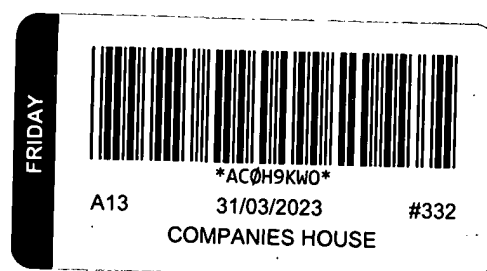


Company Registration Number 03984404

KALLIDUS LIMITED

**Annual Report and Financial Statements
for the year ended 30 June 2022**



KALLIDUS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS 2022

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KALLIDUS LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R S Caul
A Munday
P J Pyle
S J Read
S G Varnish

SECRETARY

R S Caul

REGISTERED NUMBER

03984404

REGISTERED OFFICE

5 Fleet Place
London
EC4M 7RD

BANKERS

Kartesia UK Ltd
6 Chesterfield Gardens
London
W1J 5BQ

AUDITOR

Crowe UK LLP
Aquis House,
49-51 Blagrove Street
Reading
RG1 1PL

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 39% revenue growth on the year ended 30 June 2022. Kallidus 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:

- Extending industry leading standard 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 46 for 2022 compared to 34 for 2021) 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.
- Continued development of the product suite, including the UX harmonisation and integration of the Kallidus suite, Engage in Learning content and Sapling product
- Successfully adapting to a hybrid and remote working following the Covid-19 pandemic for the benefit of the business and employees alike.
- Winning recognition and notable awards in the year at the prestigious Learning Technology Awards in December 2021:
 - Silver awards for "Learning Designer of the year" and "Learning Platform of the year"
 - Bronze award for 'External Learning Solution of the year'
 - Finalist for "Learning Platform of the Year"
- Also winning G2 awards for "Best Support", "Momentum Leader" for Learn and "High Performer" for Learn based on user review scores.
- Successful launch of the "Kallidus Forever Free Training Academy" accompanying new customers from implementation throughout their time with Kallidus to maximise the benefits of the Kallidus systems and content, filled with training materials, live events, value add strategic content, resources and templates, reporting top tips and demo's galore.

KALLIDUS LIMITED

STRATEGIC REPORT (continued)

Review of the business (continued)

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 2022 are as follows:

Turnover, being the main KPI, saw growth of 39% on the previous year, increasing from £12,112,000 in 2021 to £16,829,000 in 2022 on with gross margin increasing to £11,050,000 (2021: £8,321,000) through continued multi-talented SaaS module expansion and associated Bespoke Content volumes. As at 30 June 2022, 79% of the Company trading revenues were also recurring in nature (2021: 79%).

Gross profit increased by £2,729,000 (or 33%) in the year ended 30 June 2022, when compared to the year ended 30 June 2021.

Selling and administrative expenses increased by £3,144,000 for the same comparative period following a strategic decision to enhance investment in this area to accelerate future growth. Product development costs, accounted for within selling and administrative expenses, were £556,000 for the year ended 30 June 2022 representing an increase of 14% on the prior year ended 30 June 2021 (2021: £489,000).

The amortisation charge relating to the development cost intangible asset was £2,857,000 (2021: £2,350,000). Net loss before tax was £1,349,000 for the year ended 30 June 2022 (2021: loss of £413,000). This movement was due to the improvement in absolute gross margin, being more than offset by strategic increases in selling and administrative expenses, to drive future periods' revenue growth.

As at 30 June 2022, Kallidus Limited employed 180 staff (2021: 123).

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

Year ended:		2018	2019	2020	2021	2022
Turnover	£'000	8,962	10,605	10,937	12,112	16,829
% growth year-on-year	%	6%	18%	3%	11%	39%
% recurring revenue	%	66%	79%	78%	79%	79%
Gross profit	£'000	5,646	7,221	7,807	8,321	11,050
Gross profit %	%	63%	68%	71%	69%	66%
EBITDA	£'000	1,363	2,407	2,213	2,069	1,672
Profit/(loss) before tax	£'000	(631)	(52)	(266)	(413)	(1,349)

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.

Macro-economic Inflationary and recessionary pressure

Following the Covid-19 global pandemic (March 2020) and the Russian invasion of Ukraine (February 2022) the world economy has seen significant increases in inflationary and recessionary pressure.

