Company Registration Number 03984404

KALLIDUS LIMITED

Annual Report and Financial Statements

for the year ended 30 June 2020

KALLIDUS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

CONTENTS

KALLIDUS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R S Caul
A Mundray
P J Pyle
I G Slater (resigned 26 July 2019)
S G Varnish

SECRETARY

R S Caul

REGISTERED NUMBER

03984404

REGISTERED OFFICE

5 Fleet Place
London
EC4M 7RD

BANKERS

The Royal Bank of Scotland
Brunel House
17/27 Station Road
Reading
Berkshire
RG1 1LG

AUDITOR

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

STRATEGIC REPORT

The directors, in preparing this Strategic Report, have complied with s414C of the Companies Act 2006.

Principal activities

The principal activities of the Company comprise the provision of software systems, e-learning, and consultancy services to support the effective recruitment, onboarding and development of an organisation's employees.

Review of the business

The directors are pleased to report on a year of success for Kallidus Limited ("Kallidus") with 3% revenue growth on the year ended 30 June 2019. The Group is following its strategy of increasing its recurring revenues in proportion to its services offering. This is strategically and tactically achieved by developing its multi-tenanted SaaS ('Software-as-a-Service') modules to be both quicker and easier to implement. This reduces and also de-risks the customer onboarding cycle whilst continuing to offer a premium end-user experience. It expedites SaaS sales, over a broader customer base, and results in an inherently lower cost to serve, with greater longer term value creation.

The results of the Company for the year are set out in the Statement of Comprehensive Income.

In the year, the Company's significant activities and milestones include:

- The Acquisition of 100% of the share capital of e-learning provider, HOT Learning Limited (trading as Engage in Learning) on 28 February 2000 and subsequent integration into the Kallidus group whilst delivering a 9.2% underlying revenue growth year-on-year (on a deferred revenue basis) for the HOT Learning entity.

- Successfully adapting to totally remote working following the Covid-19 pandemic to date.

- Extending support operations to service international customers, both within their region and by deploying multiple time zone cover from the UK.

- Maintaining the customer Net Promoter Score (NPS) consistently above the industry average (at 34 for 2020 compared to 36 for 2019) through ongoing work on the Customer Excellence programme. NPS is widely used in the technology and service sectors to gain insight into the customer experience and instrumental in customer retention. Scoring starts at negative 100 to rise to a maximum positive 100. A negative score can be indicative of customer detractors, whereas a positive score alludes to customer advocacy and recommendation, which underpins growth potential. Average scores from our customer base also increased from 8.14 in 2019 to 8.22 in 2020.

- Continued development of the product suite, including the UX harmonisation and integration of the Kallidus suite and Engage in Learning content.

- Winning some notable awards in the year with three awards at the prestigious Learning Technology Awards in December 2019:
    - Gold award for "Learning Developer of the year" for Joe Turner (Senior Kallidus Developer)
    - Silver award for 'Best Learning Platform Implementation' in partnership with JYSK
    - Bronze award for 'Best Learning Technologies Project' (UK Commercial Sector) in partnership with Govia Thameslink Railways (GTR)

- Shortlisted for the Sunday Times Tech Track 100 'Ones to Watch' in September 2019

STRATEGIC REPORT (continued)

Review of the business (continued)

- In March 2020 the Company entered into a three-year lease to commence in July 2020, with annual break clauses, on an increased capacity facility in Bristol to replace its current leasehold facility which expired in June 2020.

The directors continue to recognise that Kallidus Limited's innovation and growth is due to the high levels of commitment and expertise of its staff. The recruitment of high-calibre employees, continuous staff development and their performance management are seen as being key to sustainable growth.

Key performance indicators

Highlights of Kallidus Limited's operating and financial performance in the year ended 30 June 2020 are as follows:

Turnover, being the main KPI, saw growth of 3% on the previous year, increasing from £10,605,000 in 2019 to £10,937,000 in 2020 on which the Group improved its gross margin to just over 71% (2019: 68%) through continued multi-talented Saas module expansion As at 30 June 2020, 78% of the Group trading revenues were also recurring in nature (2019: 79%).

Gross profit increased by £586,000 (or 8%) in the year ended 30 June 2020, when compared to the year ended 30 June 2019.

