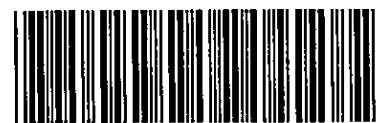


Company Registered Number 09261638

**KALLIDUS HOLDINGS LIMITED**

**Annual Report and Consolidated Financial Statements**  
**for the period from incorporation on 13 October 2014 to 30 June 2015**

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# **KALLIDUS HOLDINGS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2015**

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**KALLIDUS HOLDINGS LIMITED**

**OFFICERS AND PROFESSIONAL ADVISORS**

**DIRECTORS**

J Hawkins  
R S Caul  
C Laithwaite  
P Pyle  
A Munday  
I Slater  
H Sallitt  
H Ropner

**REGISTERED OFFICE**

6 New Street Square  
London  
EC4A 3LX

**BANKERS**

The Royal Bank of Scotland  
45 The Promenade  
Cheltenham  
Gloucestershire  
GL50 1PY

Bank of London and the Middle East plc  
Sherborne House  
119 Cannon Street  
London  
EC4N 5AT

**AUDITOR**

Deloitte LLP  
Bristol  
United Kingdom  
BS1 6GD

## **KALLIDUS HOLDINGS LIMITED**

### **STRATEGIC REPORT**

The directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006

#### **Principal activities**

The Company was incorporated on 13 October 2014 to acquire Kallidus Limited and its associated undertakings on 30 January 2015. There was no Group or Company trading prior to the acquisition of Kallidus Limited. When referring to trading, this strategic report reviews the year ended 30 June 2015 for Kallidus Limited ("Kallidus") given the short first trading period of the Group.

The principal activities of the Group comprise the provision of software systems, e-learning and consultancy services to support the effective development of an organisation's employees. These principal activities are delivered by the Group's main trading subsidiary, Kallidus Limited, which accounts for the entire revenues of the Group. The Group has consolidated the results of Kallidus Limited for the post acquisition period being the five months 30 January 2015 to 30 June 2015.

#### **Review of the business**

The directors are pleased to report on another year of significant success for Kallidus. The year ended 30 June 2015 marked 11 years of continuous and profitable growth for Kallidus, driven by its continued customer-focused approach and investment in technical innovation.

The results of the Group for the period are set out in the consolidated statement of income and retained earnings on page 8. The Group has chosen to adopt Financial Reporting Standard 102 (FRS 102) for the period ended 30 June 2015.

In the period ended 30 June 2015 Kallidus Limited's significant activities and milestones include:

- Key customer wins especially in the retail, healthcare and financial services sectors,
- The development and launch of our new Kallidus Cloud platform. The new platform is a cost-effective, flexible and secure way of delivering Kallidus innovative software solutions to its customers. Kallidus Cloud is fast to deploy, is accessible anytime, anywhere and streamlines all upgrades and updates, so customers will always be using the most up-to-date version of the Kallidus software.
- Kallidus won three prestigious e-Learning awards at a ceremony in London on 6 November 2014, including two gold awards for its work with clients in the public and private sectors.

The directors acknowledge and hugely appreciate the very high levels of skill and dedication shown by all staff in the continuing development of the Group. Their expertise and commitment has been the driver of growth and innovation. The directors recognise that attracting, developing and retaining a high calibre of staff is critical to the Group's continued success. To this end, recruitment and training of the growing employee base remains a key strategic policy to ensure the high standards already established are maintained as Kallidus and consequently the Group continues to expand.

