

Company Registration No. 03861293
(England and Wales)

Callidus Software Limited

Strategic Report, Report of the Directors and
Audited Financial Statements

For the year ended 31 December 2016



Callidus Software Limited
Company Registration No. 03861293

Report and financial statements 2016

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Callidus Software Limited
Company Registration No. 03861293

Report and financial statements 2016

Officers and professional advisers

Directors

L J Stretch
B L Corey (resigned 15/11/2016)
R M Oulman
K Furlong (appointed 15/11/2016)

Registered Office

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

Registered Number

03861293
(England and Wales)

Independent Auditor

Deloitte LLP
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 2016.

Principal Activities and developments

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. The directors are not planning, at the date of this report, any principal changes to the activity of the business in the year ahead.

Strategic review

The Profit and Loss account of the Company is set out on page 8. The Company performed in line with the expectations of the directors. The directors expect the level of the trading activity to continue at the current levels. There were no significant post year-end balance sheet events.

Key Performance Indicators

The company uses two key performance indicators to monitor its performance; turnover and profit before interest and, tax to indicate the volume of business and the profitability of the business.

	2016 £	2015 £
Turnover	144,907	643,395
Profit before interest and tax	229,310	326,171

As part of the review of the business, the directors have used key performance indicators to analyse the results for the year. The directors are satisfied with the company's trading performance during the year under review in the challenging economic conditions.

The directors have reviewed these key performance indicators and have confirmed that they are in line with expectations. There has not been any significant staff turnover noted in the period within the entity.

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. The impact of Brexit vote in the second half of FY2016 has been minimal, despite the pound sterling weakening against major currencies.

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.

Callidus Software Limited
Company Registration No. 03861293

Strategic report

Liquidity risk

The company had significant net cash balances as at the balance sheet date. The Company manages its cash resources through monitoring controls over custody on cash.

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.

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

A handwritten signature in black ink, appearing to read 'Kevin Furlong', with a stylized flourish at the end.

Kevin Furlong
Director

28 September 2017

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 2016.

Dividends

No dividends will be distributed for the year ended 31 December 2016 (2015: nil).

Directors

The directors who have held office during the period from 1 January 2016 to the date of this report are as follows:

L J Stretch
B L Corey (resigned 15/11/2016)
R M Oulman
K Furlong (appointed 15/11/2016)

Going concern

Whilst the current volatility in financial markets has created great uncertainty, the company continues trading as normal. The company has considerable financial resources with a net asset position of £994,871 (2015: net assets of £1,249,848). As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence in the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

Auditors

Each of the persons who are a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of S418 of the Companies Act 2006.

Deloitte LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

On behalf of the Board



Kevin Furlong
Director

28 September 2017

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. 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; 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 2016, which comprise the Profit and Loss account, the Balance Sheet, the Statement of Changes in Equity and the related notes 1 to 14. 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 2016 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, based on the work undertaken in the course of the audit:

- 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;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

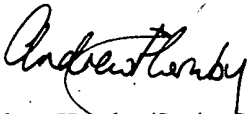
In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic report or Directors' Report.

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
Statutory Auditor
Reading, United Kingdom

28 September 2017

Callidus Software Limited
Company Registration No. 03861293

Profit and loss account
For the year ended 31 December 2016

	Notes	2016 £	2015 £
Turnover	2	144,907	643,395
Cost of sales		(141,490)	(186,125)
Gross profit		3,417	457,270
Administrative expenses		(5,596,412)	(4,180,938)
		(5,592,995)	(3,723,668)
Other operating income		5,848,468	4,049,831
Operating profit	4	255,473	326,163
Interest receivable and similar income	5	0	8
Profit before taxation		255,473	326,171
Tax on profit on ordinary activities	6	(26,163)	(146,241)
Profit for the financial year		229,310	179,930

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

Other than stated above, there were no gains or losses during the year ended 31 December 2016 and prior year. Accordingly, no Statement of Other Comprehensive Income has been presented.

Callidus Software Limited
Company Registration No. 03861293

Balance Sheet
31 December 2016

	Notes	2016	2015
Fixed assets			
Tangible assets	7	49,034	41,441
		<u>49,034</u>	<u>41,441</u>
Current assets			
Debtors	8	324,528	1,322,017
Cash at bank		2,090,611	344,971
		<u>2,415,139</u>	<u>1,676,988</u>
Creditors: amounts falling due within one year	9	(1,469,302)	(468,581)
Net current assets/(liabilities)		<u>945,837</u>	<u>1,208,407</u>
Total assets less current liabilities		<u>994,871</u>	<u>1,249,848</u>
Capital and reserves			
Called up share capital	11	50,000	50,000
Other reserves		869,488	1,353,775
Profit and loss account		75,383	(153,927)
Shareholders' funds		<u>994,871</u>	<u>1,249,848</u>

