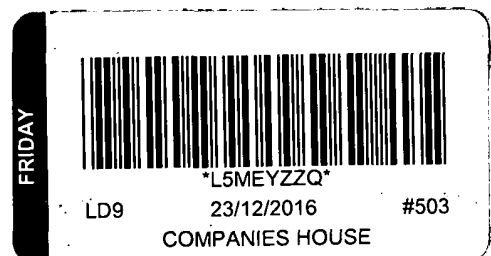


**Company Registration No. 03861293**  
**(England and Wales)**

**Callidus Software Limited**

**Financial Statements**

**For the year ended 31 December 2015**



**Callidus Software Limited**  
**Company Registration No. 03861293**

**Report and financial statements 2015**

| <b>Contents</b>                              | <b>Page</b> |
|--|-------------|
| <b>Officers and professional advisers</b>    | <b>1</b>    |
| <b>Strategic report</b>                      | <b>2</b>    |
| <b>Directors' report</b>                     | <b>4</b>    |
| <b>Directors' responsibilities statement</b> | <b>5</b>    |
| <b>Independent auditor's report</b>          | <b>6</b>    |
| <b>Profit and loss account</b>               | <b>8</b>    |
| <b>Other comprehensive income</b>            | <b>9</b>    |
| <b>Balance Sheet</b>                         | <b>10</b>   |
| <b>Statement of changes in equity</b>        | <b>11</b>   |
| <b>Notes to the financial statements</b>     | <b>12</b>   |

**Callidus Software Limited**  
**Company Registration No. 03861293**

## **Report and financial statements 2015**

### **Officers and professional advisers**

#### **Directors**

L J Stretch  
B L Corey  
R M Oulman

#### **Registered Office**

First Floor, Holborn Gate  
330 High Holborn London  
WC1V 7QT

#### **Registered Number**

03861293  
(England and Wales)

#### **Independent Auditor**

Deloitte LLP  
Chartered Accountant & Statutory Auditor  
Reading  
United Kingdom

**Callidus Software Limited**  
**Company Registration No. 03861293**

## **Strategic report**

The directors present their strategic report for the year ended 31 December 2015.

### **Review of business**

Callidus Software Limited, trading as CallidusCloud®, is a leading provider of cloud software. CallidusCloud enables organisations to accelerate and maximise their lead to money process with sales and marketing effectiveness cloud software, and provides associated hosting and implementation consulting services.

As reported in the financial statements, the company has reported turnover of £643,395 (2014: £1,337,758) and profit before interest and taxation of £326,171 (2014: £154,558).

### **Future developments**

The external commercial environment is expected to remain competitive in 2016 as a result of the global economic condition. However, the company expects that the management in place and the decisions being made for the long term position of the company will ensure that the company continues to grow.

### **Principal risks and uncertainties**

The directors have overall responsibility for the establishment and oversight of the risk management framework, to identify and analyse the risks faced by the company, to set appropriate risk limits and controls and to continually monitor the risks and adherence to acceptable limits. Risk management policies and systems are reviewed regularly at group level to reflect changing market conditions and company activities.

### **Financial instruments**

The company's financial instruments at the balance sheet date comprised loans from group undertakings and cash and liquid resources. The main purpose of these financial instruments is to raise finance for the company's operations. The company has various other financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

It is, and has been throughout the period under review, the company's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the company's financial instruments are interest rate risk, liquidity risk and foreign currency risk:

#### ***Interest rate risk***

The company has a policy to manage any exposure to interest rate fluctuations so as to finance its operations through retained profits.

#### ***Liquidity risk***

The company had significant net cash balances as at the balance sheet date.

#### ***Foreign currency risk***

The company has financial instruments which are denominated exclusively in Euro and U S dollars. The gains and losses arising from the company's exposure to risk arising from its overseas operations are recognised in the profit and loss account.

**Callidus Software Limited**  
**Company Registration No. 03861293**

**Strategic report**

**Financial assets**

The company has no financial assets other than short-term debtors and cash at bank.

**Borrowing facilities**

The company has no undrawn committed borrowing facilities.