## KALLIDUS HOLDINGS LIMITED

### STRATEGIC REPORT (continued)

#### Key performance indicators

The Group accounts consolidate Kallidus Limited's results for the five month period 30 January 2015 to 30 June 2015

This commentary refers to Kallidus Limited to provide a meaningful review key of the acquired trading subsidiary Highlights of the Kallidus Limited's operating and financial performance in the full year ended 30 June 2015 are as follows

Turnover has seen growth of on the previous year (as restated under FRS102), increasing from £6.8m in 2014 to £7.3m in 2015, on which Kallidus has made a gross margin of 62%

As at 30 June 2015, 53% of Kallidus' revenues were recurring in nature

Kallidus has continued to invest in sales, marketing and product development to underpin the growth strategy This is reflected in a 23% increase in average headcount in the year ended 30 June 2015 when compared to the year ended 30 June 2014 Profit before tax remained consistent at £926,000 in 2014 to £919,000 in 2015 reflecting these higher levels of investment Gross margin increased from £4.3m in 2014 to £4.5m in 2015 (a 4.7% increase)

As at 30 June 2015, the Group employed 84 staff (2014: 74)

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

Year ended 30 June		2011	2012	2013	2014	2015
			<i>Restated*</i>	<i>Restated*</i>	<i>Restated*</i>	
Turnover	£'000	3,288	4,707	5,501	6,774	7,257
% growth year on year	%	1%	43%	17%	23%	7%
% recurring revenue	%	48%	49%	48%	54%	53%
Gross margin	£'000	2,080	3,040	3,571	4,255	4,463
Gross margin %	%	63%	65%	65%	63%	61%
EBITDA	£'000	392	638	655	1,100	1,176
Profit before tax	£'000	239	490	554	926	919

\*Restated for FRS102 accounting policy changes 2011 was not affected by the change of accounting policies

\*\*The Group accounts consolidate Kallidus Limited's results for the five month period 30 January 2015 to 30 June 2015 The table above is extracted from the entity accounts of Kallidus Limited to provide a key performance indicator ("KPI") record of the acquired trading subsidiary

#### Principal risks and uncertainties

The key risks and uncertainties affecting the Group and Company are considered to relate to 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

#### Future developments

The directors intend to focus on product development over the next 12 months, with expenditure planned to increase by nearly 80% on the prior Kallidus Limited year Sales and marketing will receive continued investment in line with forecast growth In view of the anticipated growth in organic sales and gross margin, Kallidus does not expect its EBITDA to reduce significantly at the expense of this investment

I Slater  
Director



## **KALLLIDUS HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the Group, together with the audited financial statements for the period ended 30 June 2015

### **FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE**

Details of future developments can be found in the Strategic Report on page 2 and form part of this report by cross-reference. There are no post-balance sheet events to report.

### **RESEARCH AND DEVELOPMENT**

The ongoing development of the Group's software products is seen as key to its future success. During the five month period ended 30 June 2015, the Group's investment in research and development charged to the Statement of Income and Retained Earnings in 2015 was £208,000 but total development expenditure in the same period, which also includes capitalised software development costs, was £537,000.

During the period, the Group released its new 360 Module (which has been built on its next generation platform) and also developed and deployed a public cloud offering for customers. In addition the Group commenced the development of a contemporary and innovative Performance Management product which is scheduled for release in the year ended 30 June 2016.

### **GOING CONCERN**

The directors have a reasonable expectation that the Group has 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. Whilst the level of demand for the Group's products can never be certain, taking account of reasonably possible changes in trading performance, the Group's forecasts and projections show that it expects to operate within its current level of available cash resources for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in the financial statements on page 14.

### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The Group's activities expose it to a number of financial risks, including cash flow risk, credit risk and liquidity risk.

#### **Cash flow risk**

The Group's activities occasionally expose it to the financial risk of changes in foreign currency exchange rates. Since 91% of the Group's turnover is derived from UK, the risk associated with such transactions is considered to be relatively low.

#### **Interest rate risk**

The Group is exposed to interest rate fluctuations on its borrowings as its bank facilities are at floating rates.

#### **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 balance sheet are net of allowances for doubtful receivables.