Selling and administrative expenses increased by £807,000 for the same comparative period following a strategic decision to enhance investment in this area for the purposes of accelerating future growth. Product development costs, accounted for within selling and administrative expenses, were £471,000 for the year ended 30 June 2020 representing a reduction of 29% on the prior year ended 30 June 2019 (2019: £667,000).

The amortisation charge relating to the development cost intangible asset was £2,355,000 (2019: £1,877,000) an increase of 25% and £478,000. Increased development cost amortisation resulted from the commercial release of new product within the year ended 30 June 2020. Net loss before tax was £266,000 for the year ended 30 June 2020 (2019: loss of £52,000). This movement was due to the improvement in absolute and percentage gross margin, offset by strategic increases in selling and administrative expenses, and additional development cost amortisation which has no cash effect on the reported year.

As at 30 June 2020, Kallidus Limited employed 112 staff (2019: 100).

A five-year summary of the operating and financial performance of Kallidus Limited is laid out below:

Year ended:		2016	2017	2018	2019	2020
Turnover	£'000	7,981	8,480	8,962	10,605	10,937
% growth year-on-year	%	10%	6%	6%	18%	3%
% recurring revenue	%	56%	61%	66%	79%	78%
Gross profit	£'000	4,950	5,326	5,646	7,221	7,807
Gross profit %	%	62%	63%	63%	68%	71%
EBITDA	£'000	1,109	1,198	1,363	2,398	2,213
Profit/(loss) before tax	£'000	544	53	(631)	(52)	(266)

STRATEGIC REPORT (continued)

Principal risks and uncertainties

The key risks and uncertainties affecting the Company relate to a reduction in product demand, market change, loss of key management personnel, changes in technology, financial risks and damage to reputation. Financial risks are discussed in the Directors' Report below.

Non-financial risks are mitigated by incentivising key personnel with bonuses and equity, using a software platform based upon the most widely used languages and operating systems, and employing external public relations resource to monitor and control our communications.

Brexit
There remains considerable uncertainty over the UK's future trading arrangements with the EU. However, Brexit is not expected to have a significant operational impact on the Group. Kallidus Limited ("Kallidus") is the trading subsidiary and 90% (2019: 88%) of its turnover is derived from the UK, with only 6% (2019: 7%) being attributable to the EU. Kallidus has many years' experience of selling to and servicing clients in other continents. Kallidus's software and services are delivered virtually, via the web, which includes training and consulting. The trading subsidiary and therefore Group is not impacted by physical borders.

All Group companies are resident in the UK. Kallidus's largest input is its UK staff costs and our key suppliers are supplying from the UK. As a result, revenues and costs are predominantly in the Group's natural currency, that being sterling. There is a limited and virtual supply from EU nations which the directors do not see as being impacted by post-Brexit arrangements.

Whilst the directors recognise that the subsequent Brexit trading arrangements may affect the investment plans of our existing and potential customers, there are potential opportunities too. For example, an increased need for UK businesses to train their existing staff base, given tighter immigration controls. The Group has a proven record of continuous growth through economic downturns and trades internationally with negligible friction, due to its business model.

Covid-19
In March 2020, the Covid-19 global pandemic severely impacted Europe, the USA and the UK.

There remains significant uncertainty over the macro-economic effects of the Covid-19 global pandemic, the duration of the UK's civil arrangements to mitigate infection and on the final levels of UK government support for businesses. It is a new disease challenging global nations. The company ("Kallidus"), has a strong business model based upon long-term, Software-as-a-Service (SaaS) contracts. Such contracts are typically between three and five years in duration. Services are delivered virtually, via the web, including implementation. Kallidus has robust technology and procedures allowing all staff to work virtually from home to run all business operations.

Kallidus commenced the move to full time working from home arrangements on 13 March 2020, prior to the official UK government guidelines, and has been operating effectively since with no efficiency reductions experienced to date. The Board continues to monitor the wider government guidance and has canvassed employees on their views on returning to work. The business is not planning to return fully to an office-based model for the foreseeable future given the success of the recent homeworking arrangements. The digital business model is complementary to remote working. Kallidus continues to monitor the issue on an ongoing basis.

