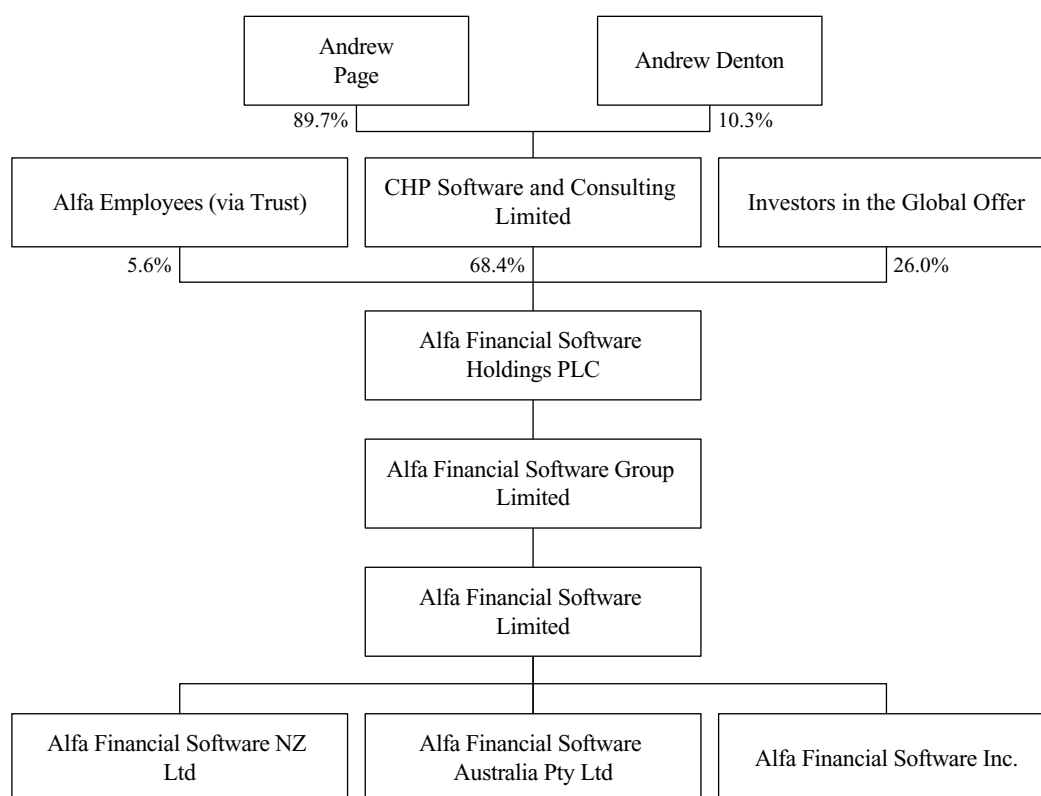
- 1.7 Immediately prior to the publication of this Prospectus, the issued share capital of the Company was £283,039.90, comprising 2,663,690 ordinary shares of 10 pence each, 91,020 A ordinary shares of 10 pence each and 75,689 A1 ordinary shares of 10 pence each (all of which were fully paid or credited as fully paid). Immediately following completion of the Global Offer, the issued share capital of the Company is expected to be £300,000 comprising 300,000,000 Shares of 0.1 pence each (all of which will be fully paid or credited as fully paid).
- 1.8 Save as disclosed above and in paragraphs 8 and 10 below:
  - 1.8.1 no share or loan capital of the Company has, within three years of the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Global Offer), fully or partly paid, either for cash or for a consideration other than cash, to any person;
  - 1.8.2 no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
  - 1.8.3 no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.
- 1.9 The Company will be subject to the continuing obligations of the FCA with regard to the issue of shares for cash. The provisions of section 561(1) of the Act (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash other than by way of allotment to employees under an employees' share scheme as defined in section 1166 of the Act) apply to the issue of shares in the capital of the Company except to the extent such provisions have been disapplied as referred to in paragraph 1.6 above.
- 1.10 Conditional upon the Directors resolving to proceed with the Global Offer, the Company has undertaken a restructuring in preparation for the Global Offer (the "**Reorganisation**"). This process is described in paragraph 2 of this Part 13 "Additional Information—Reorganisation". The agreements relating to the Reorganisation are described in paragraph 11.3 of this Part 13 "Additional Information—Reorganisation Arrangements".
- 1.11 In transactions in 2015 and 2016, Ian Hargrave and Justin Cooper, the two other founders of Alfa (along with Andrew Page), respectively sold their remaining direct and indirect interests in the Group to the Selling Shareholder. The transactions involved a sale of approximately 36% of the Group for consideration of £29.4 million in September 2015 and a sale of approximately 20% of the Group for consideration of £25.0 million in May 2016.

## 2. REORGANISATION

- 2.1 In connection with the Global Offer, the Company was incorporated as a private limited company on 6 April 2017, was inserted in the Group above Alfa Financial Software Group Limited as the new holding company on 28 April 2017 and re-registered as a public limited company with the name Alfa Financial Software Holdings PLC on 4 May 2017.

- 2.2 On 27 April 2017, immediately prior to the entry into the share-for-share exchange pursuant to the Share-for-Share Exchange Agreement referred to in paragraph 12.3 of this Part 13 “Additional Information”, the Company issued and allotted to CHP Software and Consulting Limited a further 14,999 ordinary shares of £0.01 each and then consolidated the 15,000 ordinary shares of £0.01 each into one ordinary share of £150, which the Company allotted to CHP Software and Consulting Limited.
- 2.3 On 28 April 2017, the Company was inserted in the Group above Alfa Financial Software Group Limited as the new holding company by way of the Share-for-Share Exchange Agreement entered into by the Company, the Trustee (as defined in paragraph 8.1.10 of this Part 13 “Additional Information”) and Alfa Financial Software Group Limited, pursuant to which each of the Trustee and CHP Software and Consulting Limited agreed to sell their entire holdings of ordinary shares, A ordinary shares and A1 ordinary shares in the share capital of Alfa Financial Software Group Limited in consideration for the issue to them of a corresponding number of ordinary shares, A ordinary shares and A1 ordinary shares in the share capital of the Company (taking into account the one ordinary share already issued by the Company to CHP Software and Consulting Limited).
- 2.4 On 3 May 2017, by member’s written resolutions and as approved by the Directors, the Company undertook a capital reduction by way of solvency statement in order to create additional distributable reserves (the “**Capital Reduction**”). Pursuant to the Capital Reduction, the nominal value of the ordinary shares in the share capital of the Company was reduced from £150 to £0.10 and the nominal value of the A ordinary shares and the A1 ordinary shares in the share capital of the Company was reduced from £150 to £0.10. The Capital Reduction created distributable reserves for the Company of £424.3 million.
- 2.5 On 4 May 2017, the Company declared and paid a dividend of £10.96 per ordinary share, declared on the ordinary shares of the Company, representing in aggregate £29.2 million to CHP Software and Consulting Limited, which was settled by the issuance of a loan note by the Company to CHP Software and Consulting Limited (the “**Dividend Loan Note**”).
- 2.6 On 4 May 2017, the Company was re-registered as a public limited company with the name Alfa Financial Software Holdings PLC.
- 2.7 On 5 May 2017, Alfa Financial Software Limited provided a loan of £29.2 million to the Company by way of a £29.2 million loan note issued by the Company to Alfa Financial Software Limited (the “**Loan Note**”). The Company intends to use such loan to settle and pay in full the Dividend Loan Note prior to Admission. The Loan Note bears interest at a rate of 2.0% plus LIBOR per annum and is repayable on demand.
- 2.8 On or around 30 May 2017, by member’s resolutions, the Company will reorganise its share capital as follows:
  - (a) each of the ordinary shares will be sub-divided into 100 ordinary shares of 0.1 pence each;
  - (b) each of the A ordinary shares will be sub-divided into 100 A ordinary shares of 0.1 pence each;
  - (c) each of the A1 ordinary shares will be sub-divided into 100 A1 ordinary shares of £0.1 pence each;
  - (d) the Company will undertake a bonus issue of 16,238,969 ordinary shares, 409,254 A ordinary shares and 311,877 A1 ordinary shares;
  - (e) the A ordinary shares will be re-designated into 9,511,254 Shares; and
  - (f) the A1 ordinary shares will be re-designated into 7,880,777 Shares.
- 2.9 All of the Reorganisation steps set out above will have been completed prior to completion of the Global Offer.

- 2.10 Upon Admission, the shareholding and corporate structure of the Group's major operating subsidiaries, the companies involved in the Reorganisation and the companies referred to in this Prospectus will be as follows:



### 3. ARTICLES OF ASSOCIATION

The Articles of Association of the Company (the “**Articles**”) include provisions to the following effect:

#### 3.1 Share rights

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, any share in the Company may be issued with such rights (including preferred, deferred or other special rights) or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the Directors may determine).

#### 3.2 Voting rights

Subject to any rights or restrictions attached to any shares, on a show of hands every member who is 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 share of which he is the holder.

If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution and the proxy has been instructed by one or more of those Shareholders to vote for the resolution and by one or more other of those Shareholders to vote against it then the proxy shall have one vote for and one vote against the resolution. If a proxy has been duly appointed by more than one Shareholder entitled to vote on the resolution and has been granted both discretionary authority to vote on behalf of one or more of those Shareholders and firm voting instructions on behalf of one or more other Shareholders, the proxy shall not be restricted by the firm voting instructions in casting a second vote in any manner he so chooses under the discretionary authority conferred upon him.

No member shall be entitled to vote at any general meeting in respect of a share unless all moneys presently payable by him in respect of that share have been paid.

If at any time the Board is satisfied that any member, or any other person appearing to be interested in shares held by such member, has been duly served with a notice under section 793 of the Act and is in default for the

prescribed period in supplying to the Company the information thereby required, then the Board may, in its absolute discretion at any time thereafter by notice to such member direct that, in respect of the shares in relation to which the default occurred, the member shall not be entitled to be present or to vote on any question, either in person or by proxy, at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company, or to be reckoned in a quorum.

### **3.3 Dividends and other distributions**

Subject to the provisions of the Act, the Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. Except as otherwise provided by the rights and restrictions attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid, but no amount paid on a share in advance of the date on which a call is payable shall be treated for these purposes as paid on the share.

Subject to the provisions of the Act, the Board may pay interim dividends if it appears to the Board that they are justified by the profits of the Company available for distribution.

The Board may also pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates if it appears to the Board that the profits available for distribution justify the payment. If the Board acts in good faith it shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights.

No dividend or other moneys payable in respect of a share shall bear interest against the Company unless otherwise provided by the rights attached to the share.

Except as otherwise provided by the rights and restrictions attached to any class of shares, all dividends will be declared and paid according to the amounts paid-up on the shares on which the dividend is paid.

All dividends or other sums payable on or in respect of any share which remain unclaimed may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. All dividends unclaimed for a period of 12 years or more after becoming due for payment shall be forfeited and shall revert to the Company.

Except as provided by the rights and restrictions attached to any class of shares, the holders of the Company's shares will under general law be entitled to participate in any surplus assets in a winding up in proportion to their shareholdings. A liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company and may, for that purpose, value any assets and determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest the whole or any part of the assets in trustees upon such trusts for the benefit of Shareholders as the liquidator with the like authority shall think fit, but so that no Shareholder shall be compelled to accept any shares or other property in respect of which there is a liability.

### **3.4 Variation of rights**

Rights attached to any class of shares may be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares of the class, or the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class.

### **3.5 Lien and forfeiture**

The Company shall have a first and paramount lien on every share (not being a fully paid share) for all moneys payable to the Company (whether presently or not) in respect of that share. The Company may sell, in such manner as the Board determines, any share on which the Company has a lien if a sum in respect of which the lien exists is presently payable and is not paid within 14 days after notice has been sent to the holder of the share demanding payment and stating that if the notice is not complied with the share may be sold.

The Board may from time to time make calls on the members in respect of any moneys unpaid on their shares. Each member shall (subject to receiving at least 14 days' notice) pay to the Company the amount called on his shares.

If a call or any instalment of a call remains unpaid in whole or in part after it has become due and payable, the board may give the person from whom it is due shall pay interest on the sum and any costs, charges and expenses incurred by the Company by reason of such non-payment.

### 3.6 Transfer of shares

A member may transfer all or any of his certificated shares by an instrument of transfer in any usual form or in any other form which the Board may approve. An instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share concerned until the name of the transferee is entered in the register in respect of it. An instrument of transfer need not be under seal. All instruments of transfer, when registered, may be retained by the Company.

The Board may, in its absolute discretion, refuse to register the transfer of a certificated share which is not a fully paid share, *provided that* the refusal does not prevent dealings in shares in the Company from taking place on an open and proper basis. The Board may also refuse to register the transfer of a certificated share unless the instrument of transfer:

3.6.1 is lodged, duly stamped (if stampable), at the office or at another place appointed by the Board accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer;

3.6.2 is in respect of one class of share only; and

3.6.3 is in favour of not more than four transferees.

If the Board refuses to register a transfer of a share in certificated form, it shall send the transferee notice of its refusal within two months after the date on which the instrument of transfer was lodged with the Company.

No fee shall be charged for the registration of any instrument of transfer or other document relating to or affecting the title to a share.

Subject to the provisions of the Regulations, the Board may permit the holding of shares in any class of shares in uncertificated form and the transfer of title to shares in that class by means of a relevant system and may determine that any class of shares shall cease to be a participating security.