**On behalf of the Board**

DocuSigned by:

*Roxanne Oulman*

F9DA6CD1D853418...  
Roxanne Oulman

Director

December 2016 12/23/2016

**Callidus Software Limited**  
**Company Registration No. 03861293**

**Directors' report**

The directors present their audited report with the financial statements of the company for the year ended 31 December 2015.

**Dividends**

No dividends will be distributed for the year ended 31 December 2015 (2014: nil).

**Directors**

The directors who have held office during the period from 1 January 2015 to the date of this report are as follows:

L J Stretch  
B L Corey  
R M Oulman

**Going concern**

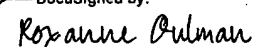
The directors have acknowledged the latest guidance regarding going concern. Whilst the current volatility in financial markets has created great uncertainty, the company continues trading as normal. The directors have considered the net asset position of £1,249,848 (2014: £585,631).

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

**Statement as to disclosure of information to auditors**

So far as the directors are aware, there is no relevant audit information (as defined by Section 418 of the Companies Act 2006) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

**On behalf of the Board**



F9DA6CD1DB53418...  
Roxanne Oulman  
Director

December 23, 2016 12/23/2016

**Callidus Software Limited**  
**Company Registration No. 03861293**

**Directors' responsibilities statement**

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Independent auditor's report to the members of Callidus Software Limited**

We have audited the financial statements of Callidus Software Limited for the year ended 31 December 2015, which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 15. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

As explained more fully in the Statement of Directors' Responsibilities set out on page four, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

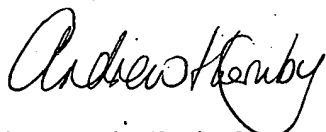


## **Independent auditor's report to the members of Callidus Software Limited (continued)**

### **Matters on which we are required to report by exception**

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Andrew Hornby (Senior Statutory Auditor)  
for and on behalf of Deloitte LLP  
Chartered Accountants and Statutory Auditor  
Reading, United Kingdom

23 December 2016

**Callidus Software Limited**  
**Company Registration No. 03861293**

**Profit and loss account**  
**For the year ended 31 December 2015**

|  | Notes | 2015<br>£   | 2014<br>£   |
|--|-------|-------------|-------------|
| <b>Turnover</b>                                      | 2     | 643,395     | 1,337,758   |
| <b>Cost of sales</b>                                 |       | (186,125)   | (228,842)   |
| <b>Gross profit</b>                                  |       | 457,270     | 1,108,916   |
| <b>Administrative expenses</b>                       |       | (4,180,938) | (4,060,157) |
|  |       | (3,723,668) | (2,951,241) |
| <b>Other operating income</b>                        |       | 4,049,831   | 3,105,699   |
| <b>Operating profit</b>                              | 4     | 326,163     | 154,458     |
| <b>Interest receivable and similar income</b>        | 5     | 8           | 100         |
| <b>Profit on ordinary activities before taxation</b> |       | 326,171     | 154,558     |
| <b>Tax on profit on ordinary activities</b>          | 6     | (146,241)   | (46,247)    |
| <b>Profit for the financial year</b>                 | 12    | 179,930     | 108,312     |

All items in the profit and loss account relate to continuing activities.

The notes on pages 11- 21 form part of these financial statements.

**Statement of Other Comprehensive Income**  
**At 31 December 2015**

|   | <b>2015</b><br><b>£</b> | <b>2014</b><br><b>£</b> |
|---|-------------------------|-------------------------|
| <b>Profit for the financial year</b>                  | 179,930                 | 108,312                 |
| Recognition of deferred tax asset in relation to RSUs | 484,287                 | -                       |
| <b>Total comprehensive income for the year</b>        | <u>664,217</u>          | <u>147,172</u>          |