The financial statements of Callidus Software limited (registered number: 03861293) were approved by the Board of Directors on 28 September 2017 and were signed on its behalf by:



Kevin Furlong
Director

28 September 2017

Callidus Software Limited
Company Registration No. 03861293

Statement of Changes in Equity
31 December 2016

	Called up share capital £	Other reserves £	Retained earnings £	Total shareholder's equity
At 1 January 2014	50,000	-	(442,169)	(392,169)
Profit and total comprehensive income for the financial year	-	-	108,312	108,312
Capital contribution	-	869,488	-	869,488
At 31 December 2014	50,000	869,488	(333,857)	585,631
Profit and total comprehensive income for the financial year	-	-	179,930	179,930
Capital contribution	-	484,287	-	484,287
At 31 December 2015	50,000	1,353,775	(153,927)	1,249,848
Reversal of capital contribution	-	(484,287)	-	(484,287)
Profit and total comprehensive income for the financial year	-	-	229,310	229,310
At 31 December 2016	50,000	869,488	75,383	994,871

The notes form part of these financial statements

Callidus Software Limited

Notes to the financial statements For the year ended 31 December 2016

1. General information

The company is a private company limited by share capital incorporated and domiciled in England and Wales. The address of its registered office is disclosed within the list of Officers and professional advisers set out on page 1.

Accounting policies

Basis of preparation

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 accounting policies set out below have been applied consistently to all periods presented in these financial statements. The Company's functional and presentation currency is the pound sterling because that is the currency of the primary economic environment in which the Company operates.

Going concern

Whilst the current volatility in financial markets has created great uncertainty, the company continues trading as normal. The company has considerable financial resources with a net asset position of £ 994,871 (2015: net assets of £1,249,848). As a consequence, the directors believe that the company is well placed to manage its business risks successfully despite the current uncertain economic outlook. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence in the foreseeable future. Thus, they continue to adopt the going concern basis in preparing the annual report and accounts.

Summary of disclosure exemptions

FRS 102 allows a qualifying entity certain disclosure exemptions, subject to certain conditions, which have been complied with, including notification of, and no objection to, the use of the exemptions by the company's Shareholders.

The company has taken advantage of the following exemptions:

- from disclosing the company key management personnel compensation;
- from disclosing transactions with other wholly owned entities for the period that they form part of the same group;
- from disclosing transactions with other entities within the Callidus Software group under FRS 102 33.1A "Related Party Transactions".
- from preparing a statement of cash flows and the related notes on the basis that it is a qualifying entity and its parent company, Callidus Software Inc., includes the company's cash flows in its own consolidated financial statements.

Group Accounts

The company has taken advantage of the exemption from the requirement to prepare consolidated accounts available under section 400 of the Companies Act 2006. This is because it is a 100% subsidiary undertaking of Callidus Software Inc, which prepares consolidated accounts that are available to the public. These can be obtained from the head office at Corporate Headquarters, Callidus Software Inc., Suite 400, 4140 Dublin Blvd, Dublin, CA 94586, USA.

Callidus Software Limited

Notes to the financial statements For the year ended 31 December 2016

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.

Turnover

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

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

Computer equipment	- 33% on cost
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Impairment of assets

At each reporting date tangible assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value.

Callidus Software Limited

Notes to the financial statements For the year ended 31 December 2016

Trade debtors

Trade debtors are amounts due from customers for tailored services performed in the ordinary course of business. Trade debtors are recognised initially at the transaction price. They are subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for the impairment of trade debtors is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables.

Trade creditors

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of the business from suppliers. Accounts payable are classified as current liabilities if the company does not have an unconditional right, at the end of the reporting period, to defer settlement of the creditor for at least twelve months after the reporting date. If there is an unconditional right to defer settlement for at least twelve months after the reporting date, they are presented as non-current liabilities.

Trade creditors are recognised initially at the transaction price and subsequently measured at amortised cost using the effective interest method.

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 For the year ended 31 December 2016

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in this note, the directors are required to make judgements, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are reviewed on and based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

There are no critical accounting judgements noted.

Callidus Software Limited

Notes to the financial statements For the year ended 31 December 2016

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:

	2016 £	2015 £
United Kingdom	12,968	4,059
Europe	99,920	301,395
Other	32,019	337,941
	<u>144,907</u>	<u>643,395</u>

3. Staff costs

	2016 £	2015 £
Wages and salaries	3,195,465	2,510,667
Social security costs	451,414	424,888
Other pension costs	125,418	93,839
	<u>3,772,297</u>	<u>3,029,394</u>

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

	2016 £	2015 £
Sales and marketing	15	18
Client services and support	17	17
	<u>32</u>	<u>35</u>

Directors remuneration

None of the directors received emoluments in respect of their services. The remuneration of the directors is paid for by another group company.