### 3.7 Restriction on shares

Where the holder of any shares in the Company, or any other person appearing to be interested in those shares, fails to comply within the relevant period (as defined below) with any notice under section 793 of the Companies Act in respect of those shares (in this sub-section, a “**statutory notice**”), the Company may give the holder of those shares a further notice (in this sub-section, a “**restriction notice**”) that the Shareholder shall not, nor shall any transferee otherwise than permitted by the articles, be entitled to be present or vote or count as part of the quorum at any general meeting of the Company or separate general meeting of the holders of any class of shares of the Company.

If the Board is satisfied that the default in respect of which the restriction notice was issued no longer continues, any restriction notice shall cease to have effect on or within seven days of that decision. The Company may (at the absolute discretion of the Board) at any time given notice to the Member cancelling, or suspending for a stated period the operation of, a restriction notice in whole or in part.

The relevant period referred to above is the period of 14 days following service of a statutory notice.

Where the restricted shares represent at least 0.25% (in nominal value) of the issued shares of the same class, the restriction notice may also direct that:

- a) any dividend or other monies payable in respect of the restricted shares shall be withheld, bear no interest and shall be payable only when the restriction notice ceases to have effect; and/or
- b) where an offer of the right to elect to receive shares of the Company instead of cash in respect of any dividend has been made, any election made thereunder in respect of such restricted shares shall not be effective; and/or
- c) no transfer of any of the shares held by such Member shall be recognised or registered by the Directors unless the transfer is a permitted transfer or:
  - i. the Member is not in default as regards supplying the information required; and

- ii. the transfer is of part only of the Member's holding and, when presented for registration, is accompanied by a certificate by the Member in a form satisfactory to the Directors to the effect that after due and careful enquiry the Member is satisfied that none of the shares the subject of the transfer are restricted shares.

### **3.8 Alteration of share capital**

Subject to the Act and without prejudice to any relevant special rights attached to any class of shares, the Company may purchase any of its own shares of any class in any way and at any price (whether at par or above or below par).

### **3.9 Purchase of own shares**

Subject to the Act the Company may purchase any of its own shares (including any redeemable shares).

### **3.10 General meetings**

The Board shall convene and the Company shall hold general meetings as annual general meetings in accordance with the requirements of the Act. The Board may call general meetings whenever and at such times and places as it shall determine.

An annual general meeting shall be convened by not less than twenty-one clear days' notice in writing. Subject to the Companies Act, all other general meetings shall be convened by not less than fourteen clear days' notice in writing. However, a meeting can be properly convened on a shorter notice period if it is so agreed by: (a) in the case of an annual general meeting, by all the Shareholders entitled to attend and vote at the meeting; and (b) in the case of any other meeting, by a majority in number of the Shareholders having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving the right.

Notice of every general meeting shall be given to all Shareholders other than any who, under the provisions of the Articles or the terms of issue of the shares they hold, are not entitled to receive such notices from the Company.

Before a general meeting carries out business, there must be a quorum present. Unless the Articles state otherwise in relation to a particular situation, a quorum for all purposes is two Shareholders present in person or by proxy and entitled to vote.

### **3.11 Directors**

#### *3.11.1 Appointment and Removal of Directors*

Unless otherwise determined by ordinary resolution, the number of Directors shall be not less than two but shall not be subject to any maximum in number. Directors may be appointed by ordinary resolution of Shareholders or by the Board.

In addition to any powers of removal conferred by the Companies Act, the Company may by ordinary resolution of which special notice has been given in accordance with the Companies Act remove any Director before the expiration of his period of office and may (subject to the Articles) by ordinary resolution, appoint another person who is willing to act in his place.

#### *3.11.2 No share qualification*

A Director shall not be required to hold any shares in the capital of the Company by way of qualification.

#### *3.11.3 Annual retirement of Directors*

At every annual general meeting, all Directors who shall have been a Director at each of the preceding two annual general meetings and not re-appointed by the Company shall retire from office.

#### *3.11.4 Remuneration of Directors*

The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum (excluding amounts payable under any other provision of these Articles) of £500,000 or such larger amount as the Company may by ordinary resolution determine) and such remuneration shall be divided between the



Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

Any Director who is appointed to any executive office or who performs services which in the opinion of the Board or any committee authorised by the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board or any committee authorised by the Board may in its discretion decide.

In addition to any remuneration to which the Directors are entitled under the Articles, the Directors may also be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or of the holders of any class of shares or debentures of the Company or otherwise in connection with the business of the Company.

The Board may provide benefits, whether by the payment of gratuities or pensions or by insurance or otherwise, for any past or present Director or employee of the Company or any of its subsidiary undertakings or any body corporate associated with, or any business acquired by, any of them, and for any member of his family or any person who is or was dependent on him.

#### *3.11.5 Permitted interests of Directors*

Subject to the provisions of the Act, a Director may hold any other office or place of profit with the Company, except that of Auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company (otherwise than as Auditor), and in any such case on such terms as to remuneration and otherwise as the Directors may decide. Any such remuneration shall be in addition to any remuneration provided for by any other Article.

No Director or intending Director shall be disqualified by his office from entering into, or being otherwise interested in, any of the foregoing, or any other contract, transaction or arrangement with the Company or in which the Company has a (direct or indirect) interest.

Subject to the provisions of the Act and save as therein provided no such contract, transaction or arrangement shall be liable to be avoided on the grounds of the Director's interest, nor shall any Director be liable to account to the Company for any remuneration or other benefit which derives from any such contract, transaction or arrangement or interest by reason of such Director holding that office or of the fiduciary relationship thereby established, but he shall declare the nature of his interest in accordance with the requirements of the Act.

#### **3.10.6 Restrictions on voting**

Except as otherwise provided by the Articles, a Director shall not vote on any resolution of the Board concerning a matter in which he has an interest which can reasonably be regarded as likely to give rise to a conflict with the interests of the Company, unless his interest arises only because the resolution concerns one or more of the following matters:

- a) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- b) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
- c) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
- d) any contract, arrangement or transaction concerning any other body corporate in which he is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, *provided that* he does not to his knowledge hold an interest (within the meaning of sections 820 to 825 of the Act) in 1% or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;

- e) any contract, arrangement or transaction for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or advantage not generally accorded to the employees to whom the scheme relates;
- f) any contract, arrangement or transaction concerning any insurance which the Company is to purchase and/or maintain for, or for the benefit of, any Directors or persons including Directors;
- g) the giving of an indemnity pursuant to Article 154 (Indemnity of Directors); and
- h) the provision of funds to any Director to meet, or the doing of anything to enable a Director to avoid incurring, expenditure of the nature described in section 205(1) or 206 of the Act.

### **3.10.7 Indemnity of officers**

Subject to the provisions of the Act, but without prejudice to any indemnity to which the person concerned may otherwise be entitled, every Director or other officer of the Company (other than any person (whether an officer or not) engaged by the Company as auditor) shall be indemnified out of the assets of the Company against any liability incurred by him for negligence, default, breach of duty or breach of trust in relation to the affairs of the Company, *provided that* this Article shall be deemed not to provide for, or entitle any such person to, indemnification to the extent that it would cause this Article, or any element of it, to be treated as void under the Act.

## **4. MANDATORY BIDS AND COMPULSORY ACQUISITION RULES RELATING TO ORDINARY SHARES**

Other than as provided by the City Code and Chapter 28 of the Act, there are no rules or provisions relating to mandatory bids and/or squeeze out and sell out rules relating to the Company.

### **4.1 Mandatory bid**

The City Code applies to the Company. Under the City Code, if an acquisition of interests in shares were to increase the aggregate holding of the acquirer and its concert parties to interests in shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties would be required (except with the consent of the Takeover Panel) to make a cash offer for the outstanding shares in the Company at a price not less than the highest price paid for interests in shares by the acquirer or its concert parties during the previous 12 months. This requirement would also be triggered by any acquisition of interests in shares by a person holding (together with its concert parties) shares carrying between 30% and 50% of the voting rights in the Company if the effect of such acquisition were to increase that person's percentage of the total voting rights in the Company.

### **4.2 Squeeze-out**

Under the Act, if an offeror were to make an offer to acquire all of the shares in the Company not already owned by it and were to acquire 90% of the shares to which such offer related it could then compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding members telling them that it will compulsorily acquire their shares and then, six weeks later, it would deliver a transfer of the outstanding shares in its favour to the Company which would execute the transfers on behalf of the relevant members, and pay the consideration to the Company which would hold the consideration on trust for outstanding members. The consideration offered to the members whose shares are compulsorily acquired under this procedure must, in general, be the same as the consideration that was available under the original offer unless a member can show that the offer value is unfair.

### **4.3 Sell-out**

The Act also gives minority members a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares in the Company and, at any time before the end of the period within which the offer could be accepted, the offeror held or had agreed to acquire not less than 90% of the shares, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror would be required to give any member notice of his/her right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority members to be bought out, but that period cannot end less than three months after the end of the acceptance period or, if later, three months from the date on which notice is served on members notifying them of their sell-out rights. If a member exercises his/her rights, the offeror is entitled and bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

## 5. DIRECTORS' AND SENIOR MANAGERS' INTERESTS

- 5.1 The interests in the share capital of the Company of the Directors and Senior Managers (all of whom, unless otherwise stated, are beneficial or are interests of a person connected with a Director or a Senior Manager) as at 25 May 2017 (the latest practicable date prior to printing of this Prospectus) were as follows:

Director / Senior Manager	Immediately prior to Admission <sup>(1)</sup>		Immediately following Admission <sup>(1)</sup>	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued Share Capital
Andrew Page <sup>(2)</sup>	253,981,647	84.7%	184,015,647	61.3%
Andrew Denton <sup>(2)(3)</sup>	29,174,451	9.7%	21,140,451	7.0%
Vivienne Maclachlan <sup>(4)</sup>	—	—	—	—
Richard Longdon	—	—	6,153	0.0%
Karen Slatford	—	—	12,307	0.0%
Robin Taylor	—	—	6,153	0.0%
Michael Mayes <sup>(4)</sup>	1,546,650	0.5%	1,546,650	0.5%
Ralph Neuff <sup>(4)</sup>	1,104,735	0.4%	1,104,735	0.4%
Steve Taplin <sup>(4)</sup>	1,325,641	0.4%	1,325,641	0.4%
Matthew White <sup>(4)</sup>	1,104,735	0.4%	1,104,735	0.4%

### Notes:

- (1) The interests of Shares as at the date of this Prospectus have been stated on the basis that the steps described in paragraph 2 of this Part 13 “Additional Information” have been completed in full and assuming no exercise of the Over-allotment Option.
- (2) Held through CHP Software and Consulting Limited. CHP Software and Consulting Limited is in turn controlled by Andrew Page, who holds 89.7% of CHP Software and Consulting Limited. Andrew Denton holds the remaining 10.3% of CHP Software and Consulting Limited.
- (3) Includes 10,449 Shares held through the Trust. While held through the Trust, legal ownership of such Shares rests with the Trustee but the beneficial interest rests with the individual; however, while held in the Trust, neither the Trustee nor the individual is able to vote such Shares and neither is entitled to any dividends declared in respect of such Shares. Such Shares are released to the individual according to a schedule, as described in paragraph 8.1.10 of this Part 13 “Additional Information”.
- (4) Shares are held through the Trust. While held through the Trust, legal ownership of such Shares rests with the Trustee but the beneficial interest rests with the individual; however, while held in the Trust, neither the Trustee nor the individual is able to vote such Shares and neither is entitled to any dividends declared in respect of such Shares. Such Shares are released to the individual according to a schedule, as described in paragraph 8.1.10 of this Part 13 “Additional Information”.

- 5.2 In so far as is known to the Directors, the following are the interests (within the meaning of Part VI of the Act) (other than interests held by the Directors) which represent, or will represent, directly or indirectly, 3% or more of the issued share capital of the Company on 25 May 2017 (the latest practicable date prior to printing of this Prospectus) assuming no exercise of the Over-allotment Option:

Shareholders	Immediately prior to Admission <sup>(1)</sup>		Immediately following Admission <sup>(1)</sup>	
	Number of Shares	Percentage of issued share capital	Number of Shares	Percentage of issued share capital
CHP Software and Consulting Limited <sup>(2)</sup>	283,145,649	94.4%	205,145,649	68.4%
Sanne Fiduciary Services Limited <sup>(3)</sup>	16,854,351	5.6%	16,854,351	5.6%
Henderson Global Investors Limited	—	—	15,287,078	5.1%
Old Mutual Global Investors (UK) Limited	—	—	9,200,000	3.1%

### Notes:

- (1) The interests of Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation has been completed in full.
- (2) CHP Software and Consulting Limited is in turn controlled by Andrew Page, who holds 89.7% of CHP Software and Consulting Limited. Andrew Denton holds the remaining 10.3% of CHP Software and Consulting Limited.
- (3) Shares are held through the Trust. While held through the Trust, legal ownership of such Shares rests with the Trustee but the beneficial interest rests with the individual; however, while held in the Trust, neither the Trustee nor the individual is able to vote such Shares and neither is entitled to any dividends declared in respect of such Shares. Such Shares are released to the individual according to a schedule, as described in paragraph 8.1.10 of this Part 13 “Additional Information”.