The notes on pages 13 to 21 form part of these financial statement

**Callidus Software Limited**  
**Company Registration No. 03861293**

**Balance sheet**  
**31 December 2015**

|  | Notes | 2015<br>£        | 2014<br>£        |
|--|-------|------------------|------------------|
| <b>Fixed assets</b>                            |       |                  |                  |
| Tangible assets                                | 7     | 41,441           | 40,321           |
|  |       | <u>41,441</u>    | <u>40,321</u>    |
| <b>Current assets</b>                          |       |                  |                  |
| Debtors  | 8     | 1,332,017        | 590,921          |
| Cash at bank                                   |       | 344,971          | 627,479          |
|  |       | <u>1,676,988</u> | <u>1,218,400</u> |
| Creditors: amounts falling due within one year | 9     | (468,581)        | (673,090)        |
| <b>Net current assets/(liabilities)</b>        |       | <u>1,208,407</u> | <u>545,310</u>   |
| <b>Total assets less current liabilities</b>   |       | <u>1,249,848</u> | <u>585,631</u>   |
| <b>Capital and reserves</b>                    |       |                  |                  |
| Called up share capital                        | 11    | 50,000           | 50,000           |
| Other reserves                                 |       | 1,353,775        | 869,488          |
| Profit and loss account                        |       | (153,927)        | (333,857)        |
| <b>Shareholders' funds</b>                     |       | <u>1,249,848</u> | <u>585,631</u>   |

The financial statements were approved by the Board of Directors on 12/23/2016 December 2016 and were signed on its behalf by:

DocuSigned by:

*Roxanne Oulman*

F9DA6CD1DB53418...

Roxanne Oulman  
 Director

**Callidus Software Limited**  
**Company Registration No. 03861293**

**Statement of changes in equity**  
**31 December 2015**

|   | <b>Called up<br/>share<br/>capital</b> | <b>Other<br/>reserves</b> | <b>Retained<br/>earnings</b> | <b>Total<br/>shareholder's<br/>equity</b> |
|---|--|---------------------------|------------------------------|---|
|   | <b>£</b>                               | <b>£</b>                  | <b>£</b>                     |   |
| <b>At 31 December 2013</b>                                      | <b>50,000</b>                          | <b>-</b>                  | <b>(442,169)</b>             | <b>(392,169)</b>                          |
| Changes on transition to FRS 102<br>(note 15)                   | -                                      | -                         | -                            | -   |
| <b>At 1 January 2014</b>  | <b>50,000</b>                          | <b>-</b>                  | <b>(442,169)</b>             | <b>(392,169)</b>                          |
| Profit and total comprehensive<br>income for the financial year | -                                      | -                         | 108,312                      | 108,312                                   |
| Capital contribution  | -                                      | 869,488                   | -                            | 869,488                                   |
| <b>At 31 December 2014</b>                                      | <b>50,000</b>                          | <b>869,488</b>            | <b>(333,857)</b>             | <b>585,631</b>                            |
| Profit and total comprehensive<br>income for the financial year | -                                      | -                         | 179,930                      | 179,930                                   |
| Deferred tax recognition on equity                              | -                                      | 484,287                   | -                            | 484,287                                   |
| <b>At 31 December 2015</b>                                      | <b>50,000</b>                          | <b>1,353,775</b>          | <b>(153,927)</b>             | <b>1,249,848</b>                          |

The notes form part of these financial statements

**Notes to the financial statements**  
**For the year ended 31 December 2015**

**1. Accounting policies**

**Basis of preparing the financial statements**

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council applicable in the United Kingdom and Republic of Ireland.

The functional currency of the Company is considered to be pound sterling because that is the currency of the primary economic environment in which the Company operates.

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

**Accounting convention**

The financial statements have been prepared under the historical cost convention and are in accordance with applicable accounting standards.

**Turnover**

Turnover represents net invoiced consultancy services, excluding value added tax.

**Going concern**

The directors have acknowledged the latest guidance regarding going concern. Whilst the current volatility in financial markets has created great uncertainty, the company continues trading as normal. The directors have considered the net asset position of £1,249,848 (2014: £585,631).

Callidus Software Inc, the company's ultimate parent company, has considerable financial resources, together with significant revenue streams across different geographic areas and industries and has expressed its willingness to continue to provide support to the company for the foreseeable future, and in particular for a period of at least twelve months from the date of these accounts. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

**Revenue recognition**

The company's revenue, which consists primarily of professional services and support, is recognised in accordance with US statement SOP 97-2: 'Software Revenue Recognition', as amended by SOP 98-9. SOP 97-2 generally requires revenue earned on software arrangements involving multiple elements (i.e. software products, upgrades/enhancements, customer support, installation, training, etc) to be allocated to each element based on the fair value of the elements by reference to evidence which is specific to the vendor. The revenue allocated to support is generally recognised rateably over the term of the support. Revenue allocated to service elements is generally recognised as the services are performed. If a vendor does not have evidence of the fair value for all the elements in a multiple element arrangement, all revenue from the arrangement is deferred until such evidence exists or until elements are delivered.