The directors recognise that Covid-19 will have a serious impact on a number of customers. However, the Group is not exposed to a single sector and has a low fixed overhead providing resilience should revenue significantly reduce in the shorter term. UK and European government rulings on citizens staying at home may also see many clients using such lockdown periods as an opportunity for staff training and also planning re-recruitment upon economic recovery. Kallidus is strongly placed to deliver such services through its learning and recruitment products.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Covid-19 (continued)
During the first calendar quarter of 2020, as the pandemic began to take effect, the wider Kallidus Group maximised its liquidity position by:

(i) drawing down on existing facilities - £500,000 RCF drawdown in March 2020.
(ii) taking advantage of the government's VAT payment deferral scheme and establishing strict cost and governance control strategies until the effects could be better evaluated.
(iii) all existing capital and operational expenditure plans were reviewed by the Board. All such non-essential spend was either deferred or cancelled, as necessary.
(iv) In addition, during the latter half of 2019, the Company significantly increased its strategic investment in its sales and research and development resource with a view to accelerating growth. With the recent business uncertainty arising from Covid-19, an element of this resource was furloughed at full salary levels to maintain Kallidus' capacity to capitalise on business opportunities as the wider economy recovers. The total value of furlough claims during the year was £171,000. All such resources had returned to the business by 30 September 2020.

As the business moves into the further phases of the pandemic, the wider Group's opening cash balance and liquidity is significantly greater than seen in previous years, as a direct result of the measures.

From a business model and revenue generation perspective, business volumes have held up well during the Covid-19 pandemic with revenue and EBITDA levels above the same period in the prior year. Renewals and new business from the existing customer base have been strong with 100% renewals by value. The major business volume effect has been reduced growth levels with a reduction in new customer, new business opportunities, of approximately 9% between February 2020 and June 2020. This is due to deferral and cancellations as potential customers furlough Learning and Development staff. Despite such deferrals, the forward qualified and weighted sales pipeline remains strong for all customers, new and existing. It was 119% greater in value at June 2020 versus June 2019. The pipeline at June 2020 includes opportunities gained from the acquisition of Engage in Learning. In addition, the June 2019 pipeline was lower, due in part to Brexit uncertainty delaying customer activity.

The directors have produced forecasts for various prudent scenarios, such as assuming no new sales in conjunction with up to an assumed 25% loss of renewal contracts. These scenarios show that the Group has adequate resources to continue in operational existence for the foreseeable future, with cash reserves above £1m for the next 18 months and further allowing for a return to normal trading not occurring until at least the second calendar quarter of 2021.

In addition, as part of the future business modelling process, whilst the directors concluded that the banking facilities and covenants were sufficient for the previously mentioned 18 month forward outlook, they undertook action to further mitigate the risk of any unexpected future events. Such action resulted in increasing covenant headroom further throughout this period and deferring any bank term loan repayments to March 2022. The Group's bankers have been fully supportive of this proactive approach and formally agreed, in June 2020, to the aforementioned covenant and loan repayment arrangements. The directors feel this gives sufficient additional headroom to ensure the business will be in compliance with its banking facilities for the next 18 months.

With its resilient "digital" business model, strong customer and supplier relationships, diverse customer base and also a robust liquidity outlook, the directors believe that Kallidus and the wider Kallidus Group, is well placed to manage its business risks. It has the opportunity to capitalise on the trend towards digital learning, as this is only being accelerated with the Covid-19 pandemic.

STRATEGIC REPORT (continued)

Future developments

The Company, under the ownership of its new investors, will pursue a strategy of organic and acquisitive growth to provide a broader set of Human Capital Management ("HCM") solutions and functionality to customers. This strategy aims to not only develop new customer relationships but also to offer deeper and further solutions into the existing customer base.

With regard to organic growth, the Company continues to significantly invest in research and development ("R&D") to develop both new products, enhance product features and continuously extend the capabilities of its technically advanced platform. This virtual platform can be rapidly and internationally scaled. In addition, the Company has continued to invest in the Sales and Marketing infrastructure to commercially exploit the R&D activities. The Company entered into a three-year lease, with annual break clauses, on an increased capacity sales Bristol office in March 2020. This replaced its current leasehold facility which expired in June 2020.

Approved by the board of directors and signed on its behalf by:

S G Varnish
Director

26th February 2021

DIRECTORS' REPORT

The directors present their annual report on the affairs of the Company, together with the audited financial statements and auditor's report, for the year ended 30 June 2020.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Details of future developments can be found in the Strategic Report and form part of this report by cross-reference.