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

## **KALLIDUS HOLDINGS 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 Group uses long-term term debt finance in the form of a bank term loan and issued loan stock. As the Kallidus Group continues to be cash generative, its reliance on such long term debt finance will diminish over time and Kallidus Group is repaying the debt in line with the agreed repayment plan

##### **DIVIDENDS**

The directors do not recommend payment of a dividend for the period ended 30 June 2015

##### **DIRECTORS**

The following directors who served during the period and subsequently, are as follows

J Hawkins	(appointed 27 February 2015)
R S Caul	(appointed 30 January 2015)
C Lathwaite	(appointed 30 January 2015)
P Pyle	(appointed 30 January 2015)
A Munday	(appointed 7 April 2015)
I Slater	(appointed 1 May 2015)
H Sallitt	(appointed 13 October 2014)
H Ropner	(appointed 13 October 2014)

## KALLIDUS HOLDINGS LIMITED

### DIRECTORS' REPORT (continued)

#### 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). 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 judgments and accounting estimates that are reasonable and prudent, and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions 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.

#### 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
- 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 provision 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 and signed on its behalf by



**I Slater**  
Director



## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KALLIDUS HOLDINGS LIMITED**

We have audited the financial statements of Kallidus Holdings Limited for the period ended 30 June 2015 which comprise the Consolidated Statement of Income and Retained Earnings, the Consolidated Statement of Financial Position, the Parent Company Statement of Financial Position, the Group and Parent Company Statement of Changes in Equity, the Group Cash Flow Statement and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in 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.

### **Respective responsibilities of directors and auditor**

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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

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

### **Opinion on financial statements**

In our opinion the financial statements

- give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 June 2015 and of the Group's loss for the period then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### **Opinion on other 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 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 and the Directors' Report.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS  
OF KALLIDUS HOLDINGS LIMITED (continued)**

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

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

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

*Andrew Wright*

**Andrew Wright (Senior statutory auditor)**  
**for and on behalf of Deloitte LLP**  
Chartered Accountants and Statutory Auditor  
Bristol, United Kingdom

18 December 2015

**KALLIDUS HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF INCOME AND RETAINED EARNINGS**  
**For the period ended 30 June 2015**

	Note	2015 £
<b>TURNOVER - continuing operations</b>	3	3,163,264
Cost of sales		(1,227,163)
<b>GROSS PROFIT</b>		<u>1,936,101</u>
Amortisation of intangible assets		(584,466)
Other administrative and distribution expenses		(1,523,565)
Administrative expenses		<u>(2,108,031)</u>
<b>OPERATING LOSS</b>	4	(171,930)
Finance costs (net)	6	<u>(419,726)</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(591,656)
Tax credit on loss on ordinary activities	7	<u>3,889</u>
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<u>(587,767)</u>

There are no recognised gains or losses for the current period other than as stated in the Statement of Income and Retained Earnings

All of the Group's activities are classified as continuing

**KALLIDUS HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2015**

	Note	2015 £
<b>FIXED ASSETS</b>		
Goodwill	8	543,398
Intangible assets	8	12,128,926
Tangible assets	11	85,600
		<u>12,757,924</u>
<b>CURRENT ASSETS</b>		
Stocks and work in progress	12	168,654
Debtors – due within one year	13	1,846,172
Cash at bank and in hand		396,576
		<u>2,411,402</u>
<b>CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	<u>(4,388,952)</u>
<b>NET CURRENT LIABILITIES</b>		<u>(1,977,550)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		10,780,374
<b>CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	<u>(9,112,304)</u>
<b>NET ASSETS</b>		<u><u>1,668,070</u></u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	17	26,676
Share premium account		2,229,161
Profit and loss account		(587,767)
<b>SHAREHOLDERS' FUNDS</b>		<u><u>1,668,070</u></u>

The consolidated financial statements of Kallidus Holdings Limited, were approved by the Board of Directors and authorised for issue on

18<sup>th</sup> December 2015

They were signed on its behalf by



**I Slater**  
 Director

**KALLIDUS HOLDINGS LIMITED**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2015**

	Note	2015 £
<b>FIXED ASSETS</b>		
Investments	9	48,009
<b>CURRENT ASSETS</b>		
Debtors	13	5,284,006
<b>NET CURRENT ASSETS</b>		<u>5,284,006</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		5,332,015
<b>CREDITORS AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	(3,213,783)
<b>NET ASSETS</b>		<u>2,118,232</u>
<b>CAPITAL AND RESERVES</b>		
Called up share capital	17	26,676
Share premium account		2,229,161
Profit and loss account		(137,605)
<b>SHAREHOLDERS' FUNDS</b>		<u>2,118,232</u>