From a business model and revenue generation perspective, throughout the period since, business volumes have held up well with revenue levels increasing year on year aided by the strong "compliance" nature of the company's product offerings, and the tailwinds of employers looking to improve productivity in a competitive "employee" marketplace. Renewals and new business from the existing customer base have been strong with 100%+ renewals by value with the business well positioned with its online SaaS learning platform appealing to distributed and remote workforces internationally.

In the last recessionary period post the 2008 banking crisis Kallidus actually saw a consistent CAGR of +23% growth for the following couple of years and beyond.

Kallidus's contractual arrangements with customers also provide for scope to pass on any inflationary increases in its cost base with standard inflationary price mechanisms inbuilt.

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, are well placed to manage any potential business risks from inflationary and recessionary pressures going forward.

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.

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



S G Varnish
Director

31 March 2023

KALLIDUS LIMITED

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 2022.

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.

RESEARCH AND DEVELOPMENT

The Company's software products are key to its future success. During the year ended 30 June 2022, the Company's investment in research and development charged to the Statement of Comprehensive Income was £556,000 (2021: £489,000), but total development expenditure in the year ended 30 June 2022, including capitalised software development costs, was £5,515,000 (2021: £3,332,000).

GOING CONCERN

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. This is supported by the various financial modelling scenarios undertaken by the Board as part of its post Covid-19 and recent inflationary pressures modelling response. The directors have adopted a going concern basis for the preparation of these financial statements.

As part of the companies continued modelling processes, post year end an additional £3m of liquidity was provided via equity and long term loan facilities by shareholders and the company's bankers, Kartesia, on a 50/50 basis with all associated interest charges rolled up to be settled purely on redemption. This was to provide additional liquidity and whilst the level of demand for the Company's products can never be certain, taking account of reasonably possible changes in trading performance, 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. At this stage, there is no expectation that the conflict between Russia and Ukraine will have an adverse impact on the Group and Company's prospects as the business has no customers in Ukraine or Russia.

The loss before tax of £1,349,000 (2021: £413,000) is after charging amortisation on Intangible Assets of £2,857,000 (2021: £2,350,000). 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.

Interest rate risk

The Company is exposed to interest rate fluctuations on its borrowings as its bank facilities are at floating rates. The Board reviews 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 Company's principal financial assets are bank balances and cash, trade and other receivables.

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

KALLIDUS LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

In order to maintain liquidity to ensure that sufficient funds are available for ongoing operations and future developments, the Kallidus Group uses long-term term debt finance in the form of a £26.7 million senior secured unitranche facility (and additional Capex / Acquisition facility), 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. In addition, no repayments are due on the unitranche facility until Dec 2026.

Macro-economic risk

Due to the macro-economic environment post the global Covid-19 pandemic and Russian Ukraine crisis the Company 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 Company 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, and standard inflationary price mechanisms within customer contractual arrangements will mitigate risk. The Company is continuously monitoring macro-economic developments and continues to plan and take actions accordingly.

DIVIDENDS

The directors do not recommend payment of a dividend for the year ended 30 June 2022 (2021: £nil). No dividend has been recommended or paid after 30 June 2022 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 Mundry
S J Read
S G Varnish

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 Topco Limited.

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 directors have taken all the steps that they ought to have taken as a director in order to make themselves 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.

Crowe U.K. LLP have indicated their willingness to continue in office as the Company's auditor. A resolution to reappoint Crowe U.K. LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

KALLIDUS LIMITED

DIRECTORS' REPORT (continued)

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

A handwritten signature in black ink, appearing to be 'S G Varnish', written over a horizontal line.

S G Varnish
Director

31 March 2023

KALLIDUS LIMITED

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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KALLIDUS LIMITED

Opinion

We have audited the financial statements of Kallidus Limited for the year ended 30 June 2022 which comprise the statement of comprehensive income, statement of financial position, the statement of changes in equity, statement of cash flows and notes to the financial statements, including significant accounting policies. 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).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The directors are responsible for the other information contained within the annual report. 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.

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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinions on other matters prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the company, 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 9, 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.

Auditors 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the company operates, focusing on those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. The laws and regulations we considered in this context were the Companies Act 2006 and UK taxation legislation.