Save as disclosed above, in so far as is known to the Directors, there is no other person who is or will be immediately following Admission, directly or indirectly, interested in 3% or more of the issued share capital of the Company, or of any other person who can, will or could, directly or indirectly, jointly or severally, exercise control over the Company. The Directors have no knowledge of any arrangements the operation of which may at a subsequent date result in a change of control of the Company. None of the Company's major shareholders have or will have different voting rights attached to the shares they hold in the Company.

- 5.3 No Director has or has had any interest in any transactions which are or were unusual in their nature or conditions or are or were significant to the business of the Group or any of its subsidiary undertakings and which were effected by the Group or any of its subsidiaries during the current or immediately preceding financial year or during an earlier financial year and which remain in any respect outstanding or unperformed.
- 5.4 There are no outstanding loans or guarantees granted or provided by any member of the Group to or for the benefit of any of the Directors. The Selling Shareholder has a loan outstanding to Andrew Denton of £4.5 million repayable within two years from 10 February 2017.
- 5.4.1 The following table sets out the interests of the Selling Shareholder (all of which, unless otherwise stated, are beneficial or are interests of a person connected with the Selling Shareholder), prior to the Global Offer and the number of Shares the Selling Shareholder is selling in the Global Offer assuming no exercise of the Over-allotment Option. The business address of the Selling Shareholder is Moor Place, 1 Fore Street Avenue, London EC2Y 9DT, United Kingdom.

Selling Shareholder	Interests prior to Admission <sup>(1)</sup>		Interests following Admission <sup>(1)</sup>	
	No.	% of issued share capital	No.	% of issued share capital
CHP Software and Consulting Limited . . . . .	283,145,649	94.4%	205,145,649	68.4%

**Notes:**

- (1) The interests of Shares as at the date of this Prospectus have been stated on the basis that the Reorganisation has been completed in full.

## 6. DIRECTORS' TERMS OF EMPLOYMENT

- 6.1 The Directors and their functions are set out in Part 7 "Directors, Senior Managers and Corporate Governance". On 15 May 2017 each of the Executive Directors entered into a new service agreement conditional on, and effective from, Admission. On 5 May 2017, Richard Longdon and Robin Taylor entered into letters of appointment with the Company effective from 5 May 2017, and on 15 May 2017, Karen Slatford entered into a letter of appointment with the Company effective from 15 May 2017.
- 6.2 **Executive Directors**
- 6.2.1 On and from the date of Admission, Andrew Page will receive a basic annual salary of £374,448, Andrew Denton will receive a basic annual salary of £321,912 and Vivienne Maclachlan will receive a basic annual salary of £220,000. These salaries will be subject to an annual review each year as part of the Company's review process. There is no obligation to increase the relevant Executive Director's salary following a salary review.
- 6.2.2 Vivienne Maclachlan's service agreement (which replaces a similar service agreement that has been in force since she joined the group in September 2016) is terminable by either party on 12 months' notice. Andrew Denton's service agreement is terminable by either party on 12 months' notice. Andrew Page's service agreement is terminable by either party on 6 months' notice. For all of the Executive Directors, the Company is entitled to terminate employment by payment of an amount in lieu of notice equal to their basic annual salary. The Company may also place Andrew Denton and Vivienne Maclachlan on garden leave during the notice period (there is no such obligation in place for Andrew Page).
- 6.2.3 Each Executive Director receives life insurance, the benefit of which amounts to a maximum of four times basic annual salary. Each Executive Director is entitled to reimbursement of reasonable expenses incurred by them in the performance of their duties. Each Executive Director will be entitled to receive a payment equal to his or her gross annual salary (less any payment in lieu of notice or notice monies) in the event that there is a change of control of the Company (excluding a change of control that has resulted from an initial public offering).

- 6.2.4 Each of Andrew Denton and Vivienne Maclachlan is entitled to 30 days' holiday per year plus UK public holidays. Andrew Page is entitled to 36 days' holiday per year plus UK public holidays.
- 6.2.5 Pursuant to sections 439 and 439A of the Act, the Executive Directors' remuneration will be subject to shareholder approval. In the event that such approval is not obtained when required, the service agreements provide that the Executive Directors will have no entitlement to compensation or damages in respect of loss suffered as a consequence.
- 6.2.6 Vivienne Maclachlan is subject to a confidentiality undertaking without limitation in time and to non-solicitation, non-compete, non-dealing and non-hiring restrictive covenants for a period of 12 months after the termination of her employment. Similar undertakings and covenants are included in the Relationship Agreement to which Andrew Page and Andrew Denton are parties.
- 6.2.7 Each Executive Director will have the benefit of a qualifying third party indemnity from the Company (the terms of which are in accordance with the Act) and appropriate directors' and officers' liability insurance.

### 6.3 **Non-Executive Directors**

- 6.3.1 The appointments of each of the Non-Executive Directors are for a fixed term of three years, commencing on 5 May 2017 for Richard Longdon and Robin Taylor and 15 May 2017 for Karen Slatford and subject to annual re-election by the Company in general meeting.

From Admission, Richard Longdon, Karen Slatford and Robin Taylor are each entitled to receive an annual fee of £55,000. In addition to this annual fee, Richard Longdon will be entitled to a Senior Independent Director fee of £10,000, Robin Taylor will be entitled to an additional fee of £10,000 for his role as chairman of the audit and risk committee and Karen Slatford will be entitled to an additional fee of £10,000 for her role as chairman of the Remuneration Committee. Fees are payable monthly in arrears. Non-Executive Directors may elect (on an annual basis) to apply the post-tax amount of their fees in acquiring Shares in the market on a monthly basis at the prevailing market price. The Non-Executive Directors are also entitled to reimbursement of reasonable expenses.

- 6.3.1 Pursuant to sections 439 and 439A of the Act, the Non-Executive Directors' remuneration will be subject to shareholder approval. In the event that such approval is not obtained when required, the appointment letters provide that they will have no entitlement to compensation or damages in respect of loss suffered as a consequence.
- 6.3.2 The Non-Executive Directors are subject to confidentiality undertakings without limitation in time. They are also subject to non-competition restrictive covenants for the duration of their appointments.
- 6.3.3 The Non-Executive Directors will have the benefit of a qualifying third party indemnity from the Company (the terms of which are in accordance with the Act) and appropriate directors' and officers' liability insurance.
- 6.3.4 Save as set out in paragraphs 6.2 and 6.3 above, there are no existing or proposed service agreements or letters of appointment between the Directors and any member of the Group.
- 6.3.5 Richard Longdon, Karen Slatford and Robin Taylor have each agreed to acquire Shares at Admission at the Offer Price from their own funds in the amount of £20,000, £40,000 and £20,000 (or as near as may be), respectively. The disposal of any Shares by any Director will be subject to the Company's code on dealings in securities and the lock-up restrictions set out in Part 12 "Details of the Global Offer".

### 6.4 **Directors' and Senior Managers' remuneration**

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 31 December 2016, the aggregate remuneration and benefits to the Directors and the Senior Managers who served during the year ended 31 December 2016, consisting of seven individuals, was £1.6 million.

Under the terms of their service contracts, letters of appointment and applicable incentive plans, in the year ended 31 December 2016, the Directors were remunerated as set out below:

<u>Name</u>	<u>Position</u>	<u>Annual remuneration (£)</u>	<u>Other benefits (£)</u>	<u>Date of joining the Group</u>
Andrew Page . . . . .	Executive Chairman	385,848	1,922	May 1990
Andrew Denton . . .	Chief Executive Officer	333,312	3,233	September 1995
Vivienne Maclachlan	Chief Financial Officer	51,317	1,000	September 2016
Richard Longdon . .	Senior Independent Non-executive Director	—	—	May 2017
Karen Slatford . . . .	Independent Non-executive Director	—	—	May 2017
Robin Taylor . . . . .	Independent Non-executive Director	—	—	May 2017

6.5 There is no arrangement under which any Director has waived or agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this Prospectus.

#### 6.6 Directors' and Senior Managers' current and past directorships and partnerships

Set out below are the directorships and partnerships held by the Directors and Senior Managers (other than, where applicable, directorships held in the Company and/or any other company in the Group), in the five years prior to the date of this Prospectus:

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships</u>
Andrew Page . . . . .	CHP Software and Consulting Limited Classic Technology Limited Vedamarket Properties Limited	N/A
Andrew Denton . . . . .	CHP Software and Consulting Limited Leasing Philanthropic and Research Foundation Limited	N/A
Vivienne Maclachlan . . .	N/A	N/A
Richard Longdon . . . . .	Fidessa plc Process Systems Enterprise Limited Flying Kiwi (Holdings) Limited	AVEVA Group plc AVEVA Solutions Limited AVEVA Limited AVEVA Consulting Limited AVEVA Managed Services Limited AVEVA Finance Limited AVEVA Engineering IT Limited Cadcentre Limited Cadcentre Property Limited Cadcentre Engineering IT Limited 8over8 Limited LFM Software Limited Eastridge Homes Limited Oakley Street Asset Management Fabtrol Systems, UK Limited Tribon Solutions (UK) Limited
Karen Slatford . . . . .	Accesso Technology Group plc Citation Limited Draper Esprit plc ECI Debitoor Limited The Foundry Topco No. 2 Limited The Foundry Midco No. 1 Limited The Foundry Midco No. 2 Limited The Foundry Bidco Limited The Foundry Topco Limited The Foundry Intermediate Holdings Limited The Foundry Visionmongers Ltd. The Foundry Holdings Limited Intelliflo Holdings 2013 Limited Intelliflo Limited Micro Focus International plc	Reviso Cloud Accounting Limited Volex plc Cambridge Broadband Networks Limited Neverfail Group Limited Acunu Limited Featurespace Limited

<u>Name</u>	<u>Current directorships / partnerships</u>	<u>Past directorships</u>
Robin Taylor . . . . .	EMIS Group plc FDM Group (Holdings) plc	Phoenix IT Group plc CMS Supatrak Limited Fusionex International plc
Michael Mayes . . . . .	N/A	N/A
Ralph Neuff . . . . .	Neuff Athletic Equipment Limited	N/A
Steve Taplin . . . . .	Kwok Meil Wah Foundation	N/A
Matthew White . . . . .	N/A	Salamander Inns Limited

6.7 Within the period of five years preceding the date of this Prospectus, none of the Directors:

- (a) has had any convictions in relation to fraudulent offences;
- (b) has been a member of the administrative, management or supervisory bodies or director or senior manager (who is relevant in establishing that a company has the appropriate expertise and experience for management of that company) of any company at the time of any bankruptcy, receivership or liquidation of such company; or
- (c) has received any official public incrimination and/or sanction by any statutory or regulatory authorities (including designated professional bodies) or has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of affairs of a company.

## **7. REMUNERATION POLICY**

### **7.1 Overview**

In anticipation of Admission, the Company undertook a review of the Group's remuneration policy for senior management, including the Executive Directors, to ensure that it is appropriate for a UK-listed company and took due account of the Company's particular circumstances. Following this review, a new policy has been established, the principal objectives of which are to attract, retain and motivate the Group's Executive Directors and Senior Managers, provide incentives that align with, and support, the Group's business strategy as it evolves, and align incentives with the creation of long-term Shareholder value.

The Remuneration Committee will oversee the implementation of this policy and will seek to ensure that the Executive Directors are fairly rewarded for the Group's performance over the short and long-term. A significant proportion of potential total remuneration is therefore performance-related. In accordance with the regulations set out in the Large and Medium-sized Companies and Groups (Accounts and Reports) (Amendment) Regulations 2013, Shareholder approval will be sought at the first annual general meeting of the Company following Admission (to be held in 2018) for the Directors' remuneration policy, the main features of which are described below (and which may be subject to amendment following Admission, for example to take account of any changes in the guidelines laid down by institutional shareholder bodies such as the Investment Association that may be made following Admission, and to the extent the Remuneration Committee considers appropriate and in the interests of Shareholders).

### **7.2 Base salary**

Base salary provides the foundation of a package that will attract, retain and motivate the right talent for the Company. Salaries reflect each individual's role, responsibilities and experience, and take into any account competitive practice in relevant talent markets.

Base salaries will be reviewed as appropriate following Admission, but not typically more frequently than annually. In reviewing base salaries (and overall levels of remuneration more generally), the Remuneration Committee will consider the performance of the Company and the individual, any changes in responsibilities or scope of the role, as well as pay practices in relevant comparator companies of a broadly similar size and complexity (with due account taken of both market capitalisation and turnover). Base salaries for the Executive Directors from Admission will be £374,448 for Andrew Page, £321,912 for Andrew Denton and £220,000 for Vivienne Maclachlan.

### **7.3 Pension and benefits**

Vivienne Maclachlan will receive a defined contribution pension provision which, on Admission, will equal 2% of base salary; neither Andrew Page nor Andrew Denton will receive a defined contribution pension provision nor a cash supplement. Benefits in kind including car allowance and private family medical insurance and such

other market competitive benefits as the Remuneration Committee considers appropriate may also be provided up to an aggregate value of £30,000 for each Executive Director.

#### **7.4 Annual bonus**

For the current financial year, the Executive Directors participate in a discretionary annual bonus plan. Bonuses are payable based on performance against a range of financial and personal/strategic targets. The maximum bonuses payable to Andrew Page, Andrew Denton and Vivienne Maclachlan under this arrangement are 150%, 150% and 125% of salary, respectively, payable in cash. As this arrangement was in place prior to Admission, it will continue for the remainder of the current financial year.

Consideration is being given for the annual bonus arrangements for the financial year 2018 and onwards, which will be set out in the Directors' remuneration policy, for which Shareholder approval will be sought at the 2018 annual general meeting.