The financial statements of Kallidus Holdings Limited, registered number 09261638, were approved by the Board of Directors and authorised for issue on

18th December 2015

They were signed on its behalf by



**I Slater**  
 Director

# **KALLIDUS HOLDINGS LIMITED**

## **CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY**

**As at 30 June 2015**

### **Consolidated statement of changes in equity**

	Share premium account £	Called up share capital £	Profit and loss account £	Total Equity £
At 13 October 2014	-	-	-	-
Loss for the period	-	-	(587,767)	(587,767)
Issue of shares	2,229,161	26,676	-	2,255,837
<b>At 30 June 2015</b>	<u>2,229,161</u>	<u>26,676</u>	<u>(587,767)</u>	<u>1,668,070</u>

All equity is attributable in full to the equity shareholders of the Company. The consolidated loss for the period represents the total consolidated comprehensive loss for the period. There are no other recognised gains or losses.

### **Company statement of changes in equity**

	Share premium account £	Called up share capital £	Profit and loss account £	Total Equity £
At 13 October 2014	-	-	-	-
Loss for the period	-	-	(137,605)	(137,605)
Issue of shares	2,229,161	26,676	-	2,255,837
<b>At 30 June 2015</b>	<u>2,229,161</u>	<u>26,676</u>	<u>(137,605)</u>	<u>2,118,232</u>

All equity is attributable in full to the equity shareholders of the Company. The loss for the period represents the total Company comprehensive loss for the period. There are no other recognised gains or losses.

**KALLIDUS HOLDINGS LIMITED**

**CONSOLIDATED CASH FLOW STATEMENT**  
**For the period ended 30 June 2015**

	Note	2015	
		£	£
<b>Net cash inflow from operating activities</b>	20		978,052
<b>Cash flows from investing activities</b>			
Payments to acquire intangible fixed assets		(329,207)	
Payments to acquire tangible fixed assets		(27,666)	
Acquisition of subsidiary net of cash acquired		(10,756,789)	
<b>Net cash flow from investing activities</b>			(11,113,662)
<b>Cash flows from financing activities</b>			
Repayments of term loan		(107,648)	
Repayments of institutional loan stock		(673,889)	
Proceeds on issue of loan notes		6,712,501	
Proceeds on issue of shares		2,245,092	
New bank loans raised		2,500,000	
Bank arrangement fee		(60,000)	
Interest paid		(83,870)	
<b>Net cash flow from financing activities</b>			10,532,186
<b>Increase in cash in year</b>			<u>396,576</u>

## **KALLIDUS HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Period ended 30 June 2015**

#### **1 ACCOUNTING POLICIES**

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

##### **Basis of accounting**

Kallidus Holdings Limited is a company incorporated in the United Kingdom under the Companies Act. The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with Financial Reporting Standard 102 (FRS 102) issued by the Financial Reporting Council and applicable United Kingdom law.

##### **Basis of consolidation**

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings for the first accounting period ended 30 June 2015. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed.

Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The functional currency of the Group and its subsidiary undertakings is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The consolidated financial statements are also presented in pounds sterling. There are no foreign operations.

##### **Going concern**

In accordance with their responsibilities as directors, the directors have considered the appropriateness of the going concern basis for the preparation of the financial statements.

The Group meets its day-to-day working capital requirements through its cash balance and revolving credit facility ("RCF"). At the period end, the Group cash balance was £396,576 and no drawdown had been made on the RCF.

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 forecasts and projections show that it expects to be able to operate within its current level of available cash resources for the foreseeable future.

The directors have a reasonable expectation that the company and the 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. Thus the directors continue to adopt the going concern basis in preparing the financial statements.

##### **Turnover**

Turnover is the amount derived from the provision of services falling within the company's ordinary activities excluding any value added taxes and discount. 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.