INDEPENDENT AUDITOR'S REPORT (continued)

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management and revenue recognition. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases. Our audit procedures to respond to revenue recognition risks include sample testing revenue across the year and deferred revenue as at year end agreeing to supporting documentation and reviewing revenue received either side of the year end to ensure this has been recognised correctly.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

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

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.



Christine Dobson
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor

Aquis House
49-51 Blagrove Street
Reading
RG1 1PL

31 March 2023

KALLIDUS LIMITED

STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
TURNOVER	3	16,829	12,112
Cost of sales		(5,779)	(3,791)
GROSS PROFIT		11,050	8,321
Amortisation of intangible assets	8	(2,857)	(2,350)
Administrative expenses		(9,497)	(6,353)
Total administrative expenses		(12,354)	(8,703)
OPERATING LOSS		(1,304)	(382)
Finance costs	6	(45)	(31)
LOSS BEFORE TAXATION	5	(1,349)	(413)
Tax on loss	7	-	(2)
LOSS FOR THE FINANCIAL YEAR		(1,349)	(415)

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 2022

	Note	2022 £'000	2021 £'000
FIXED ASSETS			
Intangible assets	8	6,251	4,149
Tangible assets	9	209	199
		<u>6,460</u>	<u>4,348</u>
CURRENT ASSETS			
Debtors	10	15,388	14,528
Cash at bank and in hand		1,613	3,173
		<u>17,001</u>	<u>17,701</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	11	(20,958)	(18,197)
NET CURRENT LIABILITIES		<u>(3,957)</u>	<u>(496)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES, BEING NET ASSETS		<u>2,503</u>	<u>3,852</u>
CAPITAL AND RESERVES			
Called-up share capital	13	234	234
Share premium account	13	920	920
Profit and loss account		1,349	2,698
SHAREHOLDERS' FUNDS		<u>2,503</u>	<u>3,852</u>

The financial statements of Kallidus Limited (registered number 03984404) were approved by the Board of Directors and authorised for issue on 31 March 2023.

They were signed on its behalf:



S G Varnish
Director

KALLIDUS LIMITED**STATEMENT OF CHANGES IN EQUITY**
As at 30 June 2022

	Share premium account £'000	Called- up share capital £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2020	920	234	3,113	4,267
Loss for the year, being total comprehensive expense	-	-	(415)	(415)
At 30 June 2021	920	234	2,698	3,852
Loss for the year, being total comprehensive expense	-	-	(1,349)	(1,349)
At 30 June 2022	920	234	1,349	2,503

All equity is attributable in full to the equity shareholder of the Company. The result for the financial year represents the total comprehensive expense for the years ended 30 June 2022 and 30 June 2021. There are no other recognised gains or losses.

KALLIDUS LIMITED

STATEMENT OF CASH FLOWS For the year ended 30 June 2022

	Note	2022 £'000	2021 £'000
Net cash flow from operating activities	15	3,548	4,314
Cash flows from investing activities			
Payments to acquire intangible fixed assets		(4,959)	(2,843)
Payments to acquire tangible fixed assets		(129)	(164)
Net cash flow used in investing activities		(5,088)	(3,007)
Cash flows from financing activities			
Repayments of from finance leases		-	(13)
Interest paid		(45)	-
Net cash flow from financing activities		(45)	(13)
Tax recovered		25	66
(Decrease)/increase in cash in year		(1,560)	1,360
Cash and cash equivalents at beginning of year		3,173	1,813
Cash and cash equivalents at end of year		1,613	3,173

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

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 Topco Limited, which prepares consolidated financial statements. Exemptions have been taken in relation to financial instruments:

Going concern

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. This is supported by the various financial modelling scenarios undertaken by the Board as part of its post Covid-19 and recent inflationary pressures modelling response. The directors have adopted a going concern basis for the preparation of these financial statements.

As part of the companies continued modelling processes, post year end an additional £3m of liquidity was provided via equity and long term loan facilities by shareholders and the company's bankers, Kartesia, on a 50/50 basis with all associated interest charges rolled up to be settled purely on redemption. This was to provide additional liquidity and whilst the level of demand for the Company's products can never be certain, taking account of reasonably possible changes in trading performance, 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. At this stage, there is no expectation that the conflict between Russia and Ukraine will have an adverse impact on the Group and Company's prospects as the business has no customers in Ukraine or Russia.

The loss before tax of £1,349,000 (2021: £413,000) is after charging amortisation on Intangible Assets of £2,857,000 (2021: £2,350,000). There is no cash flow effect from this amortisation charge.