In March 2020 the Covid-19 global pandemic started to have a severe impact on the economies of the UK, Europe and the USA, these being the main customer geographies of Kallidus Group. Further details of this can be found in the Strategic Report in the section entitled Principal risks and uncertainties.

RESEARCH AND DEVELOPMENT

The Company's software products are key to its future success. During the year ended 30 June 2020, the Company's investment in research and development charged to the Statement of Comprehensive Income was £471,000 (2019: £667,000), but total development expenditure in the year ended 30 June 2020, including capitalised software development costs, was £2,803,000 (2019: £2,587,000).

GOING CONCERN

As outlined in the strategic report the directors have a reasonable expectation that the Company and the wider Kallidus Group have adequate resources to continue in operational existence for the foreseeable future, being the period of at least 12 months from the signing of these financial statements. This is supported by the various financial modelling scenarios undertaken by the Board as part of its Covid-19 response, which are detailed in the Strategic Report. The directors have adopted a going concern basis for the preparation of these financial statements.

Whilst the level of demand for the Company's products can never be certain, taking account of reasonably possible changes in trading performance, including Covid-19, the Company's and wider Kallidus Group forecasts and projections show that it expects to operate within its current level of available cash resources and current financing covenants for the foreseeable future.

The loss before tax of £266,000 (2019: loss £52,000) is after charging amortisation on Intangible Assets of £2,355,000 (2019: £2,028,000). There is no cash flow effect from this amortisation charge.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's activities expose it to a number of financial risks, including foreign exchange risk, interest rate risk, credit risk, liquidity risk and macro- economic risk arising from Covid-19.

Foreign exchange risk
The Company's activities occasionally expose it to the financial risk of changes in foreign currency exchange rates. Since 90% of the Company's turnover is derived from UK, the risk associated with such transactions is considered to be relatively low.

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Interest rate risk
The Group is exposed to interest rate fluctuations on its borrowings as its bank facilities are at floating rates. The Board review such exposure with a view as to whether any hedging instruments may be required as part of its normal monthly reviews and no such hedging was deemed necessary during the period.

Credit risk
The Group's principal financial assets are bank balances and cash, trade and other receivables.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the statement of financial position are net of allowances for any doubtful receivables.

The Group has no significant concentration of credit risk, with exposure spread over a large number of customers.

Liquidity risk
In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Group uses long-term term debt finance in the form of a bank term loan, issued loan stock and preference shares. As the main trading subsidiary, Kallidus Limited is cash generative, the Group's reliance on such long-term debt finance will diminish over time. The Group is repaying the bank debt in line with the agreed repayment plan.

Macro-economic risk
Due to the global Covid-19 pandemic the Group is exposed to the risk of existing customers' businesses being stressed and a potential reduction in these customers' renewals whether by value or loss of customer. The Group has a relatively low fixed overhead. Peak staffing needs, in this and prior periods, have been serviced by contractors. In addition, there are contingent remuneration arrangements and the virtual-platform hosting costs vary with customer usage. These dynamics, with committed banking facilities, will mitigate risk. The Group is continuously monitoring Covid-19 developments, as best it can, given it is a novel disease. The Group continues to plan accordingly.

DIVIDENDS

The directors do not recommend payment of a dividend for the year ended 30 June 2020. No dividend has been recommended or paid after 30 June 2020 to the date of this report.

DIRECTORS

The directors who served during the year and subsequently, unless otherwise stated, were as follows:

R S Caul	
P J Pyle	
A Mundray	
I G Slater	(resigned 26 July 2019)
S G Varnish	(appointed 12 August 2019)

DIRECTORS' INDEMNITIES

The Company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the year and remain in force at the date of this report. These provisions apply to this company and all other companies in the group headed by the ultimate parent company, Apollo Kallidus Holdco Limited.

DIRECTORS' REPORT (continued)

PROVISION OF INFORMATION TO THE AUDITOR

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

- so far as each of the directors 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 continue in office as the Company's auditor. A resolution to reappoint Deloitte LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors and signed on its behalf by:

S G Varnish
Director

26th February 2021

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 accounting 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 and disclose with reasonable accuracy at any time the financial position of the Company and 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KALLIDUS LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Kallidus Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements

Opinions on other matters 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 directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report [has/have] been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in [the strategic report or] the directors' report.

Matters on which we are required to report by exception

Under the Companies Act 2006 we are required to report in respect of the following matters 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.