##### **Foreign currency**

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.



## KALLIDUS HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

#### 1 ACCOUNTING POLICES (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	2 years straight-line
Office equipment	4 years straight-line
Fixtures and fittings	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:

Customer lists	10 years straight-line
Software products	10 years straight-line
Goodwill arising on acquisition	20 years straight line
Licences	5 years straight-line
Brand	5 years straight-line
Capitalised development expenditure	3 years straight-line

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

##### Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

##### 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 balance sheet date.

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in 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.

##### Operating leases

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

## **KALLIDUS HOLDINGS LIMITED**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Period ended 30 June 2015**

#### **1. ACCOUNTING POLICES (continued)**

##### **Share based payments**

The Company operates an equity-settled compensation plan whereby the equity-settled share-based payment takes the form of an immediately-vested award of shares. The fair value of such awards is the market value of the shares at the time they are awarded. A charge is made to the statement of income and retained earnings for the fair value of the equity-settled award. A corresponding credit is applied to share capital and, if applicable, a further credit is applied to share premium.

##### **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 Group is expected to benefit. This period is three years. Provision is made for any impairment.

##### **Employee benefits**

The Group operates a defined contribution scheme. Contributions are charged to the profit and loss account as they fall due.

#### **2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

In the application of the Group'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 Group's accounting policies**

The following are the critical judgements that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

##### **Impairment of non-financial assets**

Non-financial assets including plant and equipment and intangible assets are reviewed for impairment in accordance with the policies as stated in Note 1. The recoverable amounts have been determined based on value-in-use calculations or fair value less costs to sell. These calculations require the use of judgements and estimates.

##### **Capitalised development costs**

For unique software products developed by the Group, their useful economic life is based on historical experience with similar products as well as anticipation of future events which may impact their life such as changes in technology.

## KALLIDUS HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

#### 3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amount to 9% The turnover is attributable to the Group's principal activity

	2015 £
United Kingdom	2,870,201
Rest of Europe	155,592
Other	137,471
	<u>3,163,264</u>

#### 4 OPERATING LOSS

	2015 £
Operating loss is stated after charging:	
Depreciation of tangible fixed assets - owned assets	41,380
Amortisation of customer list intangible assets	380,542
Amortisation of software product intangible assets	108,833
Amortisation of goodwill	11,562
Amortisation of brand	2,330
Amortisation of development costs	81,199
Research and development	208,045
Auditor's remuneration - audit services	
- Group	25,900
- Company	2,100
Non-audit services - taxation	6,825
Share based payments expense	10,744
Operating lease rentals – land and buildings	<u>22,550</u>

# **KALLIDUS HOLDINGS LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Period ended 30 June 2015**

### **5 INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	<b>2015</b>
	<b>£</b>
<b>Directors' emoluments fees</b>	
Emoluments	210,441
Pension contributions	4,803
Non-executive directors' fees	30,833
	<u>246,077</u>
	<b>No</b>
Number of directors accruing benefits in the money purchase pension scheme	<u>2</u>

R S Caul, C Lathwaite, P Pyle, A Munday and I Slater were remunerated by Kallidus Limited

Monitoring fees of £31,548 were charged to Kallidus Bidco Limited for the services of the other directors  
They are not employed by any Group company

<b>Employee costs during the period</b>	<b>£</b>
Wages and salaries	1,765,846
Social security costs	872,896
Pension contributions	24,684
	<u>2,663,426</u>

<b>Average number of persons employed</b>	<b>No.</b>
Sales and Marketing	21
R&D and Technical Services	53
Administration	6
	<u>80</u>

**KALLIDUS HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**Period ended 30 June 2015**

<b>6</b>	<b>FINANCE COST (NET)</b>	<b>2015</b>
		<b>£</b>
	Bank interest	83,870
	Loan note interest	275,856
	Bank loan arrangement fee	60,000
		<u>419,726</u>