Pursuant of SOP 97-2, in software agreements where services are essential to the functionality of the software, the company has recognised the software license revenue for the entire arrangement using the percentage of completion method.

The effect on the financial statements of the use of the above policy rather than UK accounting policies has been considered and is deemed to be immaterial.

# Callidus Software Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 1. Accounting policies (continued)

#### Intangible fixed assets

The costs relating to the translation of technical documentation are being amortised evenly over their estimated useful economic life of three years.

#### Tangible fixed assets

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

|                       |   |             |
|-----------------------|---|-------------|
| Fixtures and fittings | - | 20% on cost |
| Computer equipment    | - | 33% on cost |

#### Deferred tax

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rates of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

#### Pension costs and other post-retirement benefits

The company operates a defined contribution pension scheme. Contributions payable to the company's pension scheme are charged to the profit and loss account in the period to which they relate.

#### Lease commitments

Rentals payable in respect of operating leases are charged on a straight line basis over the lease term to the profit and loss account.

#### Share based payments

The parent company, Callidus Software Inc., operates a share-based compensation plan and has granted share options and other share-based incentives to employees of the company. When these are exercised, the company recognises the fair value of the employee services received by the company, in exchange for the shares granted to its employees by the parent company, as an expense in the profit and loss account.

The grant of equity instruments by the parent company is treated as cash-settled, as the equivalent fair value expense is required to be reimbursed in full to the parent company.

# Callidus Software Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 2. Turnover

The turnover and profit before taxation are attributable to the one principal activity of the company.

An analysis of turnover by geographical market is given below:

|                | 2015<br>£      | 2014<br>£        |
|----------------|----------------|------------------|
| United Kingdom | 4,059          | 1,158,908        |
| Europe         | 301,395        | 160,924          |
| Other          | 337,941        | 17,926           |
|                | <u>643,395</u> | <u>1,337,758</u> |

### 3. Staff costs

|                       | 2015<br>£        | 2014<br>£        |
|-----------------------|------------------|------------------|
| Wages and salaries    | 2,510,667        | 2,529,383        |
| Social security costs | 424,888          | 319,112          |
| Other pension costs   | 93,839           | 79,555           |
|                       | <u>3,029,394</u> | <u>2,928,050</u> |

The average monthly number of employees during the year was as follows:

|                             | 2015<br>£ | 2014<br>£ |
|-----------------------------|-----------|-----------|
| Sales and marketing         | 18        | 14        |
| Client services and support | 17        | 16        |
| Finance and administration  | -         | 1         |
|                             | <u>35</u> | <u>31</u> |

In the current period, the serving Directors are also directors of other group companies and their remuneration has been borne by Callidus Software Inc. The allocation of the total remuneration that relates to their services to this company is £nil.

### 4. Operating profit

The operating profit is stated after charging:

|   | 2015<br>£      | 2014<br>£     |
|---|----------------|---------------|
| Depreciation - owned assets                         | 21,722         | 14,548        |
| Translation of technical documentation amortisation | -              | 17,223        |
| Auditors' remuneration                              | 15,000         | 15,000        |
| Foreign exchange differences                        | 5,174          | 88            |
| Operating leases – rent                             | <u>114,415</u> | <u>65,116</u> |



# Callidus Software Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 5. Interest receivable/(payable) and similar income/(charges)

|  | 2015<br>£ | 2014<br>£ |
|--|-----------|-----------|
| Interest receivable and similar income | 8         | 100       |
| Interest payable                       | -         | -         |