Turnover

Turnover is the amount derived from the provision of software systems, e-learning, and consultancy services to customers within the Company's ordinary activities, excluding any value added taxes and discounts. Revenue from the supply of software is recognised evenly over the term of the corresponding licence. Revenue from the supply of e-learning and consultancy services is recognised when the corresponding service has been delivered to the customer. Where revenue is received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors falling due within one year.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2022

1. ACCOUNTING POLICIES (continued)

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	3 years straight-line
Office equipment	2-4 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

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2022

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2022

1. ACCOUNTING POLICIES (continued)

Financial instruments (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.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2022

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 occurrence of revenue and completeness of deferred income

All invoicing is analysed with regards to whether (i) "one-off" (eg: Bespoke Content) with revenues recognised on service delivery or (ii) "recurring" (ie. covering a set period with revenues deferred or spread according to GAAP over such periods). Management review calculations on a monthly basis, taking into account changes, variances and expectations to ensure appropriate and consistent treatment.

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% (2021: 9%). The turnover is attributable to the Company's principal activity.

	2022	2021
	£'000	£'000
United Kingdom	15,113	10,984
Rest of Europe	840	651
Rest of World	876	477
	<u>16,829</u>	<u>12,112</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	2022	2021
	£'000	£'000
Directors' emoluments		
Emoluments	992	748
Pension contributions	13	49
	<u>1,005</u>	<u>797</u>

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2022

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Remuneration of the highest paid director	£'000	£'000
Emoluments	307	189
Pension contributions	5	46
	<u>312</u>	<u>235</u>
	No.	No.
Number of directors accruing benefits in the money purchase pension scheme	<u>4</u>	<u>3</u>
Employee costs during the year including directors	£'000	£'000
Wages and salaries	9,990	6,938
Social security costs	1,018	675
Pension contributions	650	332
	<u>11,658</u>	<u>7,945</u>
Monthly average number of persons employed including directors	No.	No.
Sales and Marketing	57	37
R&D and Technical Services	108	74
Administration	15	12
	<u>180</u>	<u>123</u>

5. LOSS BEFORE TAX

	2022	2021
	£'000	£'000
Loss before taxation is after charging/(crediting):		
Depreciation of tangible fixed assets - owned assets (note 9)	119	101
Amortisation of intangible fixed assets (note 8)	2,857	2,350
Auditor's remuneration – audit of financial statements	77	73
Non-audit services – taxation compliance services	11	19
Research and development	556	489
Operating lease rentals - properties	277	198
Operating lease rentals - other	5	5
Government grants – Coronavirus Job Retention Scheme	-	(24)

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 £nil (2021: £24,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2022

6. FINANCE COSTS	2022	2021
	£'000	£'000
Bank interest payable	-	1
Loss on foreign exchange	42	29
Finance lease interest	-	1
Other interest payable	3	-
	<u>45</u>	<u>31</u>
7. TAX ON LOSS	2022	2021
	£'000	£'000
Analysis of tax charge/(credit)		
Current tax		
UK corporation tax	-	-
Adjustment in respect of prior periods	-	2
Total current tax	<u>-</u>	<u>2</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustment in respect of previous periods	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Tax on loss	<u>-</u>	<u>2</u>

Factors affecting tax charge/(credit)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2022

7. TAX ON LOSS (continued)

Factors affecting tax charge/(credit) (continued)

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

	2022 £'000	2021 £'000
Loss on ordinary activities before tax	(1,349)	(413)
	£'000	£'000
Expected tax charge at standard rate of 19% (2021: 19%)	(256)	(78)
Expenses not deductible for tax purposes	2	1
Fixed asset timing differences	(7)	(3)
Effect of changes in tax rates	(77)	(61)
Effects of group relief not paid for	19	-
Adjustment to tax charge in respect of previous periods	-	2
Movement in deferred tax asset not recognised	319	141
Tax credit for year	-	2

Factors that may affect future tax charges

In March 2021 the Chancellor of the Exchequer announced in the Budget that the main rate of corporation tax in the UK would increase from 19% to 25% with effect from 1 April 2023. This was substantively enacted on 10 June 2021 following receipt of Royal Assent of the Finance Bill 2021.