Consistent with best practice, malus/clawback provisions may be operated at the discretion of the Remuneration Committee in respect of bonuses paid or payable in certain circumstances including those relating to material mis-statement of accounts, errors in calculating the bonus and a participant's conduct.

Annual bonus outcomes will not be pensionable.

#### **7.5 Long-term incentives**

Executive Directors and other Senior Managers may participate in the LTIP and CSOP, which are designed to drive sustained long-term performance that supports the creation of shareholder value. Participants may receive awards of shares, nil-cost options or market value options, which may be granted annually and delivered through the LTIP and the CSOP. A summary of the principal terms of the LTIP and CSOP are set out at paragraphs 8.2 and 8.3 of this Part 13 "Additional Information".

Any awards granted to Andrew Page, Andrew Denton and Vivienne Maclachlan will be limited so that the market value of the shares the subject to any awards under the LTIP and the CSOP in any financial year, cannot exceed 175%, 175% and 150% of salary, respectively. The Remuneration Committee will review award sizes prior to any grant to ensure that they are appropriate in light of market data and individual and Group performance.

Individuals may receive a dividend equivalent in cash or shares equal to the value of dividends which would have accrued during the vesting period of awards under the LTIP.

#### **7.6 All-employee share plans**

The Executive Directors and Senior Managers will be entitled to participate in the Share Incentive Plan, on the same terms as other employees. A summary of the terms of the Share Incentive Plan is set out at paragraph 8.4 of this Part 13 "Additional Information".

#### **7.7 Share ownership guidelines**

Whilst Andrew Page and Andrew Denton have significant shareholdings in the Company, the Remuneration Committee wishes to ensure that a shareholding guideline is in place to cater for Vivienne Maclachlan and future Executive Directors who may not hold Shares. Accordingly, the Remuneration Committee has adopted formal shareholding guidelines to encourage Executive Directors to build or maintain (as appropriate) a shareholding in the Company (excluding Shares held conditionally under any incentive arrangements. The required shareholding will be 200% of base salary on a gross basis.

As explained in paragraph 8.1.10 of this Part 13 "Additional Information", as a condition of participation in the LTIP and/or CSOP, the Remuneration Committee may determine that the resultant Shares on vesting or exercise, net of any Shares that are sold to cover any tax, may need to be held under a Nominee Agreement. The Remuneration Committee considers that the Nominee Agreements align the interests of the Executive Directors and Senior Managers with the creation of long-term Shareholder value.

#### **7.8 Service agreements**

Each of the Executive Directors has entered into a service agreement with the Company which is effective upon Admission. The policy is that each Executive Director's service agreement should be of indefinite duration, subject to termination by the Company or the individual on no more than 12 months' notice; the



service agreements of all Executive Directors comply with that policy. A summary of the principal terms of these service agreements is set out at paragraph 6.2 of this Part 13 “Additional Information”.

#### **7.9 Recruitment remuneration policy**

New Executive Director hires (including those promoted internally) will be offered remuneration packages in line with the Company’s remuneration policy in force at the time. In addition to the above elements of remuneration, the Remuneration Committee may, in exceptional circumstances, consider it appropriate to grant an award under a different structure in order to facilitate the buyout of outstanding awards held by an individual on recruitment. Any buyout award would be limited to what the Remuneration Committee considers to be a fair estimate of the value of awards foregone when leaving the former employer and will be structured, to the extent possible, to take into account other key terms (such as vesting schedules and performance targets) of the awards which are being replaced. For external and internal appointments, the Remuneration Committee may agree that the Company will meet certain relocation expenses as it considers appropriate.

#### **7.10 Termination policy**

The Remuneration Committee will consider treatments on a termination having regard to all of the relevant facts and circumstances available at that time. This policy applies both to any negotiations linked to notice periods on a termination (see paragraph 6.2 of this Part 13 “Additional Information” relating to service agreements) and any treatments that the Remuneration Committee may choose to apply under the discretions available to it under the terms of the annual bonus plan, LTIP, CSOP and Nominee Agreements, which will take account of typical practice regarding, for example, the treatment on termination of leavers.

#### **7.11 Non-Executive Director fees**

The Non-Executive Directors’ fees will be set at a level to reflect the amount of time and level of involvement required in order to carry out their duties as members of the Board and its committees, and to attract and retain Non-Executive Directors of the highest calibre with relevant commercial and other experience.

Fee levels are set by reference to non-executive director fees at companies of similar size and complexity and general increases for salaried employees within the Company. The fees paid to the Non-Executive Directors are determined by the Board as a whole. Additional fees are payable for acting as Senior Independent Director and as chairman of the Board’s audit and risk committee and Remuneration Committee. The current fee levels are a base fee of £55,000 for each of the Non- Executive Directors, with an additional £10,000 for the Senior Independent Director and £10,000 for the chairman of each of the Board’s audit and risk and Remuneration Committees. The maximum aggregate annual fee for non-executive directors provided in the Company’s Articles of Association is £500,000 per annum.

The Non-Executive Directors are not eligible to participate in any of the Company’s incentive arrangements going forward, and do not receive pension contributions.

#### **7.12 Statement of consideration of employment conditions elsewhere in the Group**

Pay and employment conditions generally in the Group will be taken into account when setting Executive Directors’ remuneration. The Remuneration Committee will receive regular updates on overall pay and conditions in the Group, including (but not limited to) changes in base pay and any staff bonus pools in operation. There is also oversight of the all-employee share plans which Executive Directors and all other Group employees can participate in on the same terms and conditions. Reflecting standard practice, the Company will not consult with employees in drawing up the Company’s annual remuneration report.

#### **7.13 Statement of consideration of Shareholder views**

The 2018 annual general meeting will be the first occasion on which the Company will seek the support of its Shareholders for matters relating to the remuneration of Executive Directors. The Remuneration Committee will ensure that it considers all of the feedback which it receives from its Shareholders during this process.

#### **7.14 Existing commitments**

The Remuneration Committee will honour any commitments made to Executive Directors prior to Admission and prior to the formal approval of the Directors’ remuneration policy by Shareholders which will be sought at the first annual general meeting of the Company following Admission (to be held in 2018).

## **8. EMPLOYEE SHARE PLANS**

### **8.1 Introduction**

#### **8.1.1 Policy**

The Directors believe that share ownership will continue to form a vital part of the culture and incentives structure of the business. The Company has adopted a Long Term Incentive Plan (the “**LTIP**”), a Company Share Option Plan (the “**CSOP**”) and a Share Incentive Plan (the “**SIP**”), (together the “**Employee Share Plans**”), which it intends to operate after Admission. In addition, Shares beneficially held by all employees of the Group at the date of Admission are held under nominee agreements with the trustee of an employee benefit trust (the “**Trust**”), under which the trustee holds the legal title to the Shares as nominee for the employee, under the terms of those agreements (“**Nominee Agreements**”). The principal features of these plans are summarised below.

#### **8.1.2 Employee Benefit Trust**

Awards under the Employee Share Plans may be satisfied by new Shares, Shares purchased in the market or by the transfer of treasury Shares. The Company has established the Trust which can be used for the purpose of providing benefits to employees, including engaging with the Company as necessary to satisfy awards under the Employee Share Plans through the provision of Shares. The Trust can either subscribe for these Shares or, to the extent that funds are provided by Group companies, purchase Shares in the open market. In line with best practice for employee benefit trusts, any Shares for which the Trust subscribes will be counted towards the applicable dilution limits and at no time will the Trust hold shares representing more than 5% of the Company’s then-issued share capital (save that for this purpose, any Shares in respect of which the beneficial interest has vested in any beneficiary and/or Shares held pursuant to a nominee arrangement, as described in paragraph 8.1.10 of this Part 13 “Additional Information”, shall be left out of account).

#### **8.1.3 Remuneration committee**

The Remuneration Committee will be responsible for determining the basis on which the Executive Directors and other selected senior management and employees participate in the Employee Share Plans. Grants to Executive Directors will, normally, be subject to performance conditions (save for grants made under the SIP).

#### **8.1.4 Dilution limits**

The Employee Share Plans are subject to the following overall limits:

- (a) the number of Shares which may be issued or issuable pursuant to rights granted in any 10 year period under the Employee Share Plans and under any other employees’ share plan adopted by the Company may not exceed 10% of the issued ordinary share capital of the Company from time to time; and
- (b) the number of Shares which may be issued or issuable pursuant to rights granted in any 10 year period under the Employee Share Plans and under any other employees’ share plan adopted by the Company that is a discretionary share plan may not exceed 5% of the issued ordinary share capital of the Company from time to time.

Treasury Shares will be treated as newly issued for the purpose of these limits until such time as guidelines published by institutional investor representative bodies determine otherwise.

The above limits may be varied by the Remuneration Committee to take into account any variation in the Company’s share capital from time to time.

Shares issued to satisfy awards made before Admission will not count towards these limits.

#### **8.1.5 Timing of operation**

After Admission, grants under the Employee Share Plans will normally only be made within six weeks of the announcement of results or in exceptional circumstances. No awards can be made under the Employee Share Plans after the tenth anniversary of their adoption by the Company.

### 8.1.6 Reduction for malus and clawback

In relation to awards and/or options granted under the LTIP and/or the CSOP, the Remuneration Committee may, in its absolute discretion, determine to:

- (a) reduce the number of Shares to which an award or option relates;
- (b) cancel an award or option;
- (c) impose further conditions on an award or option; or
- (d) at any time within five years of the grant of an award or option, require the participant to transfer to the Company a number of Shares or a cash amount,

in circumstances where:

- (a) the financial statements or results for the Group are materially restated (other than restatement due to a change in accounting policy or to rectify a minor error);
- (b) if in the reasonable opinion of the board of directors of the Company and following consultation with the relevant Group member:
  - (i) a participant has deliberately misled the management of the Company and/or the market and/or the Company's shareholders regarding the financial performance of any part of the Group;
  - (ii) the participant's actions have caused the Group company and/or the participant's business unit reputational damage;
  - (iii) a participant's actions amount to serious misconduct or conduct which causes significant financial loss for the Group and/or the participant's business unit; or
  - (iv) there have been overpayments, including any vestings under the LTIP or exercises under the CSOP, to the participant at a level higher than would have otherwise been the case due to material abnormal write-offs affecting any Group company of an exceptional basis.

### 8.1.7 Amendments

The rules of the Employee Share Plans may be altered by the Remuneration Committee. However, prior shareholder approval will be required to amend certain provisions if the amendments are to the advantage of participants. These provisions relate to: eligibility; individual and plan limits; the basis for determining entitlements to, and terms of Shares or cash provided; the power to make adjustments in the event of a variation in the Company's share capital; and the amendment powers. Shareholder approval is not required to make minor amendments to the rules to benefit the administration of the Employee Share Plans, to take account of a change in legislation, or which will obtain or maintain favourable tax, exchange control or regulatory treatment for any participating company or any participant.

### 8.1.8 Overseas plans

The Remuneration Committee may establish such sub-plans or schedules to the Employee Share Plans, modified to take account of local tax, exchange controls or securities laws if it is required or if it is beneficial to do so in any overseas jurisdiction, provided that any Shares made available under such plans are treated as counting against the limits on individual and overall participation in the relevant Employee Share Plans.

### 8.1.9 Other provisions

The Employee Share Plans will terminate on the tenth anniversary of the date of adoption or earlier if determined by the Remuneration Committee. The termination of the Employee Share Plans will not affect outstanding awards granted under them.

Benefits provided under the Employee Share Plans are not pensionable and may not be transferred (other than on death).

Participants will not have dividend or voting rights in respect of Shares under awards or options until such Shares have been issued or transferred to them. On the vesting of LTIP awards, participants may receive a payment in cash or Shares equal to the value of dividends which would have been payable on the vested Shares during the vesting period or, in the case of options, until the exercise date (assuming that such dividends are reinvested in further shares).

In the event of a variation in the share capital of the Company, a demerger and/or a special dividend, the Remuneration Committee may adjust awards under the Employee Share Plans as they consider appropriate. Where necessary, adjustments are subject to the approval of HMRC.

In the event of a change of control, scheme of arrangement, demerger or other reorganisation of the Company, the Remuneration Committee which was in place before the relevant event may adjust awards under the Employee Share Plans as they consider appropriate.

All Shares issued or transferred under the Employee Share Plans will rank equally with all other Shares for the time being in issue (save as regards any rights attaching to such Shares by reference to a record date prior to the date of issue or transfer to the participant).

#### 8.1.10 Nominee Agreements

Shares beneficially held by all employees of the Group at the date of Admission are held under nominee agreements with the trustee of the Trust (the “**Trustee**”), under the terms of the Nominee Agreements. The principal terms of the Nominee Agreements are:

- (a) that no Shares may be sold or disposed of in the first year following Admission (“**Holding Period**”);
- (b) following the Holding Period, employees may only sell or transfer a proportion of their shareholdings each year, on a date to be determined by the Board in its absolute discretion and notified to employees (each, a “**Release Occasion**”), in an amount not to exceed the greater of:
  - (i) 25% of the Shares held under the relevant Nominee Agreement as at the date of Admission; or
  - (ii) a number of Shares with a market value of less than or equal to £50,000 as determined on the date the Board determines that such Release Occasion will occur,provided the Board may, in addition, in its absolute discretion, determine that a further number of Shares may be released in that year; and
- (c) should the employee cease employment with the Group then, unless it is as a result of death or they are a good leaver, they will forfeit their Shares; and
- (d) while held in the Trust, the Shares held will not be entitled to vote or to dividends.