### 6. Taxation

#### Analysis of the tax charge/(credit)

The tax charge/(credit) on the profit on ordinary activities for the year was as follows:

|   | 2015<br>£ | 2014<br>£ |
|---|-----------|-----------|
| Current tax on profits for the year     | 146,297   | 39,068    |
| Adjustment in respect of previous years | 846       | -         |
| Total current tax                       | 147,143   | 39,068    |
| Deferred tax (credit)/charge            | 21,863    | 7,179     |
| Adjustment in respect of previous years | (22,765)  | -         |
| Tax on profit on ordinary activities    | 146,241   | 46,247    |

#### Factors affecting the tax charge/(credit)

The tax assessed for the year is lower than the standard-rate of corporation tax in the UK. The difference is explained below:

|  | 2015<br>£ | 2014<br>£ |
|--|-----------|-----------|
| Profit on ordinary activities before tax   | 326,171   | 154,558   |
| Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 20% (2013 - 20%) | 65,234    | 30,911    |
| Effects of:  |           |           |
| Non allowable expenditure  | 6,696     | 2,400     |
| Effects of overseas tax rates  | (8,957)   | -         |
| Movement in deferred tax not previously recognised (share options)   | 60,401    | -         |
| Other taxation adjustments   | -         | (29,631)  |
| Prior year adjustment  | (21,919)  | 3,499     |
| Overseas tax   | 44,786    | 39,068    |
| Current tax charge   | 146,241   | 46,247    |

# Callidus Software Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 7. Tangible fixed assets

|                       | Computer<br>equipment<br>£ | Total<br>£ |
|-----------------------|----------------------------|------------|
| <b>Cost</b>           |                            |            |
| At January 2015       | 101,213                    | 101,213    |
| Additions             | 22,842                     | 22,842     |
| Disposals             | (50,988)                   | (50,988)   |
| At 31 December 2015   | 73,067                     | 73,067     |
| <b>Depreciation</b>   |                            |            |
| At January 2015       | 60,892                     | 60,892     |
| Disposals             | (50,988)                   | (50,988)   |
| Charge for the year   | 21,722                     | 21,722     |
| At 31 December 2015   | 31,626                     | 31,626     |
| <b>Net book value</b> |                            |            |
| At 31 December 2015   | 41,441                     | 41,441     |
| At 31 December 2014   | 40,321                     | 40,321     |

### 8. Debtors: amounts falling due within one year

|                                    | 2015<br>£ | 2014<br>£ |
|------------------------------------|-----------|-----------|
| Trade debtors                      | 319,550   | 268,352   |
| Amounts owed by group undertakings | 300,075   | -         |
| Other debtors                      | 19,798    | 12,801    |
| VAT                                | 14,490    | 18,829    |
| Deferred tax asset                 | 579,231   | 99,410    |
| Prepayments and accrued income     | 98,873    | 191,529   |
|                                    | 1,332,017 | 590,921   |

Amounts owed by group undertakings relate wholly to Callidus Software Inc., the ultimate parent company.

A deferred tax asset is recognised as it is considered likely that future profits of the company shall be in excess of taxable losses carried forward

# Callidus Software Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 9. Creditors: amounts falling due within one year

|                                 | 2015<br>£      | 2014<br>£      |
|---------------------------------|----------------|----------------|
| Trade creditors                 | 84,438         | 68,307         |
| Other taxes and social security | 124,658        | 244,144        |
| Accruals and deferred income    | 259,485        | 360,639        |
|                                 | <u>468,581</u> | <u>673,090</u> |

### 10. Operating lease commitments

The following operating lease payments are committed to be paid within one year:

|                              | Land and buildings |               |
|------------------------------|--------------------|---------------|
|                              | 2015<br>£          | 2014<br>£     |
| Expiring:<br>Within one year | <u>121,207</u>     | <u>76,800</u> |

### 11. Called up share capital

|   | 2015<br>£     | 2014<br>£     |
|---|---------------|---------------|
| <b>Authorised</b>                       |               |               |
| 50,000 ordinary shares of £1 each       | <u>50,000</u> | <u>50,000</u> |
| <b>Allotted, issued and fully paid:</b> |               |               |
| 50,000 ordinary shares of £1 each       | <u>50,000</u> | <u>50,000</u> |

### 12. Pension commitments

The company operates a defined contribution pension scheme. The pension cost for the period represents contributions payable by the company to the scheme and amounted to £93,839 (2014: £68,045). There were outstanding contributions at the year-end of £nil (2014: £nil).