We have nothing to report in respect of these matters.

Use of our report

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

Andrew Wright

Andrew Wright FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

26 February 2021

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	2020 £'000	2019 £'000
TURNOVER	3	10,937	10,605
Cost of sales		(3,130)	(3,384)
GROSS PROFIT		7,807	7,221
Amortisation of intangible assets	8	(2,355)	(2,028)
Administrative expenses		(5,693)	(4,886)
Total administrative expenses		(8,048)	(6,914)
OPERATING (LOSS)/PROFIT		(241)	307
Finance costs	6	(25)	(359)
LOSS BEFORE TAXATION	5	(266)	(52)
Tax on loss	7	-	59
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		(266)	7

All of the Company's activities are classified as continuing.

There are no recognised gains or losses for the year or prior year other than the results above. Accordingly, no separate statement of comprehensive income is given.

KALLIDUS LIMITED

STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
FIXED ASSETS					
Intangible assets	8		3,656		3,680
Tangible assets	9		136		121
			3,792		3,801
CURRENT ASSETS					
Debtors	10	13,075		5,722	
Cash at bank and in hand		1,813		1,553	
		14,888		7,275	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(14,413)		(6,530)	
NET CURRENT ASSETS			475		745
TOTAL ASSETS LESS CURRENT LIABILITIES			4,267		4,546
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	12		-		(13)
NET ASSETS			4,267		4,533
CAPITAL AND RESERVES					
Called-up share capital	15		234		234
Share premium account			920		920
Profit and loss account			3,113		3,379
SHAREHOLDERS' FUNDS			4,267		4,533

The financial statements of Kallidus Limited (registered number 03984404) were approved by the Board of Directors and authorised for issue on 26 February 2021.

They were signed on its behalf:

S G Varnish
Director

STATEMENT OF CHANGES IN EQUITY
As at 30 June 2020

	Share premium account £'000	Called-up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2018	920	234	3,372	4,526
Profit for the year, being total comprehensive income	-	-	7	7
At 30 June 2019	920	234	3,379	4,533
Loss for the year, being total comprehensive expense	-	-	(266)	(266)
At 30 June 2020	920	234	3,113	4,267

All equity is attributable in full to the equity shareholder of the Company. The result for the financial year represents the total comprehensive (expense)/income for the years ended 30 June 2020 and 30 June 2019. There are no other recognised gains or losses.

STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
Net cash flow from operating activities	17		3,099		8,179
Cash flows from investing activities					
Payments to acquire intangible fixed assets		(2,332)		(1,924)	
Payments to acquire tangible fixed assets		(92)		(123)	
Net cash flow used in investing activities			(2,424)		(2,047)
Cash flows from financing activities					
Repayments of bank facilities		-		(5,987)	
(Repayments of)/proceeds from finance leases		(16)		15	
Interest paid		(454)		(359)	
Net cash flow from financing activities			(470)		(6,331)
Tax recovered			55		69
Increase/(decrease) in cash in year			260		(130)
Cash and cash equivalents at beginning of year			1,553		1,683
Cash and cash equivalents at end of year			1,813		1,553

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2020

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

The financial statements are prepared under the historical cost convention.

Basis of accounting

Kallidus Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 2. The nature of the Company's operations and its principal activities are set out in the Strategic Report.

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and applicable United Kingdom law.

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

Kallidus Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its financial statements, as a consequence of it being a wholly owned subsidiary undertaking of Apollo Kallidus Holdco Limited, which prepares consolidated financial statements. Exemptions have been taken in relation to financial instruments and remuneration of key management personnel.

Going concern

As outlined in the Directors' Report the directors have a reasonable expectation that the Company and the wider Kallidus Group have adequate resources to continue in operational existence for the foreseeable future, being the period of at least 12 months from the signing of these financial statements. This is supported by the various financial modelling scenarios undertaken by the Board as part of its Covid-19 response, which are detailed in the Strategic Report. The directors have adopted a going concern basis for the preparation of these financial statements.

Whilst the level of demand for the Company's products can never be certain, taking account of reasonably possible changes in trading performance, including Covid-19, the Company's and wider Kallidus Group forecasts and projections show that it expects to operate within its current level of available cash resources and current financing covenants for the foreseeable future.