As a condition of participation in the LTIP and/or CSOP, the Remuneration Committee may determine that, as a condition of vesting or exercise, the resultant Shares, net of any Shares that are sold to cover any tax, may need to be held under a similar Nominee Agreement.

## 8.2 Long Term Incentive Plan (“LTIP”)

### 8.2.1 Eligibility

The LTIP was adopted by the Company on 15 May 2017. The LTIP will be operated and administered by the Remuneration Committee. The Remuneration Committee will determine who may participate in the LTIP and this will extend to any Executive Director and employee of the Group.

### 8.2.2 Forms of Awards

Awards under the LTIP may be in the form of:

- (a) a conditional right to acquire Shares; or
- (b) a nil or nominal cost option to acquire Shares; or
- (c) a right to receive a cash amount which relates to the value of a certain number of notional Shares, (together the “**Awards**”).

Awards in the form of a nil or nominal cost option will normally lapse on the date immediately before the tenth anniversary of the date of grant if they remain unexercised at that date.

### 8.2.3 Performance conditions

Awards for Executive Directors will be subject to the satisfaction of one or more performance conditions measured over a performance period of at least three years, which will determine the proportion (if any) of the

Award which will be capable of vesting. The Remuneration Committee may also set and test performance conditions which may attach to Awards not granted to executive directors of the Company.

Performance conditions may be amended or substituted if one or more events occur which cause the Remuneration Committee to consider that an amended or substituted performance condition would be more appropriate. Any amended or substituted performance condition that relates to Awards granted to executive directors of the Company would not be materially less difficult to satisfy than the original condition was intended to be.

The performance conditions applicable to Awards granted in any one year will be fully disclosed in the Company's annual report and financial statements for that year.

In relation to the testing of the performance condition and the ultimate number of Shares that vest, the Remuneration Committee will have the right, in its absolute discretion, to reduce (down to zero, if appropriate) the number of Shares that would vest, taking account of the performance of the Company and the contribution of the participant over the performance period.

#### **8.2.4 Individual limits**

When combined with awards granted pursuant to any other incentive plans operated by the Company, Awards will not be granted to a participant under the LTIP over Shares (or notional Shares in the case of cash awards) with a market value (as determined by the Remuneration Committee) in excess of 200% of salary in respect of any financial year. In practice the size of Awards may be further limited by the directors' remuneration policy prevailing at the time of grant.

#### **8.2.5 Grant of Awards**

Awards may only be granted within the period of 42 days following the announcement of the Company's results for any period, or any day on which the Remuneration Committee determines that exceptional circumstances exist. If, during such period, the Company is restricted from granting Awards, Awards may be made immediately following such restrictions ceasing to apply.

#### **8.2.6 Holding period**

The Remuneration Committee may, at the grant of an Award, determine whether a holding period should apply to the Award following the end of the performance period.

#### **8.2.7 Vesting of Awards**

The extent to which the performance conditions have been achieved and the level at which an Award consequently vests will normally be determined as soon as practicable after the end of any performance period (or on such later date as the Remuneration Committee determines).

At any time before or after the point at which an Award (which is not a cash Award) has vested, but the underlying Shares have yet to be issued or transferred to the participant, the Remuneration Committee may decide to pay a participant a cash amount equal to the value of the Shares he/she would otherwise have received.

Subject to any holding period, any Shares or cash that are to be issued, transferred or paid (as appropriate) to a participant in respect of a vested Award (including a cash Award) will be issued, transferred or paid (as appropriate) within 30 days of the date of vesting.

#### **8.2.8 Cessation of employment**

Where the participant ceases to be employed by any member of the Group by reason of death, ill health, injury, disability, a sale of the entity that employs the participant out of the Group, or for any other reason at the Remuneration Committee's discretion (a "**Good Leaver**"), a participant's unvested Award will usually continue and the Award will vest on the normal vesting date or the end of the holding period, if applicable, unless the Remuneration Committee determines that the Award shall vest on such other date as the Remuneration Committee may specify at the date of cessation.

The extent to which an unvested Award will vest for a Good Leaver prior to the vesting of an Award will be determined by: (i) the extent to which any performance condition is satisfied at the end of any performance period or, as appropriate, at the date on which the participant ceases to be employed by a Group company; and

(ii) unless the Remuneration Committee decides otherwise, pro-rating to reflect the period from the start of the performance period until the date of cessation of employment.

In the case of Good Leavers, Awards in the form of nil or nominal cost options will normally be exercisable for a period of twelve months from the date of vesting or the end of the holding period, if applicable.

Awards will lapse immediately where the participant is lawfully dismissed without notice and in all other circumstances to the extent that the Awards do not vest.

### **8.2.9 Corporate events**

On a change of control of the Company, the number of Shares in respect of which Awards vest shall be determined by the Remuneration Committee, having regard to the extent to which any performance condition has been satisfied at the date of change of control and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). Where an Award is in the form of an option, this will then be exercisable for a period of one month and will then lapse.

Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation or if the Remuneration Committee determined any other event, require Awards to be exchanged for equivalent awards which relate to Shares in a different company.

If other corporate events occur such as a demerger, special dividend or other event which, in the opinion of the Remuneration Committee, may affect the value of Shares to a material extent, the Remuneration Committee may determine that Awards will vest conditional on the event occurring. The number of Shares in respect of which Awards vest shall be determined by the Remuneration Committee, having regard to the extent to which any performance condition has been satisfied and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). If the event does not occur, Awards will continue.

## **8.3 Company Share Option Plan (“CSOP”)**

### **8.3.1 Operation**

The CSOP was adopted by the Company on 15 May 2017. Under the CSOP, selected employees and Executive Directors will be granted options over Shares at an exercise price that is equal to or more than market value. Options granted under the CSOP are intended to be qualifying options under Schedule 4 of the Income Tax (Earnings and Pensions) Act 2003 (“**Schedule 4**”) and as such qualify for beneficial tax treatment.

### **8.3.2 Eligibility**

Executive Directors and employees of the Group are eligible to be granted options under the CSOP. Directors granted options under the CSOP must be full-time directors devoting not less than 25 hours a week to the performance of their duties. Options cannot be granted to a participant who has a material interest in the Company.

### **8.3.3 Performance conditions**

Options may be granted subject to objective performance conditions specified on grant and measured over a performance period of at least three years. If any options are granted to Executive Directors, they will be subject to performance conditions over a period of not less than three years in accordance with the directors’ remuneration policy prevailing at the time.

### **8.3.4 Individual limits**

When combined with awards granted pursuant to any other incentive plans operated by the Company, options will not be granted to a participant under the CSOP over Shares with a market value (as determined by the Remuneration Committee) in excess of 200% of salary in respect of any financial year. In practice the size of options may be further limited by the directors’ remuneration policy prevailing at the time of grant.

No option holders may be granted an option under the CSOP such that the market value of the Shares granted under it or any other option granted under the CSOP or any other option plan qualifying under Schedule 4 exceeds £30,000, calculated as at the date of grant.

### 8.3.5 Grant of Options

Options may only be granted within the period of 42 days following the announcement of the Company's results for any period, or any day on which the Remuneration Committee determines that exceptional circumstances exist. If, during such period, the Company is restricted from granting options, options may be made immediately following such restrictions ceasing to apply.

### 8.3.6 Exercise Price

The exercise price of options is determined by the Remuneration Committee and must not be less than the market value of a Share calculated either as the price on the business day before the date of grant or, if the Remuneration Committee determines, the average price over a number of business days, not exceeding five, preceding the date of grant.

### 8.3.7 Exercise of Options

Options may normally only be exercised between the third and tenth anniversary of the grant date. To the extent not exercised during this period the option will lapse. Any options which are subject to performance conditions may normally only be exercised after the third anniversary of the grant date to the extent any conditions have been met.

If a participant dies, his option may be exercised to the extent that any performance conditions have been satisfied by his personal representatives for a period of 12 months following death to the extent vested (or to such further extent as the Remuneration Committee may determine). If a participant ceases to be employed by the Company or any other member of the Group by reason of ill health, injury, disability, a sale of the entity that employs the participant out of the Group, or for any other reason at the Remuneration Committee's discretion, options can be exercised to the extent vested within 6 months of the date of cessation of employment provided the options have not already lapsed.

The Remuneration Committee has the discretion to allow the option to be exercised in full.

If a participant ceases to be employed by the Company for any other reason, options will lapse on the earlier of the date notice of such cessation is received from the participant or when the participant ceases to hold office or employment.

### 8.3.8 Corporate events

On a change of control of the Company, the number of Shares in respect of which options vest shall be determined by the Remuneration Committee, having regard to the extent to which any performance condition has been satisfied at the date of change of control and, unless the Remuneration Committee determines otherwise, pro-rating such vesting to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). The options will then be exercisable for a period of one month and will then lapse.

Alternatively, the Remuneration Committee may permit or, in the case of an internal reorganisation or if the Remuneration Committee determined any other event, require options to be exchanged for equivalent options which relate to Shares in a different company.

If other corporate events occur such as a demerger, special dividend or other event which, in the opinion of the Remuneration Committee, may affect the value of Shares to a material extent, the Remuneration Committee may determine that options will vest conditional on the event occurring. The number of Shares in respect of which options vest shall be determined by the Remuneration Committee, having regard to the extent to which any performance condition has been satisfied and, unless the Remuneration Committee determines otherwise, pro-rating to reflect the period from the start of the performance period to the date of the relevant event (or such other relevant period). If the event does not occur, options will continue.

## 8.4 Share Incentive Plan ("SIP")

### 8.4.1 General

The SIP was adopted by the Company on 15 May 2017. The SIP is a share incentive plan designed to take advantage of the tax beneficial status of share incentive plans which comply with Schedule 2 of the Income Tax (Earnings and Pensions) Act 2003 ("Schedule 2").

The SIP shall be administered by the Board or a duly authorised committee of the Board (including, but not limited to, the Remuneration Committee).

#### **8.4.2 Eligibility**

All employees of the Company and participating subsidiaries who have been employed for a minimum period (not exceeding the period specified from time to time by HMRC) are entitled to participate in the SIP.

#### **8.4.3 Forms of Awards**

The Board can operate the SIP in a number of ways. It can:

- (a) make an award of ‘free shares’; and/or
- (b) give employees the opportunity to invest in ‘partnership shares’; and
- (c) make an award of ‘matching shares’ to those employees who have invested in ‘partnership shares’ (free shares, partnership shares and matching shares—together “**Plan Shares**”); and/or
- (d) require or allow employees to re-invest any dividends paid on their Plan Shares in further Shares (“**Dividend Shares**”).

#### **8.4.4 Free Shares**

The Company may give free shares up to the maximum annual value set from time to time by HMRC. The current maximum annual value is £3,600 per employee. If the Company wishes, the award of free shares can be based on the achievement of individual, team, divisional or corporate performance measures which must be fair and objective and notified to all employees. Otherwise, free shares must be awarded to employees on the same terms, although awards can vary by reference to remuneration, length of service or hours worked.

#### **8.4.5 Partnership Shares**

The Company may provide employees with the opportunity to acquire partnership shares from their gross monthly salary, up to a maximum value set from time to time by HMRC, currently £1,800 per year. The Company may set a minimum monthly deduction which may not be greater than £10. Shares will be acquired on behalf of employees within 30 days after each deduction at the market value of the Shares on the date they are acquired.

Alternatively deductions can be accumulated during any accumulation period of up to 12 months. In this case, Shares will be acquired on behalf of employees within 30 days after the end of the accumulation period, at the lower of the market value of the Shares at the beginning of the accumulation period or the date when they are acquired.

#### **8.4.6 Matching Shares**

The Company may award a certain maximum number of matching shares for each partnership share acquired by the employee (such maximum number being set from time to time by HMRC). The current maximum is two matching shares for each partnership share.

#### **8.4.7 Dividend Shares**

The Company can either give employees the opportunity or require employees to re-invest any dividends paid on any of their Plan Shares in further Shares.

#### **8.4.8 Trust**

The SIP operates through an employee benefit trust, which will acquire Shares by purchase, by subscription or by the acquisition of Shares held in treasury, and will hold the Shares on behalf of the employees.

#### **8.4.9 Award of Free Shares**

Awards of free shares may only be made within the period of 42 days following the announcement of the Company’s results for any period, from any day on which changes to the legislation or regulations affecting the schemes under Schedule 2 are announced, effected or made or any day on which the Board determines that exceptional circumstances exist. If, during such period, the Company is restricted from awarding free shares, awards may be made immediately following such restrictions ceasing to apply.



#### **8.4.10 Holding period**

Free and/or matching shares must be held in trust for a period specified by the Company, which must not be less than three years nor more than five years from the date on which the Shares are allocated to employees. Dividend Shares must be held in trust for three years.

#### **8.4.12 Cessation of employment and forfeiture of Shares**

The Company can provide that free shares and/or matching shares are forfeited if employees cease employment with a member of the Group (other than because of certain circumstances such as redundancy, injury, disability, retirement, transfer of the employing business or change in control of the employing company) within the period of up to three years from the date on which Shares were allocated.

Employees can withdraw their partnership shares from the SIP at any time. However, the Company can stipulate that matching shares will be subject to forfeiture if the corresponding partnership shares are withdrawn within a specified period, not exceeding three years, of their purchase on behalf of the employee.