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

The tax credit comprises	<b>2015</b>
	<b>£</b>
<b>Current tax</b>	
UK corporation tax	-
Total current tax	<u>-</u>
<b>Deferred tax</b>	
Origination and reversal of timing differences	(3,889)
Total deferred tax	<u>(3,889)</u>
<b>Total tax credit on profit on ordinary activities</b>	<u><b>(3,889)</b></u>

The differences between the total current tax shown above and the amount calculated by applying the blended rate of UK corporation tax of 20.4% to the profit before tax is as follows

	<b>£</b>
Group loss on ordinary activities before tax	<u>(591,656)</u>
	<b>£</b>
Tax on Group profit on ordinary activities at blended UK corporation tax rate of 20.4%	(120,698)
Effects of	
Expenses not deductible for tax purposes	102,654
Deferred tax asset not recognised	9,496
Other adjustments	4,659
<b>Group current tax credit for period</b>	<u><b>(3,889)</b></u>

# KALLIDUS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

### 8 INTANGIBLE FIXED ASSETS

	Brand	Development costs £	Customer lists £	Arising on acquisition		Total £
				Software products £	Goodwill £	
<b>Cost</b>						
At 13 October 2014	-	-	-	-	-	-
Arising on acquisition	27,760	693,242	9,133,000	2,612,000	554,960	13,020,962
Additions	-	329,207	-	-	-	329,207
At 30 June 2015	27,760	1,022,449	9,133,000	2,612,000	554,960	13,350,169
<b>Amortisation</b>						
At 13 October 2014	-	-	-	-	-	-
Arising on acquisition	13,009	80,370	-	-	-	93,379
Charge in period	2,330	81,199	380,542	108,833	11,562	584,466
At 30 June 2015	15,339	161,569	380,542	108,833	11,562	677,845
<b>Net book value</b>						
At 30 June 2015	12,421	860,880	8,752,458	2,503,167	543,398	12,672,324

### 9 FIXED ASSET INVESTMENTS

Company	Kallidus Target Limited £
<b>Cost</b>	
At 13 October 2014	-
Addition – 30 January 2015	48,009
At 30 June 2015	48,009

The Company holds more than 20% of the share capital of the following companies

Subsidiary undertaking	Country of registration or incorporation	Class	Shares held
Kallidus Intermediary Limited*	England and Wales	Ordinary	100%
Kallidus Bidco Limited	England and Wales	Ordinary	100%
Kallidus Target Limited	England and Wales	Ordinary	100%
Kallidus Limited	England and Wales	Ordinary	100%
Intraventure Limited	England and Wales	Ordinary	100%

\* Held directly by Kallidus Holdings Limited

The principal activity of Kallidus Limited, for the period reported, was the provision of software and services to support the effective development of an organisation's employees. The trade and assets of Intraventure Limited were transferred to Kallidus Limited in May 2011 and the company has since remained dormant. Kallidus Intermediary Limited, Kallidus Bidco Limited and Kallidus Target Limited are intermediary holding companies.

# KALLIDUS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

### 10. ACQUISITION OF SUBSIDIARY UNDERTAKING

On 30 January 2015 the Company's subsidiary Kallidus Bidco Limited acquired 100% per cent of the issued share capital of Kallidus Target Limited, a company whose activity is the holding company for Kallidus Limited. Kallidus Limited is a provider of software systems, e-learning and consultancy services to support the effective development of an organisation's employees.

The total gross consideration of £11,069,165 (comprised of the issue of 1,028,874 ordinary shares of £0.01 each in the Company at a subscription price of £1, loan notes of £3,086,923 and cash of £6,953,368) £312,376 of cash was acquired on acquisition. The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Book value £	Revaluation £	Fair value to Group £
<b>Fixed assets</b>			
Intangible	627,615	-	627,615
Tangible	99,314	-	99,314
<b>Current assets</b>			
Stocks	-	-	-
Debtors	1,306,436	-	1,306,436
Cash	312,376	-	312,376
<b>Total assets</b>	<u>2,345,741</u>	<u>-</u>	<u>2,345,741</u>
<b>Creditors</b>			
Institutional loan stock	(673,889)	-	(673,889)
Trade creditors	(2,873,816)	-	(2,873,816)
<b>Provisions</b>			
Taxation	(28,831)	-	(28,831)
<b>Total liabilities</b>	<u>(3,576,536)</u>	<u>-</u>	<u>(3,576,536)</u>
<b>Net liabilities</b>	<u>(1,230,795)</u>	<u>-</u>	<u>(1,230,795)</u>
<b>Satisfied by</b>			
Cash			6,953,368
Shares issued			1,028,874
Loan Notes			3,086,923
			<u>11,069,165</u>
<b>Premium on net liabilities</b>			<u>12,299,960</u>