### 13. Related party disclosures

The company's immediate and ultimate parent and controlling company is Callidus Software Inc., a company incorporated in the USA which is the parent undertaking of the largest group including the company and for which group accounts are prepared. Copies of the group financial statements are available from Corporate Headquarters, Callidus Software Inc., 6200 Stoneridge Mall Road, Pleasanton, CA 94588, USA.

Under FRS 102, section 33.1A, the company is exempt from disclosing transactions with its fellow group companies, as the consolidated financial statements of the ultimate parent company are available to the public. Transactions with other group undertakings within, and investee related parties of, the Biotronik group of companies have not been disclosed in these financial statements

## **Callidus Software Limited**

### **Notes to the financial statements (continued)** **For the year ended 31 December 2015**

#### **14. Share-based compensation**

The parent company, Callidus Software Inc., has granted share options and other share-based incentives to employees of the company. The full details of these option schemes are given in the consolidated accounts of Callidus Software Inc which are publicly available or may be obtained on request from Corporate Headquarters, Callidus Software Inc., 6200 Stoneridge Mall Road, Pleasanton, CA 94588, USA.

The weighted average share price, at the date of exercise, of options exercised during the year was \$5.89 per share for options granted to employees of the company.

During the year ended 31 December 2015, the total charge to the company for share based compensation expenses was £213,762 (2013: £173,788), which has been charged to the profit and loss account. These charges related to the value of shares in the parent company which were issued to company employees under share option and Restricted Stock Unit ("RSU") schemes.

No amounts have been recognised in the financial statements with regard to the value of options granted to employees of the company, but not exercised, as in the directors' opinion the value of such outstanding options is not material and its omission does not affect the view given by the financial statements.

#### **Share option and incentive plans**

In June 2013, the 2013 Stock Incentive Plan ("2013 Plan") became effective upon the approval of the parent company's board of directors and stockholders, and as a result, the 2003 Stock Incentive Plan ("2003 Plan") was expired and replaced. All outstanding shares available for grant under the 2003 Plan were expired upon the adoption of the 2013 Plan.

Under the 2013 plan, the parent company's board of directors (or an authorised subcommittee) may grant share options or other types of share awards, such as restricted stock, restricted stock units, stock bonus awards or stock appreciation rights. Incentive share options may be granted only to employees of group companies. Non-statutory stock options and other stock-based awards may be granted to employees, consultants or non-employee directors. These options vest as determined by the board of directors (or an authorised subcommittee), generally over four years. The restricted stock units also vest as determined by the board, generally over three years. The vesting period generally equals the requisite service period of the individual grantees.

The parent company, Callidus Software Inc., has granted share options and other share-based incentives to employees of the company. The full details of these option schemes are given in the consolidated accounts of Callidus Software Inc which are publicly available or may be obtained on request from Corporate Headquarters, Callidus Software Inc., 6200 Stoneridge Mall Road, Pleasanton, CA 94588, USA.

The weighted average share price, at the date of exercise, of options exercised during the year was \$6.63 per share for options granted to employees of the company.

During the year ended 31 December 2015, the total charge to the company for share based compensation expenses was £213,762 (2014: £173,788), which has been charged to the profit and loss account. These charges related to the value of shares in the parent company which were issued to company employees under share option and Restricted Stock Unit ("RSU") schemes.

No amounts have been recognised in the financial statements with regard to the value of options granted to employees of the company, but not exercised, as in the directors' opinion the value of such outstanding options is not material and its omission does not affect the view given by the financial statements.

#### **Share option and incentive plans**

In June 2013, the 2013 Stock Incentive Plan ("2013 Plan") became effective upon the approval of the parent company's board of directors and stockholders, and as a result, the 2003 Stock Incentive Plan ("2003 Plan") was expired and replaced. All outstanding shares available for grant under the 2003 Plan were expired upon the adoption of the 2013 Plan.

