

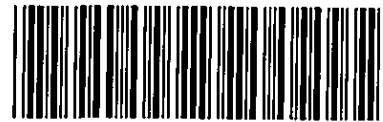
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Company Registered Number 09261638

**KALLIDUS HOLDINGS LIMITED**

**Annual Report and Consolidated Financial Statements**  
**for the year ended 30 June 2016**

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# **KALLIDUS HOLDINGS LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2016**

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# **KALLIDUS HOLDINGS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISORS**

### **DIRECTORS**

R S Caul  
J E Hawkins  
C L Laithwaite  
A Munday  
P J Pyle  
H J W Ropner  
H W B Sallitt  
I G Slater

### **REGISTERED OFFICE**

6 New Street Square  
London  
EC4A 3LX

### **BANKERS**

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

### **AUDITOR**

Deloitte LLP  
3 Rivergate  
Bristol  
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 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.

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

The directors are pleased to report on a year of significant success for Kallidus with a 10% revenue growth on the year ended 30 June 2015. The year ended 30 June 2016 also saw significant increased investment in product development to underpin the three new product launches within the 2016 calendar year.

The results of the Group for the period are set out in the consolidated Statement of Comprehensive Income.

The loss for the financial year of £1,442,000 (2015: £588,000) is after charging £1,202,000 (2015: £501,000) of amortisation relating to intangible assets arising on acquisition being customer lists, software products and goodwill. In addition £718,000 (2015: £276,000) of loan note interest was accrued and charged to finance costs. The loan note interest is rolled into a Payment-in-Kind loan to be settled by redemption. Both the acquisition amortisation and loan note interest totalled £1,920,000 (2015: £777,000) and had no cash flow effect on the reported year. As a result the Group reported a loss but the Group has adequate cash flow resources to continue trading. Going concern is discussed in the Directors' Report below.

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

- The release of a new product Kallidus 360 being a cloud-based appraisal system that can be implemented and configured by the client.
- Key customer wins in both Europe and the UK in the professional services and retail sectors.
- Kallidus won five prestigious e-Learning Awards in November 2015 including a gold award for the best use of blended learning.
- Opened an additional development centre in Bulgaria.

The directors continue to recognise that Kallidus' 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**

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. For the comparative year ended 30 June 2015 the Group accounts consolidate Kallidus Limited's results for the five month period 30 January 2015 to 30 June 2015. The results for the year ended 30 June 2016 consolidate a full year of Kallidus Limited.

This commentary refers to Kallidus Limited to provide a meaningful review of the main trading subsidiary.

Highlights of Kallidus Limited's operating and financial performance in the year ended 30 June 2016 are as follows:

Turnover saw growth of 10% on the previous year, increasing from £7.3m in 2015 to £8.0m in 2016, on which Kallidus Limited held its gross margin performance of 62% (2015: 61%).

As at 30 June 2016, 56% of Kallidus Limited revenues were recurring in nature (2015: 53%).

## KALLIDUS HOLDINGS LIMITED

### STRATEGIC REPORT (continued)

#### Key performance indicators (continued)

Kallidus Limited made a significant investment in product development and increased expenditure in sales and marketing in line with its growth strategy. This is reflected in an 11% increase in average headcount in the year ended 30 June 2016. Kallidus Limited's gross margin increased by £487,000 in the year ended 30 June 2016, when compared to the year ended 30 June 2015, but investment-related spend resulted in selling and administrative expenses increasing by £544,000 for the same comparative period. Product development costs, accounted for within selling and administrative expenses, were £588,000 for the year ended 30 June 2016 representing an increase of 47% on the prior year ended 30 June 2015 (2015 £400,000). Kallidus' profit before tax reduced from £919,000 in the year ended 30 June 2015 to £544,000 in the year ended 30 June 2016 which was a decrease of £375,000 as a result of investment strategy.

As at 30 June 2016, Kallidus Limited and the Group employed 91 staff (2015: 80).

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

Year ended.		2012 <i>Restated*</i>	2013 <i>Restated*</i>	2014 <i>Restated*</i>	2015	2016
Turnover	£'000	4,707	5,501	6,774	7,257	7,981
% growth year on year	%	43%	17%	23%	7%	10%
% recurring revenue	%	49%	48%	54%	53%	56%
Gross profit	£'000	3,040	3,571	4,255	4,463	4,950
Gross profit %	%	65%	65%	63%	61%	62%
EBITDA	£'000	638	655	1,100	1,176	1,109
Profit before tax	£'000	490	554	926	919	544

\*Restated for FRS102 accounting policy changes. FRS102 was adopted by the Company in the year ended 30 June 2015.