The loss before tax of £266,000 (2019: loss £52,000) is after charging amortisation on Intangible Assets of £2,355,000 (2019: £2,028,000). There is no cash flow effect from this amortisation charge.

Turnover

Turnover is the amount derived from the provision of services falling within the Company's ordinary activities excluding any value added taxes and discounts. Revenue is recognised as the significant risks and rewards of ownership have been transferred. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Government grants

Government grants relating to revenue expenditure are recognised on a systematic basis over the period in which the entity recognises the related costs for which the grant is intended to compensate. Amounts received are offset against the related expenses.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

Interest Income

Interest income is recognised when it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Interest receivable is calculated using the effective interest rate method.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of depreciation are as follows:

Computer equipment	2 years straight-line
Office equipment	4 years straight-line

Intangible fixed assets

Intangible fixed assets are stated at cost, net of amortisation and any provision for impairment. Amortisation is provided on cost in equal annual instalments over the estimated lives of the assets. The rates of amortisation are as follows:

Licences	3 years straight-line
Development costs	3 years straight-line
Customer lists	3 years straight-line

Assets in the course of construction are not amortised until they are brought into use.

Development costs have been capitalised in accordance with FRS 102 section 18 'Intangible Assets other than Goodwill' and are therefore not treated, for dividend purposes, as a realised loss.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the statement of financial position date.

Deferred tax is provided in full on timing differences that result in an obligation at the statement of financial position 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 the 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 exchange

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the statement of financial position date are translated at the rates ruling at that date. These translation differences are recognised in the statement of comprehensive income.

1. ACCOUNTING POLICIES (continued)

Research and development

Research expenditure is written off as incurred. Development expenditure is also written off, except where the directors are satisfied as to the technical, commercial and financial viability of individual projects. In such cases, the identifiable expenditure is capitalised as an intangible asset and amortised over the period during which the Company is expected to benefit. This period is three years. Provision is made for any impairment.

Employee benefits

The Company operates a defined contribution scheme. Contributions are charged to the statement of comprehensive income as they fall due. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the statement of financial position.

Operating leases

Operating lease rental charges are charged to the statement of comprehensive income on a straight-line basis over the life of each lease.

Finance leases

Assets held under finance leases are recognised initially at the fair value of the leased asset. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation using the effective interest method so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are deducted in measuring profit or loss. Assets held under finance leases are included in tangible fixed assets and depreciated and assessed for impairment losses in the same way as owned assets.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities.

(i) Financial assets and liabilities

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the statement of financial position when, and only when, there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets and liabilities (continued)

Debt instruments which meet the following conditions are subsequently measured at amortised cost using the effective interest method:

a) The contractual return to the holder is (i) a fixed amount; (ii) a positive fixed rate or a positive variable rate; or (iii) a combination of a positive or a negative fixed rate and a positive variable rate.
b) The contract may provide for repayments of the principal or the return to the holder (but not both) to be linked to a single relevant observable index of general price inflation of the currency in which the debt instrument is denominated, provided such links are not leveraged.
c) The contract may provide for a determinable variation of the return to the holder during the life of the instrument, provided that (i) the new rate satisfies condition (a) and the variation is not contingent on future events other than (1) a change of a contractual variable rate; (2) to protect the holder against credit deterioration of the issuer; (3) changes in levies applied by a central bank or arising from changes in relevant taxation or law; or (ii) the new rate is a market rate of interest and satisfies condition (a).
d) There is no contractual provision that could, by its terms, result in the holder losing the principal amount or any interest attributable to the current period or prior periods.
e) Contractual provisions that permit the issuer to prepay a debt instrument or permit the holder to put it back to the issuer before maturity are not contingent on future events, other than to protect the holder against the credit deterioration of the issuer or a change in control of the issuer, or to protect the holder or issuer against changes in levies applied by a central bank or arising from changes in relevant taxation or law.
f) Contractual provisions may permit the extension of the term of the debt instrument, provided that the return to the holder and any other contractual provisions applicable during the extended term satisfy the conditions of paragraphs (a) to (c).

Debt instruments that have no stated interest rate (and do not constitute a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

With the exception of some hedging instruments, other debt instruments not meeting these conditions are measured at fair value through profit or loss.

Commitments to make and receive loans which meet the conditions mentioned above are measured at cost (which may be nil) less impairment.