The premium paid on net liabilities is accounted for in intangible assets (note 8). £9,133,000 is attributable to customers acquired, £2,612,000 attributable to product and the residual £554,960 booked to goodwill.

For the period ended 30 June 2015, turnover of £3,163,264 and profit of £304,074 were included in the consolidated profit and loss account in respect of Kallidus Limited. Kallidus Target Limited served only as holding company and did not contribute to the consolidated profit and loss account for the period ended 30 June 2015.

**KALLIDUS HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Period ended 30 June 2015

**11 TANGIBLE FIXED ASSETS**

Group	Computer equipment £	Office equipment £	Fixture and fittings £	Total £
<b>Cost</b>				
At 13 October 2014	-	-	-	-
Arising on acquisition	565,214	88,287	11,126	664,627
Additions	25,473	447	1,746	27,666
	<u>590,687</u>	<u>88,734</u>	<u>12,872</u>	<u>692,293</u>
At 30 June 2015				
<b>Depreciation</b>				
At 13 October 2014	-	-	-	-
Arising on acquisition	484,179	72,125	9,009	565,313
Charge for the period	37,922	2,766	692	41,380
	<u>522,101</u>	<u>74,891</u>	<u>9,701</u>	<u>606,693</u>
At 30 June 2015				
<b>Net book value at 30 June 2015</b>	<u>68,586</u>	<u>13,843</u>	<u>3,171</u>	<u>85,600</u>

**12 STOCKS AND WORK IN PROGRESS**

	Group 2015 £	Company 2015 £
Stocks	3,757	-
Work in progress	164,897	-
	<u>168,654</u>	<u>-</u>

**13 DEBTORS**

	Group 2015 £	Company 2015 £
<b>Amounts falling due within one year</b>		
Trade debtors	1,572,178	-
Amounts owed by group undertakings	-	5,284,006
Corporation tax recoverable	71,112	-
Deferred tax asset (note 19)	27,916	-
Prepayments and accrued income	174,966	-
	<u>1,846,172</u>	<u>5,284,006</u>



# KALLIDUS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

### 14 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2015 £	Company 2015 £
Bank loan	268,406	-
Trade creditors	448,792	-
Other taxation and social security	428,975	-
Accruals	237,790	-
Deferred income	3,004,989	-
	<u>4,388,952</u>	<u>-</u>

### 15 CREDITORS AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2015 £	Company 2015 £
Bank loan	2,123,947	-
Loan notes	6,988,357	3,213,783
	<u>9,112,304</u>	<u>3,213,783</u>

### 16 GROUP BORROWINGS

	Bank term loan £	Loan notes £	Total 2015 £
Within one year	268,406	-	268,406
Between one and two years	285,963	-	285,963
Between two and five years	1,837,984	6,988,357	8,826,341
Total Group borrowings	<u>2,392,353</u>	<u>6,988,357</u>	<u>9,380,710</u>

The bank term loan is repayable in monthly instalments with a final repayment on 30 January 2019 and is secured by a floating and fixed charge on all Group assets. The bank term loan carries an interest charge of LIBOR plus 5%.

The loan notes are secured but are subordinated to the bank term loan. The loan notes carry an interest charge of 10% per annum compounding semi-annually. Interest is rolled into a Payment-in-Kind loan to be settled on redemption.