#### **8.3.13 Funding the SIP**

If existing Shares under the SIP are acquired as partnership shares, participating Group companies may be required to fund the acquisition cost to the extent that salary deductions are insufficient to do so. This may be the case if an accumulation period is operated.

### **9. PENSIONS**

- 9.1 The Group operates a defined contribution group personal pension scheme for employees located in the United Kingdom to which the relevant employer makes additional contributions.
- 9.2 The Company does not operate a defined benefit pension scheme for the benefit of its Directors or Senior Managers.

### **10. UNDERWRITING ARRANGEMENTS**

#### **10.1 Underwriting Agreement**

On 26 May 2017 the Company, the Directors, the Selling Shareholder and the Underwriters entered into the Underwriting Agreement. Pursuant to the Underwriting Agreement:

- 10.1.1 the Selling Shareholder has agreed, subject to certain conditions, to sell the Existing Shares in the Global Offer at the Offer Price;
- 10.1.2 the Underwriters have severally agreed, subject to certain conditions, to use reasonable endeavours to procure purchasers for or, failing which, for the Underwriters to purchase the Existing Shares pursuant to the Global Offer;
- 10.1.3 the Underwriters will deduct from the proceeds of the Global Offer to the Selling Shareholder a commission of 2.0% of the product of the Offer Price and the number of Shares sold in the Global Offer (including following any exercise of the Over-allotment Option), together with any VAT chargeable thereon;
- 10.1.4 in addition, the Selling Shareholder may, at its sole discretion, pay an additional commission of up to 1.0% of the product of the Offer Price and the number of Existing Shares sold in the Global Offer (including following any exercise of the Over-allotment Option), together with any VAT chargeable thereon;
- 10.1.5 the obligations of the Underwriters to purchase Shares on the terms of the Underwriting Agreement are subject to certain conditions. These conditions include the absence of any breach of representation or warranty under the Underwriting Agreement and Admission occurring on or before the Closing date of the Global Offer. In addition, the Joint Global Co-ordinators have the right to terminate the Underwriting Agreement, exercisable in certain circumstances, prior to Admission;
- 10.1.6 Barclays Capital Securities Limited, as Stabilising Manager, has been granted the Over-allotment Option by the Selling Shareholder pursuant to which it may purchase or procure purchasers for up to 7,500,000 Over-allotment Shares at the Offer Price for the purposes of covering short positions arising from over-allocations, if any, in connection with the Global Offer and/or from sales of Shares, if any, effected during the stabilising period. Except as required by law or regulation, neither the Stabilising

Manager, nor any of its agents, intends to disclose the extent of any over-allotments and/or stabilising transactions conducted in relation to the Global Offer. The number of Over-allotment Shares to be transferred pursuant to the Over-allotment Option, if any, will be determined not later than 23 June 2017. Settlement of any purchase of Over-allotment Shares will take place shortly after such determination (or if acquired on Admission, at Admission). If any Over-allotment Shares are acquired pursuant to the Overallotment Option, the Stabilising Manager will be committed to pay to the Selling Shareholder, or procure that payment is made to it of, an amount equal to the Offer Price multiplied by the number of Over-allotment Shares purchased from the Selling Shareholder, less commissions and expenses (together with any amount in respect of VAT which is payable thereon);

- 10.1.7 the Selling Shareholder has agreed to pay any stamp duty and/or stamp duty reserve tax arising on the transfer and/or delivery and/or acquisition of its Existing Shares (including the Over-allotment Shares);
- 10.1.8 the Company has agreed to pay the costs, charges, fees and expenses of the Global Offer (together with any related value added tax);
- 10.1.9 each of the Company, the Directors and the Selling Shareholder have given certain representations, warranties and undertakings, subject to certain limits, to the Underwriters;
- 10.1.10 the Company has given an indemnity to the Underwriters on customary terms; and
- 10.1.11 the parties to the Underwriting Agreement have given certain covenants to each other regarding compliance with laws and regulations affecting the making of the Global Offer in relevant jurisdictions.

## 10.2 Stock lending agreement

In connection with settlement and stabilisation, Barclays Capital Securities Limited, as Stabilising Manager, has entered into a stock lending agreement with the Selling Shareholder. Pursuant to this agreement, the Stabilising Manager will be able to borrow up to 7,500,000 Shares (representing 9.6% of the total number of Shares comprised in the Global Offer (excluding the Shares subject to the Over-allotment Option)) on Admission for the purposes, amongst other things, of allowing the Stabilising Manager to settle, on Admission, over-allotments, if any, made in connection with the Global Offer. If the Stabilising Manager borrows any Shares pursuant to the stock lending agreement, it will be required to return equivalent securities to the Selling Shareholder by no later than the third business day after the date that is the 30<sup>th</sup> day after the commencement of conditional dealings of the Shares on the London Stock Exchange.

## 11. SUBSIDIARIES, INVESTMENTS AND PRINCIPAL ESTABLISHMENTS

The Company is the principal operating and holding company of the Group. The principal subsidiaries and subsidiary undertakings of the Company are as follows:

### 11.1 Subsidiaries and subsidiary undertakings

<u>Name</u>	<u>Country of incorporation and registered office</u>	<u>Percentage of ownership interest and voting power</u>	<u>Field of activity</u>
Alfa Financial Software Group Limited . . . . .	United Kingdom	100.0%	Holding company
Alfa Financial Software Limited . . . . .	United Kingdom	100.0%	Holding company
Alfa Financial Software Inc. . . . .	United States	100.0%	Operating company
Alfa Financial Software Australia Pty Limited . . . .	Australia	100.0%	Operating company
Alfa Financial Software NZ Limited . . . . .	New Zealand	100.0%	Operating company

### 11.2 Principal establishments

The following are the principal establishments of the Group:

<u>Name and location</u>	<u>Type of facility</u>	<u>Tenure</u>
Head office, London, United Kingdom . . . . .	Office (lease)	15 years
Regional office, Detroit, Michigan, United States	Office (lease)	3 years
Regional office, Auckland, New Zealand . . . . .	Office (lease)	2 years (with 3 year optional extension)

## **12. MATERIAL CONTRACTS**

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or another member of the Group: (a) within the two years immediately preceding the date of this Prospectus which are, or may be, material to the Company or any member of the Group, and (b) at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus:

### **12.1 Underwriting Agreement**

The Underwriting Agreement is described in paragraph 10.1 of this Part 13 “Additional Information”.

### **12.2 Relationship Agreement**

The Relationship Agreement is described in Part 7 “Directors, Senior Managers and Corporate Governance—Relationship Agreement with Selling Shareholder”.

### **12.3 Reorganisation Arrangements**

#### **12.3.1 Share-for-Share Exchange Agreement**

In connection with the Reorganisation, on 28 April 2017, the Company, the Trustee and CHP Software and Consulting Limited entered into the Share-for-Share Exchange Agreement pursuant to which each of the Trustee and CHP Software and Consulting Limited agreed to sell their entire holdings of ordinary shares, A ordinary shares and A1 ordinary shares in the share capital of Alfa Financial Software Group Limited in consideration for the issue to them of a corresponding number of ordinary shares, A ordinary shares and A1 ordinary shares in the share capital of the Company.

#### **12.3.2 Dividend Loan Note**

In connection with the Reorganisation, on 4 May 2017, the Company issued the Dividend Loan Note in the amount of £29.2 million to CHP Software and Consulting Limited. The Company intends that the Dividend Loan Note will be paid in full prior to Admission.

#### **12.3.3 Loan Note**

In connection with the Reorganisation, on 5 May 2017, the Company issued the Loan Note in the amount of £29.2 million to Alfa Financial Software Group Limited. The Loan Note bears interest at a rate of 2.0% plus LIBOR per annum and is repayable on demand.

## **13. UK TAXATION**

The following statements are intended only as a general guide to certain UK tax considerations and do not purport to be a complete analysis of all potential UK tax consequences of acquiring, holding or disposing of Shares. They are based on current or announced UK legislation and what is understood to be the current practice of HMRC as at the date of this Prospectus, both of which may change, possibly with retroactive effect. They apply only to Shareholders who are resident and, in the case of individuals, domiciled for tax purposes in (and only in) the United Kingdom (except insofar as express reference is made to the treatment of non-UK residents), who hold their Shares as an investment (other than in an individual savings account or exempt pension arrangement) and who are the absolute beneficial owner of both the Shares and any dividends paid on them. The tax position of certain categories of Shareholders who are subject to special rules (such as persons acquiring their Shares in connection with employment, dealers in securities, insurance companies and collective investment schemes) is not considered.

**The statements summarise the current position and are intended as a general guide only. Prospective investors who are in any doubt as to their tax position or who may be subject to tax in a jurisdiction other than the United Kingdom are strongly recommended to consult their own professional advisers.**

### **13.1 Taxation of dividends**

The Company is not required to withhold tax when paying a dividend. Liability to tax on dividends will depend upon the individual circumstances of a Shareholder.

#### 13.1.1 *UK resident individual Shareholders*

With effect from April 2016, the income tax rules applicable to dividends changed. Dividend income no longer carries a UK tax credit, and instead new rates of tax apply. These include a nil rate of tax for the first £5,000 of dividend income in any tax year (the “**nil rate band**”; the 2017 Spring Budget announced a proposal to reduce the nil rate band to £2,000 from 6 April 2018 but it is yet to be confirmed whether this will be enacted) and different rates of tax for dividend income that exceeds the nil rate band. For these purposes, “dividend income” includes UK and non-UK source dividends and certain other distributions in respect of shares.

Under the new rules, an individual Shareholder who is resident for tax purposes in the United Kingdom and who receives a dividend from the Company will not be liable to UK tax on the dividend to the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) that dividend falls within the nil rate band.

To the extent that (taking account of any other dividend income received by the Shareholder in the same tax year) the dividend exceeds the nil rate band, it will be subject to income tax at 7.5% to the extent that it falls below the threshold for higher rate income tax. To the extent that (taking account of other dividend income received in the same tax year) it falls above the threshold for higher rate income tax then the dividend will be taxed at 32.5% to the extent that it is within the higher rate band, or 38.1% to the extent that it is within the additional rate band (each such rate as applicable in 2017/2018). For the purposes of determining which of the taxable bands dividend income falls into, dividend income is treated as the highest part of a Shareholder’s income. In addition, dividends within the nil rate band which (in the absence of the nil rate band exemption) would otherwise have fallen within the basic or higher rate bands will use up those bands respectively and so will be taken into account in determining whether the threshold for higher rate or additional rate income tax is exceeded.

#### 13.1.2 *UK resident corporate Shareholders*

It is likely that most dividends paid on the Shares to UK resident corporate shareholders would fall within one or more of the classes of dividend qualifying for exemption from corporation tax. However, it should be noted that the exemptions are not comprehensive and are also subject to anti-avoidance rules.

#### 13.1.3 *Non-UK resident Shareholders*

No tax credit will attach to any dividend paid by the Company. A Shareholder resident outside the United Kingdom may also be subject to non-UK taxation on dividend income under local law. A Shareholder who is resident outside the United Kingdom for tax purposes should consult its, his or her own tax adviser concerning its, his or her tax position on dividends received from the Company.

### 13.2 **Taxation of disposals**

A disposal or deemed disposal of Shares by a Shareholder who is resident in the United Kingdom for tax purposes may, depending upon the Shareholder’s circumstances and subject to any available exemption or relief (such as the annual exempt amount for individuals and indexation allowance for corporate shareholders), give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of capital gains.

For such individual Shareholders, any chargeable gain on their disposal of Shares will be subject to capital gains tax at 10% to the extent it is within the basic rate band and 20% to the extent it is within the higher or additional rate bands (each such rate as applicable in 2017/2018). For such corporate Shareholders, any chargeable gain will be subject to corporation tax at 19% for the years starting 1 April 2017, 2018 and 2019, falling to 17% for the year starting 1 April 2020).

Shareholders who are not resident in the United Kingdom will not generally be subject to UK taxation of capital gains on the disposal or deemed disposal of Shares unless they are carrying on a trade, profession or vocation in the United Kingdom through a branch or agency (or, in the case of a corporate Shareholder, a permanent establishment) in connection with which the Shares are used, held or acquired. Non-UK tax resident Shareholders may be subject to non-UK taxation on any gain under local law.

An individual Shareholder who acquires shares whilst resident for tax purposes in the United Kingdom but subsequently ceases to be so resident or is subsequently treated as resident outside the United Kingdom for the purposes of a double tax treaty (“**Treaty non-resident**”) for a period of five years or less (or, for departures before 6 April 2013, ceases to be resident or ordinarily resident or becomes Treaty non-resident for a period of less than five tax years) and who disposes of all or part of his or her Shares during that period may be liable to capital gains tax on his or her return to the United Kingdom, subject to any available exemptions or reliefs.

### 13.3 Stamp duty and Stamp Duty Reserve Tax (“SDRT”)

#### 13.3.1 *The Global Offer*

The stamp duty and SDRT treatment of the purchase of Shares under the Global Offer will be as follows:

The transfer of, or agreement to transfer, Shares sold by the Selling Shareholder under the Global Offer will generally give rise to a liability to stamp duty and/or SDRT at a rate of 0.5% of the Offer Price (in the case of stamp duty, rounded up to the nearest multiple of £5). The Selling Shareholder has agreed to meet such liability. An exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000.