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the Company transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or (c) the Company, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

(ii) Investments
In the Statement of Financial Position, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are 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 the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Company's accounting policies

The validity of development costs capitalised
Development costs are predominantly tracked and recorded via timesheets with capitalisations subsequently calculated from these according to generally agreed accounting concepts of costs and future value. Reviews as to the validity are undertaken with the CTO, having particular regard to the nature of work done (development versus fixes), future economic benefit and expected useful life.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty.

3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounts to 10% (2019: 12%). The turnover is attributable to the Company's principal activity.

	2020 £'000	**2019 £'000**
United Kingdom	9,854	9,353
Rest of Europe	673	711
Other	410	541
	10,937	10,605

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments	**2020 £'000**	**2019 £'000**
Emoluments	637	808
Pension contributions	24	11
	661	819

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Remuneration of the highest paid director	**£'000**	**£'000**
Emoluments	164	172
Pension contributions	21	8
	185	180

	No.	**No.**
Number of directors accruing benefits in the money purchase pension scheme	5	5

Employee costs during the year including directors	**£'000**	**£'000**
Wages and salaries	5,854	5,328
Social security costs	612	551
Pension contributions	269	195
	6,735	6,074

Monthly average number of persons employed including directors	**No.**	**No.**
Sales and Marketing	34	27
R&D and Technical Services	66	62
Administration	12	11
	112	100

5. LOSS BEFORE TAX

Loss before taxation is after charging/(crediting):	**2020 £'000**	**2019 £'000**
Depreciation of tangible fixed assets - owned assets (note 9)	69	56
Depreciation of tangible fixed assets - leased assets (note 9)	8	16
Amortisation of intangible fixed assets (note 8)	2,355	2,028
Auditor's remuneration – audit of financial statements	87	54
Non-audit services – taxation compliance services	22	13
Research and development	471	667
Operating lease rentals - properties	64	133
Operating lease rentals - other	6	4
Government grants – Coronavirus Job Retention Scheme	(171)	-

Amortisation is recognised within administrative expenses.

As a means of reducing costs and preserving cash, the Company utilised the Government's Coronavirus Job Retention Scheme ('CJRS') which subsidised a large proportion of payroll costs for employees that were furloughed between 1 April and 31 August 2020. The total value of claims during the year was £171,000.

6. FINANCE COSTS

	2020 £'000	2019 £'000
Bank interest payable	2	339
Loss on foreign exchange	20	16
Finance lease interest	3	4
	25	359

7. TAX ON LOSS

Analysis of tax credit	2020 £'000	2019 £'000
Current tax		
UK corporation tax	6	(57)
Adjustment in respect of prior periods	(8)	-
Total current tax	(2)	(57)
Deferred tax		
Origination and reversal of timing differences	-	(2)
Adjustment in respect of previous periods	2	-
Total deferred tax	2	(2)
Tax on loss	-	(59)

Factors affecting tax credit

The standard rate of tax applied to reported loss on ordinary activities is 19%.

7. TAX ON LOSS (continued)

Factors affecting tax credit (continued)

The tax assessed for the year differs from the standard rate of corporation tax. The differences are explained below:

	2020 £'000	2019 £'000
Loss on ordinary activities before tax	(266)	(52)

	£'000	£'000
Expected tax charge at standard rate of 19% (2019: 19%)	(51)	(10)
Expenses not deductible for tax purposes	11	7
Income not taxable	-	(43)
Effects of group relief not paid for	17	-
Adjustment to tax charge in respect of previous periods	(6)	-
Movement in deferred tax asset not recognised	29	(13)
Tax credit for year	-	(59)

Factors that may affect future tax charges

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

8. INTANGIBLE FIXED ASSETS

	Development costs £'000	Licences £'000	Customer lists £'000	Total £'000
Cost				
At 1 July 2019	8,096	767	28	8,891
Additions	2,331	-	-	2,331
At 30 June 2020	10,427	767	28	11,222
Amortisation				
At 1 July 2019	4,708	484	19	5,211
Charge in year	2,205	141	9	2,355
At 30 June 2020	6,913	625	28	7,566
Net book value				
At 30 June 2020	3,514	142	-	3,656
At 30 June 2019	3,388	283	9	3,680

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

9. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 July 2019	294	111	405
Additions	84	8	92
Disposals	(11)	-	(11)
At 30 June 2020	367	119	486
Depreciation			
At 1 July 2019	213	71	284
Charge in year	58	19	77
Disposals	(11)	-	(11)
At 30 June 2020	260	90	350
Net book value			
At 30 June 2020	107	29	136
At 30 June 2019	81	40	121

The net book value of fixtures and fittings held under finance leases is £13,000 (2019: £21,000).