8. INTANGIBLE FIXED ASSETS

	Development costs £'000	Licences £'000	Customer lists £'000	Total £'000
Cost				
At 1 July 2021	13,270	767	28	14,065
Additions	4,959	-	-	4,959
At 30 June 2022	18,229	767	28	19,024
Amortisation				
At 1 July 2021	9,121	767	28	9,916
Charge in year	2,857	-	-	2,857
At 30 June 2022	11,978	767	28	12,773
Net book value				
At 30 June 2022	6,251	-	-	6,251
At 30 June 2021	4,149	-	-	4,149

KALLIDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2022

9. TANGIBLE FIXED ASSETS

	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 July 2021	523	127	650
Additions	119	10	129
Disposals	-	(2)	(2)
At 30 June 2022	642	135	777
Depreciation			
At 1 July 2021	341	110	451
Charge in year	107	12	119
Disposals	-	(2)	(2)
At 30 June 2022	448	120	568
Net book value			
At 30 June 2022	194	15	209
At 30 June 2021	182	17	199

10. DEBTORS

	2022 £'000	2021 £'000
Trade debtors	3,262	2,477
Amounts owed by Group undertakings	10,692	10,581
Corporation tax recoverable	-	25
Prepayments and accrued income	1,434	1,445
	15,388	14,528

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

KALLIDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2022

11. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	2022 £'000	2021 £'000
Amounts due to group undertakings	7,802	7,716
Trade creditors	701	1,170
Other taxation and social security	1,169	1,160
Accruals	1,776	1,285
Deferred income	9,510	6,866
	<u>20,958</u>	<u>18,197</u>

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

In the year ended 30 June 2020, 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. Of this amount, £303,000 was outstanding as at 30 June 2021, and £nil remained outstanding at 30 June 2022.

12. DEFERRED TAXATION	2022 £'000	2021 £'000
Deferred taxation (assets)/liabilities		
Balance at 1 July	-	-
Adjustment in respect of prior years	-	-
	<u>-</u>	<u>-</u>
Balance at 30 June	<u>-</u>	<u>-</u>

The analysis of the deferred tax asset not recognised in the financial statements is:

	2022 £'000	2021 £'000
Short term timing differences	15	8
Losses	594	282
	<u>609</u>	<u>290</u>

There are no expiry dates on timing differences, unused losses or tax credits.

NOTES TO THE FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2022

13. CALLED-UP SHARE CAPITAL	2022 £'000	2021 £'000
Allotted, called-up and fully paid		
234,375 Ordinary shares of £1	234	234

The share premium account of £920,000 (2021: £920,000) represents the historic premium paid on the notional value of the share capital.

14. 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 Topco Limited that are wholly-owned on the basis the subsidiary is included in the consolidated financial statements of Apollo Kallidus Topco Limited.

Remuneration of key management personnel other than statutory directors amounted to £308,000 (2021: £303,000).

15. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2022 £'000	2021 £'000
Operating loss	(1,304)	(382)
Adjusted for:		
Depreciation	119	101
Amortisation	2,857	2,350
Increase in debtors	(886)	(1,520)
Increase in creditors	2,762	3,765
Net cash flow from operating activities	3,548	4,314

Net debt reconciliation

	At 1 July 2021 £'000	Cash flows £'000	At 30 June 2022 £'000
Cash	3,173	(1,560)	1,613
Finance leases	-	-	-
Net funds	3,173	(1,560)	1,613

KALLIDUS LIMITED

NOTES TO THE FINANCIAL STATEMENTS (continued) For the year ended 30 June 2022

16. FINANCIAL COMMITMENTS

Operating leases

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

	2022		2021	
	Land and buildings £'000	Other £'000	Land and buildings £'000	Other £'000
- within one year	280	3	141	5
- between one and five years	99	-	134	2
	<u>379</u>	<u>3</u>	<u>275</u>	<u>7</u>

Capital commitments

At the balance sheet date, the Company had capital commitments of £nil (2021: £394,000).

17. 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 2022 was £650,000 (2021: £332,000). The balance owed to the scheme at 30 June 2022 was £71,000 (2021: £43,000).

18. ULTIMATE CONTROLLING PARTY

The ultimate parent company and largest group of which the Company is a member for which group financial statements are prepared is Apollo Kallidus Topco 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.

The group is owned by a number of shareholders and individually no shareholder is able to exert control. Therefore, in the opinion of the directors there is no ultimate controlling party.

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