# Callidus Software Limited

## Notes to the financial statements (continued) For the year ended 31 December 2015

### 14. Share-based compensation (continued)

#### Share option and incentive plan (continued)

Under the 2013 plan, the parent company's board of directors (or an authorised subcommittee) may grant share options or other types of share awards, such as restricted stock, restricted stock units, stock bonus awards or stock appreciation rights. Incentive share options may be granted only to employees of group companies. Non-statutory stock options and other stock-based awards may be granted to employees, consultants or non-employee directors. These options vest as determined by the board of directors (or an authorised subcommittee), generally over four years. The restricted stock units also vest as determined by the board, generally over three years. The vesting period generally equals the requisite service period of the individual grantees.

#### Determination of Fair Value

The fair value of each restricted stock unit, relative performance and service-based awards, is estimated based on the market value of the parent company's shares on the date of grant and the average historical forfeiture rate. The fair value of the performance award assumes that performance goals will be achieved. If such goals are not met, no compensation cost is recognised and any recognised compensation cost is reversed.

The fair value of each share option is estimated on the date of grant and the fair value of each Employee Stock purchase Plan ("ESPP") share is estimated on the beginning date of the offering period using the Black-Scholes-Merton valuation model and the assumptions noted in the following table:

|                                     | 2015           | 2014           |
|-------------------------------------|----------------|----------------|
| <b>Share Option Plans</b>           |                |                |
| Expected life (in years)            |                | 5.0 to 6.1     |
| Risk-free interest rate             | -              | 1.41% to 1.93% |
| Volatility                          | -              | 61% to 63%     |
| Dividend yield                      | -              | nil            |
| <b>Employee Stock Purchase Plan</b> |                |                |
| Expected life (in years)            | 0.5 to 1.0     | 0.5 to 1.0     |
| Risk-free interest rate             | 0.25% to 0.38% | 0.05% to 0.12% |
| Volatility                          | 39% to 40%     | 47% to 59%     |
| Dividend yield                      | nil            | nil            |

**Expected Dividend Yield** - The parent company has never paid dividends and does not expect to pay dividends.

**Risk-Free Interest Rate** - The risk-free interest rate was based on the implied yield currently available on U.S. Treasury zero-coupon issues with a remaining term equivalent to the expected term.

**Expected Term** - Expected term represents the period that the Company's stock-based awards are expected to be outstanding. The parent company's assumptions about the expected term have been based on historical experience, giving consideration to the contractual terms of the share-based awards, vesting schedules and expectations of future employee behaviour as influenced by changes to the terms of its share-based awards. The expected term for share options was estimated using the simplified method allowed under SEC guidance.

**Expected Volatility** - Expected volatility is based on the historical volatility over the expected term.

**Forfeiture Rate** - The parent company estimates its forfeiture rate based on an analysis of its actual forfeitures and will continue to evaluate the adequacy of the forfeiture rate based on actual forfeiture experience, analysis of employee turnover behaviour, and other factors. The impact from a forfeiture rate adjustment will be

## **Callidus Software Limited**

### **Notes to the financial statements (continued)** **For the year ended 31 December 2015**

recognised in full in the period of adjustment, and if the actual number of future forfeitures differs from that estimated by the Company, the Company may be required to record adjustments to share-based compensation expense in future periods.

#### **15. Explanation of transition to FRS 102**

This is the first year that the Company has presented its financial statements under Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council. The last financial statements under previous UK GAAP were for the year ended 31 December 2014 and the date of transition to FRS 102 was therefore 1 January 2014. As a consequence of adopting FRS 102, a number of accounting policies have changed to comply with that standard.

The directors have reviewed the historic accounting policies adopted by the company as set out on pages 11 and 12, and are satisfied that the adoption of FRS102 does not give rise to the need to change any accounting policies currently in place. The current accounting policies are considered consistent with the requirements of FRS102.

As part of the transition process. The director have examined the transactions entered into, the year end assets and liabilities reported by the company, and how they have been recorded both in the current and historic periods. Based on this assessment, the director have concluded there is no impact on the financial statement figures as a result of the transition to FRS 102, and no adjustments are required to be reported within these financial statements.

As a result of the adoption of FRS102, the disclosures within these financial statements have been amended to reflect the presentation requirements under the revised accounting framework.