10. DEBTORS

	2020 £'000	2019 £'000
Trade debtors	1,752	1,852
Amounts owed by Group undertakings	10,584	3,212
Corporation tax recoverable	92	147
Deferred tax asset (see note 14)	-	2
Prepayments and accrued income	647	509
	13,075	5,722

Amounts owed by Group undertakings are non interest-bearing, unsecured and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2020 £'000	2019 £'000
Amounts due to group undertakings	7,500	-
Obligations under finance leases	13	16
Trade creditors	343	851
Other taxation and social security	826	615
Accruals	825	644
Deferred income	4,906	4,404
	14,413	6,530

Amounts due to Group undertakings are non interest-bearing, unsecured and repayable on demand.

An action taken to preserve cash and enhance the Company's financial position and liquidity was to defer the VAT payment of £477,000 due between 20 March 2020 and 30 June 2020 until 31 March 2021.

12. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2020 £'000	2019 £'000
Obligations under finance leases	-	13

13. BORROWINGS

Finance leases	2020 £'000	2019 £'000
Within one year	13	16
Between one and two years	-	13
	13	29

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

14. DEFERRED TAXATION

Deferred taxation (assets) /liabilities	**2020 £'000**	**2019 £'000**
Balance at 1 July	(2)	-
Adjustment in respect of prior years	2	-
Current year (credit)/charge	-	(2)
Balance at 30 June	-	(2)

The analysis of the deferred tax asset recognised in the financial statements is:

R&D expenditure credit	-	(2)
Provision at end of period	-	(2)

15. CALLED-UP SHARE CAPITAL

	2020 £'000	**2019 £'000**
Allotted, called-up and fully paid		
234,375 Ordinary shares of £1	234	234

The share premium account of £920,000 (2019: £920,000) represents the historic premium paid on the notional value of the share capital.

16. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 102 section 33 'Related party disclosures' from disclosing balances and transactions with members of the group headed by Apollo Kallidus Holdco Limited that are wholly-owned on the basis the subsidiary is included in the consolidated financial statements of Apollo Kallidus Holdco Limited.

Remuneration of key management personnel other than statutory directors amounted to £256,000 (2019: £114,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

17. RECONCILIATION OF OPERATING (LOSS)/PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2020 £'000	2019 £'000
Operating (loss)/profit	(241)	307
Adjusted for:		
Depreciation	77	72
Amortisation	2,355	2,028
(Increase)/decrease in debtors	(7,408)	5,623
Increase in creditors	8,316	149
Net cash flow from operating activities	3,099	8,179

Net debt reconciliation

	At 1 July 2019 £'000	Cash flows £'000	Acquisitions £'000	At 30 June 2020 £'000
Cash	1,553	260	-	1,813
Finance leases	(29)	16	-	(13)
Net funds/(debt)	1,524	276	-	1,800

18. FINANCIAL COMMITMENTS

Operating leases

The Company has total future minimum lease payments under non-cancellable operating leases for land and buildings as follows:

	2020		2019	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	198	5	135	1
- between one and five years	7	7	70	1
	205	12	205	2

Finance leases

Total future minimum lease payments under finance leases are as follows:

	2020 £'000	2019 £'000
- within one year	13	16
- between one and five years	-	13
	13	29

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

19. DEFINED CONTRIBUTION SCHEMES

The Company operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to profit or loss in the year ended 30 June 2020 was £269,000 (2019: £195,000). The balance owed to the scheme at 30 June 2020 was £30,000 (2019: £ nil).

20. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the ultimate parent company and ultimate controlling party and largest group of which the Company is a member for which group financial statements are prepared is Apollo Kallidus Holdco Limited. The smallest group of which the company is a member for which group financial statements are prepared is Apollo Kallidus Midco Limited. The immediate parent company is Kallidus Target Limited. The registered office of all three companies is 5 Fleet Place, London, EC4M 7RD.

Copies of the group financial statements can be obtained from Kallidus Holdings Limited, the registered office of which is 5 Fleet Place, London, EC4M 7RD.