4. Operating profit

The operating profit is stated after charging:

	2016 £	2015 £
Depreciation - owned assets	28,664	21,722
Auditors' remuneration	27,500	15,000
Foreign exchange differences	4,171	5,174
Operating leases – rent	<u>166,723</u>	<u>114,415</u>

Callidus Software Limited

Notes to the financial statements For the year ended 31 December 2016

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

	2016 £	2015 £
Interest receivable and similar income	-	8

6. Taxation

Analysis of the tax charge/ (credit)

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

	2016 £	2015 £
Current tax:		
UK corporation tax on profits for the period	44,019	146,297
Adjustment in respect of previous periods	-	846
Total current tax	44,019	147,143
Deferred tax (credit)/charge	(17,856)	(902)
Tax on profit	26,163	146,241

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:

	2016 £	2015 £
Profit before taxation	255,473	326,171
Tax on profit at standard UK corporation tax of 20% (2015 – 20%)	51,095	65,234
Effects of:		
Non allowable expenditure	2,543	6,696
Effects of overseas tax rates	-	(8,957)
Tax rate changes	10,620	-
Share options	(38,095)	-
Prior year adjustment	-	(21,919)
Overseas tax	-	44,786
Movement in deferred tax not previously recognised	-	60,401
Current tax charge	26,163	146,241

Callidus Software Limited

Notes to the financial statements For the year ended 31 December 2016

7. Tangible fixed assets

	Computer equipment £	Total £
Cost		
At January 2016	73,067	73,067
Additions	36,257	36,257
Disposals		
At 31 December 2016	109,324	109,324
Depreciation		
At January 2016	31,626	31,626
Disposals		
Charge for the year	28,664	28,664
At 31 December 2016	60,290	60,290
Net book value		
At 31 December 2016	49,034	49,034
At 31 December 2015	41,441	41,441

8. Debtors: amounts falling due within one year

	2016 £	2015 £
Trade debtors	150,896	319,550
Intercompany	-	300,075
Other debtors	28,204	19,798
VAT	-	14,490
Deferred tax asset	112,799	579,231
Prepayments and accrued income	32,629	98,873
	324,528	1,332,017

Amounts owed by group undertakings relate wholly to Callidus Software Inc., the ultimate parent company, are unsecured and repayable upon demand.

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 For the year ended 31 December 2016

9. Creditors: amounts falling due within one year

	2016 £	2015 £
Trade creditors	199,826	84,438
Amounts owed to group undertakings	446,116	-
Other taxes and social security	330,132	124,658
VAT	2,607	-
Corporation tax	44,019	-
Accruals and deferred income	446,602	259,485
	<u>1,469,302</u>	<u>468,581</u>

Amounts owed to group undertakings are unsecured and repayable upon demand.

10. Financial commitments

There were no capital commitments at the balance sheet date (2015: £nil).

There future minimum lease payments are as follows:

	Land and buildings	
	2016 £	2015 £
Not later one year	286,324	78,925
Later than one year and not later than 5 years	<u>36,978</u>	<u>95,613</u>
	<u>323,302</u>	<u>174,538</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £166,723 (PY: £114,415).

11. Called up share capital

	2016 £	2015 £
Authorised		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, issued and fully paid:		
50,000 ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>

12. Pension and other schemes

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 £125,418 (2015: £93,839). There were outstanding contributions at the year-end of £nil (2015: £nil).

Callidus Software Limited

Notes to the financial statements For the year ended 31 December 2016

13. Ultimate Parent Company

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., Suite 400, 4140 Dublin Blvd, Dublin, CA 94586, USA.

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., Suite 400, 4140 Dublin Blvd, Dublin, CA 94586, USA.

The weighted average share price, at the date of exercise, of options exercised during the year was \$13.97 per share for options granted to employees of the company.

During the year ended 31 December 2016, the total charge to the company for share based compensation expenses was £587,739 (2015: £213,762), 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., Suite 400, 4140 Dublin Blvd, Dublin, CA 94586, USA.

The weighted average share price, at the date of exercise, of options exercised during the year was \$13.97 per share for options granted to employees of the company.

During the year ended 31 December 2016, the total charge to the company for share based compensation expenses was £587,739 (2015: £213,762), 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.

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Notes to the financial statements For the year ended 31 December 2016

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.

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:

	2016	2015
Share Option Plans		
Expected life (in years)	-	-
Risk-free interest rate	-	-
Volatility	-	-
Dividend yield	-	-
Employee Stock Purchase Plan		
Expected life (in years)	0.8 to 1.0	0.5 to 1.0
Risk-free interest rate	0.45% to 0.57%	0.25% to 0.38%
Volatility	33% to 43%	39% to 40%
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

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Notes to the financial statements For the year ended 31 December 2016

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 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.