# KALLIDUS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

<b>17</b>	<b>CALLED UP SHARE CAPITAL</b>	<b>2015</b>
		<b>£</b>
	Authorised, allotted, called up and fully paid	
	Ordinary 'A' shares of £0.01 each	12,086
	Ordinary 'B' shares of £0.01 each	10,290
	Ordinary 'C' shares of £0.01 each	3,423
	Ordinary 'D' shares of £0.01 each	877
		<u>26,676</u>

A and B ordinary shares rank pari passu in terms of voting and distribution rights. C and D shares distribution rights rank after A and B shareholders and neither C nor D shares have voting rights.

## 18 RELATED PARTY TRANSACTIONS

During the year the Group purchased consultancy services from Reditus Limited for £18,481. At the year-end date, the creditor amounted to £Nil.

R S Caul is a director of Reditus Limited and holds a 50% interest in the share capital. The remaining 50% is held by other connected parties to R S Caul.

## 19. DEFERRED TAXATION ASSET

	<b>Group 2015 £</b>	<b>Company 2015 £</b>
<b>Deferred taxation asset</b>		
Balance at 13 October 2014	-	-
Balance arising on acquisition	24,027	-
Current year credit	3,889	-
<b>Balance at 30 June 2015</b>	<u>27,916</u>	<u>-</u>

	<b>Group 2015 £</b>	<b>Company 2014 £</b>
The amount of deferred tax asset recognised in the financial statements is		
Capital allowances in excess of depreciation	27,321	-
Short-term timing differences	595	-
	<u>27,916</u>	<u>-</u>

	<b>Group 2015 £</b>	<b>Company 2014 £</b>
The amount of deferred tax not recognised in the financial statements is		
Losses	<u>27,725</u>	<u>-</u>

**KALLIDUS HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**Period ended 30 June 2015**

**20 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2015 £</b>
Operating loss	(171,930)
Adjustment for	
Depreciation	41,380
Amortisation	584,466
Share based award	10,744
Increase in stocks	(168,654)
Increase in debtors	(440,709)
Increase in creditors	1,246,733
Corporation tax paid	(123,978)
<b>Net cash inflow from operating activities</b>	<b>978,052</b>

**21 ANALYSIS OF CHANGES IN NET DEBT**

	<b>At 13 October 2014 £</b>	<b>Cash flow £</b>	<b>At 30 June 2015 £</b>
Cash at bank and in hand	-	396,576	396,576
Debt due within one year	-	(268,406)	(268,406)
Debt due after more than one year	-	(9,112,304)	(9,112,304)
	-	(9,380,710)	(9,380,710)
<b>Net debt</b>	<b>-</b>	<b>(8,984,134)</b>	<b>(8,984,134)</b>

	<b>2015 £</b>
Increase in cash in year	396,576
Cash flow from increase in debt	(9,380,710)
Movement in net debt in year	(8,984,134)
Brought forward	-
<b>Carried forward</b>	<b>(8,984,134)</b>

## KALLIDUS HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 June 2015

#### 22 FINANCIAL COMMITMENTS

##### Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows

Group	2015 Land and buildings £
- within one year	-
- between one and five years	54,120
- after five years	-
	<hr/> 54,120 <hr/>

#### 23 CONTINGENT LIABILITIES

At 30 June 2015, the Group had no contingent liabilities

#### 24 PARENT COMPANY LOSS

As would be permitted by section 408 of the Companies Act 2006 the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the period amounted to £137,605

#### 25 DEFINED CONTRIBUTION SCHEMES

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to profit or loss in the year ended 30 June 2015 was £29,487

#### 26 SUBSIDIARY COMPANY AUDIT EXEMPTIONS

For the period ended 30 June 2015 certain subsidiaries of Kallidus Holdings Limited were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. Kallidus Holdings Limited has provided a guarantee to these subsidiaries in accordance with that section.

The companies covered by the guarantee and taking exemption from the audit are

Subsidiary undertaking	Company Number
Kallius Intermediary Limited	09262306
Kallidus Bidco Limited	09263434
Kallidus Target Limited	07008939

#### 27 ULTIMATE CONTROLLING PARTY

In the opinion of the directors there is no ultimate controlling party