#### 13.3.2 *Subsequent transfers*

Stamp duty at the rate of 0.5% (rounded up to the next multiple of £5) of the amount or value of the consideration given is generally payable on an instrument transferring Shares. As noted above, an exemption from stamp duty is available on an instrument transferring Shares where the amount or value of the consideration is £1,000 or less, and it is certificated on the instrument that the transaction effected by the instrument does not form part of a larger transaction or series of transactions for which the aggregate consideration exceeds £1,000. A charge to SDRT will also arise on an unconditional agreement to transfer Shares (at the rate of 0.5% of the amount or value of the consideration payable). However, if within six years of the date of the agreement becoming unconditional an instrument of transfer is executed pursuant to the agreement, and stamp duty is paid on that instrument, any SDRT already paid will be refunded (generally, but not necessarily, with interest), *provided that* a claim for repayment is made, and any outstanding liability to SDRT will be cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee.

#### 13.3.3 *Shares transferred through paperless means including CREST*

Paperless transfers of Shares, such as those occurring within CREST, are generally liable to SDRT rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration. CREST is obliged to collect SDRT on relevant transactions settled within the system. The charge is generally borne by the purchaser. Under the CREST system, no stamp duty or SDRT will arise on a transfer of Shares into the system unless such a transfer is made for a consideration in money or money’s worth, in which case a liability to SDRT (usually at a rate of 0.5%) will arise.

#### 13.3.4 *Shares held through clearance systems or depositary receipt arrangements*

Special rules apply where Shares are issued or transferred to, or to a nominee or agent for, either a person whose business is or includes issuing depositary receipts within Section 67 or Section 93 of the Finance Act 1986 or a person providing a clearance service within Section 70 or Section 96 of the Finance Act 1986, under which SDRT or stamp duty may be charged at a rate of 1.5% of the amount or value of the consideration given. Following litigation, HMRC has confirmed that they will no longer seek to apply the 1.5% SDRT charge on an issue of shares into a clearance service or depositary receipt arrangement on the basis that the charge is not compatible with EU law. However, this view has not been reflected in a change to the UK rules. HMRC’s view is that the 1.5% SDRT or stamp duty charge will continue to apply to transfers of shares into a clearance service or depositary receipt arrangement unless they are an integral part of an issue of share capital. Accordingly, specific professional advice should be sought before incurring a 1.5% stamp duty or stamp duty reserve tax charge in any circumstances.

Except in relation to clearance services that have made an election under Section 97A(1) of the Finance Act 1986 (to which special rules apply), no stamp duty or SDRT is payable in respect of transfers within clearance services or depositary receipt systems. There is an exception from the 1.5% charge on the transfer to, or to a nominee or agent for, a clearance service where the clearance service has made and maintained an election under section 97A(1) of the Finance Act 1986, which has been approved by HMRC. In these circumstances, SDRT at the rate of 0.5% of the amount or value of the consideration payable for the transfer will arise on any transfer of shares in the Company into such an account and on subsequent agreements to transfer such shares within such account.

**The statements in this paragraph 13.3.4 apply to any holders of Shares irrespective of their residence, summarise the current position and are intended as a general guide only. Special rules apply to agreements made by, amongst others, intermediaries.**

#### **14. CERTAIN U.S. FEDERAL INCOME TAX CONSIDERATIONS**

The following is a description of certain U.S. federal income tax consequences to U.S. Holders, as defined below, of acquiring, owning and disposing of Shares, but does not purport to be a comprehensive description of all tax considerations that may be relevant to a particular person's decision to acquire Shares. This discussion applies only to a U.S. Holder that acquires Shares pursuant to the Offering and holds the Shares as capital assets for U.S. federal income tax purposes. In addition, this discussion does not describe all of the tax consequences that may be relevant in light of a U.S. Holder's particular circumstances, including alternative minimum tax consequences, the Medicare contribution tax on net investment income, estate and gift tax laws and U.S. state or local tax laws, and does not describe differing tax consequences applicable to U.S. Holders subject to special rules, such as:

- financial institutions;
- regulated investment companies;
- real estate investment trusts;
- insurance companies;
- dealers or traders in securities;
- dealers or traders in currencies and commodities;
- persons holding Shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the Shares;
- persons whose functional currency for U.S. federal income tax purposes is not the U.S. dollar;
- entities classified as partnerships or pass-through entities for U.S. federal income tax purposes;
- tax-exempt entities, including "individual retirement accounts" or "Roth IRAs";
- certain former citizens or long-term residents of the United States;
- persons holding Shares in connection with a branch, agency or permanent establishment within the United Kingdom; or
- persons that own, directly, indirectly or constructively, ten percent (10%) or more of the voting stock of the Company.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds Shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding Shares should consult their tax advisers as to the particular U.S. federal income tax consequences to their partners of acquiring, owning and disposing of such Shares.

This discussion is based on the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof, any of which is subject to change, possibly with retroactive effect.

A "U.S. Holder" is a holder who, for U.S. federal income tax purposes, is a beneficial owner of Shares and is:

- a citizen or individual resident of the United States;
- a corporation, or other entity taxable as a corporation, created or organised in or under the laws of the United States, any state therein or the District of Columbia;
- an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over its administration and one or more United States persons have the authority to control all substantial decisions of the trust (or otherwise if the trust has a valid election in effect under current Treasury regulations to be treated as a United States person).

U.S. Holders should consult their tax advisers concerning the U.S. federal, state, local and non-U.S. tax consequences of acquiring, owning and disposing of the Shares based on their particular circumstances.

## 14.1 Taxation of distributions

Subject to the discussion below under “—Passive foreign investment company rules,” distributions paid on the Shares will be treated as dividends to the extent paid out of the Company’s current or accumulated earnings and profits (as determined under U.S. federal income tax principles). Distributions in excess of the Company’s current and accumulated earnings and profits will be treated first as a non-taxable return of capital, thereby reducing a U.S. Holder’s adjusted tax basis in the Shares (but not below zero), and thereafter as either long-term or short-term capital gain depending upon whether such U.S. Holder held the Shares for more than one year as of the time such distribution is actually or constructively received. Because the Company does not maintain calculations of its earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends and be taxable at ordinary income tax rates.

The amount of a dividend paid on the Shares will be treated as foreign-source dividend income and will not be eligible for the dividends-received deduction generally available to U.S. corporations under the Code. Subject to certain holding period requirements and applicable limitations, dividends paid by the Company to certain non-corporate U.S. Holders may be eligible for reduced rates of taxation if the dividends are “qualified dividends” for U.S. federal income tax purposes. Such dividends received with respect to the Shares will be qualified dividends if the Company (i) is eligible for the benefits of a comprehensive income tax treaty with the United States that the U.S. Internal Revenue Service (“IRS”) has approved for the purposes of the qualified dividend rules and (ii) was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a passive foreign investment company (“PFIC”) for U.S. federal income tax purposes.

The income tax treaty between the United States and the United Kingdom (the “**U.S.-UK Treaty**”) has been approved by the IRS for purposes of the qualified dividend rules and the Company expects that it will generally be eligible for the benefits of the U.S.-UK Treaty. In addition, the Company was formed in 2017 and, although no assurances can be given, does not anticipate becoming a PFIC for its current taxable year or any foreseeable future taxable year. See the discussion below under “—Passive foreign investment company rules”.

A dividend will be included in a U.S. Holder’s income on the date of the U.S. Holder’s actual or constructive receipt of the dividend. The amount of any dividend income paid in pounds sterling will be the U.S. dollar amount calculated by reference to the spot rate of exchange in effect on the date the dividend is actually or constructively received by the U.S. Holder, regardless of whether the payment is in fact converted into U.S. dollars. For purposes of calculating the foreign tax credit, dividends paid on the Shares will be treated as income from sources outside the United States and will generally constitute passive category income. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognise foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt. In general, foreign currency gain or loss will be treated as U.S.-source ordinary income or loss.

## 14.2 Sale or other disposition of the Shares

Subject to the discussion below under “—Passive foreign investment company rules,” for U.S. federal income tax purposes, gain or loss realised by a U.S. Holder on the sale or other taxable disposition of Shares will be capital gain or loss, and will be long-term capital gain or loss if the U.S. Holder held such Shares for more than one year. In general, a loss may nonetheless be a long-term capital loss regardless of a U.S. Holder’s actual holding period to the extent the U.S. Holder has received qualified dividends eligible for reduced rates of tax described above under “—Taxation of distributions” prior to a sale or other taxable disposition of its Shares that, alone or combined with any other dividends received from the Company within an 85-day period, exceed 10% of the U.S. Holder’s basis in such Shares. Preferential tax rates currently apply to long-term capital gain of a U.S. Holder that is an individual, estate or trust.

The amount of the gain or loss will equal the difference between the amount realised on the disposition and the U.S. Holder’s tax basis in the Shares disposed of, in each case as determined in U.S. dollars. This gain or loss generally will be U.S.-source gain or loss. The deductibility of capital losses is subject to limitations.

A U.S. Holder’s initial tax basis in the Shares will be the U.S. dollar value of the pound sterling-denominated purchase price determined on the date of purchase. If the Shares are treated as traded on an “established securities market,” a cash basis U.S. Holder (or, if it elects, an accrual basis U.S. Holder) will determine the U.S. dollar value of the cost of such Shares by translating the amount paid at the spot rate of exchange on the settlement date of the purchase.

A U.S. Holder that receives pounds sterling from a sale or other taxable disposition of Shares generally will realise an amount equal to the U.S. dollar value of such pounds sterling received on the date such Shares are disposed of. However, if the Shares are treated as being “traded on an established securities market” pursuant to the Code, a cash basis or electing accrual basis U.S. Holder will determine the U.S. dollar value of the amount realised by translating such amount at the spot rate on the settlement date of the disposition. If an accrual basis U.S. Holder makes the election described above, it must be applied consistently from year to year and cannot be revoked without the consent of the IRS. A U.S. Holder will have a tax basis in any pounds sterling received in respect of a disposition of Shares equal to the U.S. dollar value of such pounds sterling on the settlement date. Any gain or loss recognised upon a subsequent disposition of such pounds sterling will be treated as ordinary income or loss to such U.S. Holder and generally will be U.S.-source income or loss. If a U.S. Holder is an accrual basis taxpayer that is not eligible to or does not elect to determine the amount realised using the spot rate on the settlement date, it will recognise foreign currency gain or loss to the extent of any difference between the U.S. dollar amount of the pounds sterling realised on the date of the disposition and the U.S. dollar value of the pounds sterling received at the spot rate on the settlement date.

### 14.3 Passive foreign investment company rules

In general, a non-U.S. corporation is treated as a passive foreign investment company, or PFIC, for any taxable year if: (1) 75% or more of its gross income consists of passive income; or (2) 50% or more of the average quarterly value of its assets consists of assets that produce, or are held for the production of, passive income. For this purpose, passive income generally includes, among other things, dividends, interest, rents, royalties and gains from the disposition of investment assets, subject to various exceptions. The asset test described in (2) above is applied using the fair market value of such non-U.S. corporation’s assets. For purposes of the PFIC asset test, the Company intends to take the position that the aggregate fair market value of the Company’s assets is equal to the sum of the aggregate value of the Company’s outstanding stock and the total amount of the Company’s liabilities (the Company’s “**Market Capitalisation**”), and that the excess of the Company’s Market Capitalisation over the book value of all of the Company’s assets (“**Goodwill**”) may be treated as a non-passive asset to the extent attributable to the Company’s non-passive activities. If the Company owns at least 25% (by value) of the stock of another corporation, it will be treated, for purposes of the PFIC tests, as owning its proportionate share of the other corporation’s assets and receiving its proportionate share of the other corporation’s income.

Based upon the current and anticipated composition of the Company’s gross income and gross assets and the nature of the Company’s business, the Company does not expect to be a PFIC for the 2017 tax year, which is the Company’s first tax year, or in the foreseeable future. The Company’s PFIC status in any tax year will depend on the Company’s income, assets, activities and the Company’s Market Capitalisation in those years. The Company has no reason to believe that its activities will change in a manner that would cause it to be classified as a PFIC. However, because the PFIC determination is made on an annual basis, there can be no assurance that the Company will not be considered a PFIC for any taxable year as a result of an increase in the value or amount of the Company’s passive assets, an increase in the amount of the Company’s passive income, a decrease in the value of the Company’s active assets or a decrease in the amount of the Company’s active income. In addition, if the Company is classified as a PFIC in any year during which a U.S. Holder is a shareholder, the Company will continue to be treated as a PFIC with respect to that U.S. Holder in all succeeding years during which such U.S. Holder holds Shares, regardless of whether the Company continues to meet the income or asset test described above.

If the Company was a PFIC for any taxable year during which a U.S. Holder held the Shares, gain recognised by a U.S. Holder on a sale or other taxable disposition (including certain pledges) of the Shares would generally be allocated ratably over the U.S. Holder’s holding period for the Shares. The amounts allocated to the taxable year of the sale or other taxable disposition and to any year before the Company became a PFIC would be taxed as ordinary income.

The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations for that year, as appropriate, and an interest charge would be imposed. Further, to the extent that any distribution received by a U.S. Holder on its Shares exceeds 125.0% of the average of the annual distributions on the Shares received during the preceding three years or the U.S. Holder’s holding period, whichever is shorter, that distribution would be subject to taxation in the same manner as gain, as described immediately above. Certain elections may be available that would result in alternative treatments (such as mark-to market treatment) of the Shares. U.S. Holders are encouraged to consult their own tax advisors to determine whether any of these elections would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances. If a U.S. Holder owns the Shares during



any year in which the Company is treated as a PFIC, such U.S. Holder generally must file IRS Form 8621 with respect to the Company, generally with the U.S. Holder's federal income tax return for that year. If the Company is treated as a PFIC for a given taxable year, then U.S. Holders of the Shares should consult their tax advisors concerning their annual filing requirements.

#### **14.4 Information reporting and backup withholding**

Payments of dividends and sales proceeds that are made within the United States or through certain U.S.-related financial intermediaries generally are subject to information reporting, and may be subject to backup withholding, unless (1) the U.S. Holder is a corporation or other exempt recipient; or (2) in the case of backup withholding, the U.S. Holder provides a correct taxpayer identification number and certifies that it is not subject to backup withholding.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

#### **14.5 Transfer reporting**

In certain circumstances, a U.S. Holder that acquires Shares may be required to file Form 926 with the IRS if the price paid for such Shares by such U.S. Holder, when aggregated with all transfers of cash made by such U.S. Holder (or any related person) to the Company within the preceding twelve-month period, exceeds \$100,000 (or its foreign currency equivalent). Failure by a U.S. Holder to timely comply with such reporting requirements may result in substantial penalties. U.S. Holders should consult their tax advisers to determine whether this reporting requirement is applicable to them.

#### **14.6 Foreign asset reporting**

Certain U.S. Holders who are individuals (or certain specified entities) may be required to report information relating to an interest in the Shares by attaching a complete IRS Form 8938, Statement of Specified Foreign Financial Assets, to their tax return for each year in which they hold Shares, subject to certain exceptions (including an exception for Shares held in accounts maintained by U.S. financial institutions). U.S. Holders should consult their tax advisers regarding the application of these rules in their particular circumstances.

**The above summary is not intended to constitute a complete analysis of all U.S. federal income tax consequences relating to the acquisition, holding and disposition of the Shares. Prospective purchasers of Shares should consult their own tax advisers concerning the tax consequences based on their particular situations.**

### **15. ENFORCEMENT AND CIVIL LIABILITIES UNDER U.S. FEDERAL SECURITIES LAWS**

The Company is a public limited company incorporated under English law. The Directors are citizens of the United Kingdom (or other non-US jurisdictions), and a portion of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Directors or to enforce against them in the U.S. courts judgments obtained in U.S. courts predicated upon the civil liability provisions of the U.S. federal securities laws. There is doubt as to the enforceability in England, in original actions or in actions for enforcement of judgments of the U.S. courts, of civil liabilities predicated upon U.S. federal securities laws.

### **16. LITIGATION**

There are no governmental, legal or arbitration proceedings (including such proceedings which are pending or threatened of which the Company is aware) during the 12 months preceding the date of this Prospectus, which may have, or have had, a significant effect on the Company's and/or the Group's financial position or profitability.

### **17. RELATED PARTY TRANSACTIONS**

Save as described in Notes 2.6 and 24 in the Historical Financial Information set out in Section B of Part 11 "Historical Financial Information," there are no related party transactions between the Company or members of the Group for the years 2014, 2015 and 2016.

## **18. WORKING CAPITAL**

In the opinion of the Company, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months following the date of this Prospectus.

## **19. NO SIGNIFICANT CHANGE**

On 10 February 2017, Alfa Financial Software Group Limited paid a dividend to the Selling Shareholder of £31.5 million. On the same date, Alfa Financial Software Group Limited received settlement in full of the loan receivable by it from the Selling Shareholder of £27.0 million.

On 28 April 2017, Alfa Financial Software Group Limited advanced a loan of £5.1 million to the Selling Shareholder. This loan will be repaid in full prior to Admission, out of the proceeds of a £29.2 million dividend from Alfa Financial Software Group Limited to the Selling Shareholder, which was declared on 4 May 2017 and will be paid prior to Admission.

Other than the above, there has been no significant change in the financial or trading position of the Group since 31 December 2016, the date to which the historical financial information in Part 11 “Historical Financial Information” relating to the Group was prepared.

## **20. CONSENTS**

Deloitte LLP is a member firm of the Institute of Chartered Accountants in England and Wales and has given and has not withdrawn its written consent to the inclusion of the report in Section A of Part 11 “Historical Financial Information” in the form and context in which it appears, and has authorised the contents of its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the U.S. Securities and Exchange Commission under Section 7 of the U.S. Securities Act. Deloitte LLP has not filed and will not be required to file a consent under Section 7 of the U.S. Securities Act.

## **21. GENERAL**

The fees and expenses to be borne by the Company in connection with Admission including the FCA’s fees, professional fees and expenses and the costs of printing and distribution of documents are estimated to amount to approximately £3.4 million (including VAT). In addition, the Selling Shareholder has agreed to pay its expenses in connection with the sale of Shares (including VAT and excluding any stamp duties) including base underwriting commissions of up to approximately £5.0 million (assuming that no Over-allotment Shares are acquired pursuant to the Over-allotment Option).

## **22. DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted) for a period of 12 months following the date of this Prospectus at the offices of White & Case LLP, 5 Old Broad Street, London EC2N 1DW, United Kingdom:

- (a) the Articles;
- (b) the Historical Financial Information, together with the related accountant’s report from Deloitte LLP, which is set out in Part 11 “Historical Financial Information”;
- (c) the consent letter referred to in “Consents” in paragraph 20 above; and
- (d) this Prospectus.

Dated: 26 May 2017

## PART 14

### DEFINITIONS AND GLOSSARY

The following definitions apply throughout this Prospectus unless the context requires otherwise:

“Act”	the UK Companies Act 2006, as amended
“Admission”	the admission of the Shares to the premium listing segment of the Official List and to trading on the London Stock Exchange’s main market for listed securities
“Articles”	the articles of association of the Company to be adopted upon Admission
“Banks”	the Underwriters and the Financial Adviser
“Board”	the board of directors of the Company
“Capital Reduction”	in connection with the Reorganisation, the capital reduction of the Company in order to create additional distributable reserves of £424.3 million
“City Code”	the UK City Code on Takeovers and Mergers
“Company”	Alfa Financial Software Holdings PLC
“Controllers”	the Selling Shareholder, Andrew Page and Andrew Denton
“CREST”	the UK-based system for the paperless settlement of trades in listed securities, of which Euroclear UK and Ireland Limited is the operator
“Directors”	the Executive Directors and the Non-Executive Directors
“Disclosure Guidance and Transparency Rules”	the disclosure guidance and transparency rules produced by the FCA and forming part of the FCA’s handbook of rules and guidance as from time to time amended
“Dividend Loan Note”	the £29.2 million loan note issued by the Company to CHP Software and Consulting Limited in connection with the Reorganisation
“EEA”	the European Economic Area
“ERP”	enterprise resource planning
“EU”	the European Union
“Executive Directors”	the executive Directors of the Company
“Existing Shares”	78,000,000 Shares be sold as part of the Global Offer by the Selling Shareholder (excluding, for the avoidance of doubt, the Over-allotment Shares)
“FCA”	the UK Financial Conduct Authority
“Financial Adviser” or “Rothschild”	N M Rothschild & Sons Limited
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Global Offer”	The sale of Existing Shares by the Selling Shareholder described in Part 12 “Details of the Global Offer”
“Governance Code”	the UK Corporate Governance Code issued by the Financial Reporting Council, as amended from time to time
the “Group” or “Alfa”	Alfa Financial Software Holdings PLC and each of its consolidated subsidiaries and subsidiary undertakings from time to time
“Historical Financial Information”	the historical financial information contained in Section B of Part 11 “Historical Financial Information
“HMRC”	HM Revenue and Customs
“IASB”	International Accounting Standards Board

<b>“IFRS”</b> . . . . .	International Financial Reporting Standards, as adopted by the European Union
<b>“IT”</b> . . . . .	Information Technology
<b>“Joint Bookrunners”</b> . . . . .	Barclays Bank PLC and Numis Securities Limited
<b>“Joint Global Co-ordinators”</b> . . . . .	Barclays Bank PLC and Numis Securities Limited
<b>“Joint Sponsors”</b> . . . . .	Barclays Bank PLC and Numis Securities Limited
<b>“KPIs”</b> . . . . .	key performance indicators
<b>“Listing Rules”</b> . . . . .	the listing rules of the FCA made under section 74(4) of the FSMA
<b>“Loan Note”</b> . . . . .	the £29.2 million loan note dated 5 May 2017 issued by the Company to Alfa Financial Software Group Limited in connection with the Reorganisation
<b>“London Stock Exchange”</b> . . . . .	London Stock Exchange plc
<b>“Market Abuse Regulation”</b> . . . . .	Regulation (EU) 596/2014
<b>“Non-Executive Directors”</b> . . . . .	the non-executive Directors of the Company
<b>“ODS”</b> . . . . .	ongoing development and services
<b>“OEM”</b> . . . . .	original equipment manufacturer
<b>“Offer Price”</b> . . . . .	the price at which each Share is to be issued or sold pursuant to the Global Offer
<b>“Official List”</b> . . . . .	the Official List of the FCA
<b>“Over-allotment Option”</b> . . . . .	the option granted to the Stabilising Manager by the Selling Shareholder to purchase, or procure purchasers for, up to 7,500,000 additional Shares as more particularly described in Part 12 “Details of the Global Offer”
<b>“Over-allotment Shares”</b> . . . . .	The Existing Shares the subject of the Over-allotment Option
<b>“PCAOB”</b> . . . . .	the Public Company Accounting Oversight Board (United States)
<b>“Prospectus”</b> . . . . .	the final prospectus approved by the FCA as a prospectus prepared in accordance with the Prospectus Rules made under section 73A of the FSMA
<b>“Prospectus Directive”</b> . . . . .	Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU
<b>“Prospectus Directive Amending Directive”</b> . . . . .	Directive (2010/73/EU)
<b>“Prospectus Rules”</b> . . . . .	the prospectus rules of the FCA
<b>“qualified institutional buyers” or “QIBs”</b> . . . . .	has the meaning given by Rule 144A
<b>“Qualified Investors”</b> . . . . .	persons who are “qualified investors” within the meaning of Article 2(l)(e) of the Prospectus Directive
<b>“Registrars”</b> . . . . .	Equiniti Limited
<b>“Regulation S”</b> . . . . .	Regulation S under the U.S. Securities Act
<b>“Relationship Agreement”</b> . . . . .	the relationship agreement entered into between the Company and the Selling Shareholder as described in Part 7 “Directors, Senior Managers and Corporate Governance—Relationship Agreement with Selling Shareholder”

<b>“Remuneration Committee”</b> . . . . .	the remuneration committee of the Board (or such other delegated committee of the Board authorised to consideration remuneration and/or share scheme matters)
<b>“Reorganisation”</b> . . . . .	the reorganisation of the Company in preparation for the Global Offer as described in paragraph 2 of Part 13 “Additional Information”—Reorganisation
<b>“Rule 144A”</b> . . . . .	Rule 144A under the U.S. Securities Act
<b>“SDRT”</b> . . . . .	stamp duty reserve tax
<b>“Selling Shareholder”</b> . . . . .	CHP Software and Consulting Limited
<b>“Senior Managers”</b> . . . . .	those members of the management bodies of the Company and its subsidiaries who are relevant to establishing that the Company has the appropriate expertise and experience for the management of its business for the purposes of item 14.1 of Annex I of the Prospectus Rules, being those persons named in Part 7 “Directors, Senior Managers and Corporate Governance”
<b>“Share-for-Share Exchange Agreement”</b>	the share-for-share exchange agreement dated 28 April 2017 between the Company, the Trustee and CHP Software and Consulting Limited
<b>“Shareholders”</b> . . . . .	the holders of Shares in the capital of the Company
<b>“Shares”</b> . . . . .	the ordinary shares of the Company, having the rights set out in the Articles
<b>“Stabilising Manager”</b> . . . . .	Barclays Capital Securities Limited
<b>“sterling”, “pounds sterling”, “GBP” or “pence”</b> . . . . .	the lawful currency of the United Kingdom
<b>“Tier 1 and Tier 2”</b> . . . . .	asset finance enterprises with greater than \$500.0 million of assets financed
<b>“Tier 3 and Tier 4”</b> . . . . .	asset finance enterprises with less than \$500.0 million of assets financed
<b>“Trustee”</b> . . . . .	Sanne Fiduciary Services Limited as trustee of the Alfa Financial Software Employee Benefit Trust
<b>“UK”</b> . . . . .	the United Kingdom of Great Britain and Northern Ireland
<b>“Underwriters”</b> . . . . .	Barclays Bank PLC and Numis Securities Limited
<b>“Underwriting Agreement”</b> . . . . .	the underwriting agreement entered into between the Company, the Directors, the Selling Shareholder and the Underwriters described in paragraph 10.1 of Part 13 “Additional Information—Underwriting Agreement”
<b>“United States” or “U.S.”</b> . . . . .	the United States of America, its territories and possessions, any State of the United States of America, and the District of Columbia
<b>“U.S. dollars” or “US\$”</b> . . . . .	the lawful currency of the United States
<b>“U.S. Exchange Act”</b> . . . . .	United States Securities Exchange Act of 1934, as amended
<b>“U.S. GAAP”</b> . . . . .	accounting principles generally accepted in the United States
<b>“U.S. GAAS”</b> . . . . .	auditing standards generally accepted in the United States
<b>“U.S. Securities Act”</b> . . . . .	United States Securities Act of 1933, as amended



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