\*\*The Group accounts consolidate Kallidus Limited's results for the five month period 30 January 2015 to 30 June 2015 and thereafter for the year ended 30 June 2016. The table above is extracted from the entity accounts of Kallidus Limited to provide a consistent, year-on-year, key performance indicator ("KPI") record of the main 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 Group will launch three new products in the next 12 months being Kallidus Learn, Kallidus Perform and Kallidus Recruit. As a result product development is anticipated to see further increased investment in the next 12 months when compared to the year ended 30 June 2016. Future sales and marketing costs are planned to be in line with forecast growth. The Group does not expect its EBITDA to change significantly at the expense of this investment.

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

I G Slater  
Director

16 December 2016

## KALLIDUS HOLDINGS LIMITED

### DIRECTORS' REPORT

The directors present their annual report on the affairs of the Group, together with the audited financial statements for the year ended 30 June 2016

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

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

### RESEARCH AND DEVELOPMENT

The Group's software products are key to its future success. During the year ended 30 June 2016, the Group's investment in research and development charged to the Statement of Comprehensive Income was £588,000, but total development expenditure in the year ended 30 June 2016, including capitalised software development costs, was £1,838,000

During the year the Group launched Kallidus 360 a staff assessment product which has been built on the Group's next generation SaaS ("Software as a Service") platform. The Group also developed and deployed a *public cloud offering to deliver the existing product set within a single-instance SaaS environment*. In addition the Group launched its beta version of Kallidus Perform for customer testing. Kallidus Perform was commercially released in a full production version in September 2016

### GOING CONCERN

On 28 October 2016 the Group re-banked with The Royal Bank of Scotland plc and on the same day repaid all of its outstanding debt to Bank of London and The Middle East plc. The new Royal Bank of Scotland facilities were a term loan of £2,100,000 repayable on 28 October 2021 (to replace the Bank of London and The Middle East plc's senior term loan which was repayable 30 January 2019) plus a revolving credit facility of up to £1,200,000 (replacing the £500,000 revolving credit facility from Bank of London and The Middle East plc)

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. In preparing forecasts the directors did consider the UK's 23 June 2016 referendum decision to leave the European Union ("EU"). The EU exit risk to the Group is considered to be a slowdown in customer purchase decision making during an exit transition. 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

The Group loss for the financial year of £1,442,000 (2015 £588,000) is after charging amortisation on Intangible Assets arising on acquisition and loan note interest that is rolled into a Payment-in-Kind loan to be settled on redemption. Neither of these charges had a cash flow effect and further details can be found in the Review of the Business section in the Strategic Report

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

## KALLIDUS HOLDINGS LIMITED

### DIRECTORS' REPORT (continued)

#### 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

##### Foreign exchange risk

The Group's activities occasionally expose it to the financial risk of changes in foreign currency exchange rates. Since 90% 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.

##### 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 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 2016 (2015: £nil).

#### DIRECTORS

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

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

#### 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.

**KALLIDUS HOLDINGS LIMITED**

**DIRECTORS' REPORT (continued)**

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

A handwritten signature in black ink, appearing to be 'I G Slater', written in a cursive style.

**I G Slater**  
Director

16 December 2016



## KALLIDUS HOLDINGS 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). 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, and
- 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.

## **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 2016 which comprise the Consolidated Statement of Comprehensive Income, 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 24. 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 2016 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

16 December 2016

**KALLIDUS HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the year ended 30 June 2016

	Note	Year ended 30 June 2016 £	Period from 13 October 2014 to 30 June 2015 £
<b>TURNOVER - continuing operations</b>	3	7,981,368	3,163,264
Cost of sales		(3,030,968)	(1,227,163)
<b>GROSS PROFIT</b>		4,950,400	1,936,101
Amortisation of intangible assets		(1,668,255)	(584,466)
Other administrative and distribution expenses		(3,851,275)	(1,523,565)
Administrative expenses		(5,519,530)	(2,108,031)
<b>OPERATING LOSS</b>	4	(569,130)	(171,930)
Finance costs (net)	6	(884,873)	(419,726)
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,454,003)	(591,656)
Tax credit on loss on ordinary activities	7	12,489	3,889
<b>LOSS FOR THE FINANCIAL YEAR</b>		(1,441,514)	(587,767)

There are no recognised gains or losses for the current year other than as stated in the Consolidated Statement of Comprehensive Income

All of the Group's activities are classified as continuing

**KALLIDUS HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2016

	Note	2016		2015	
		£	£	£	£
<b>FIXED ASSETS</b>					
Goodwill	8	515,657		543,398	
Intangible assets	8	12,079,202		12,128,926	
Tangible assets	11	152,921		85,600	
		<u>12,747,780</u>		<u>12,757,924</u>	
<b>CURRENT ASSETS</b>					
Stocks and work in progress	12	3,757		3,757	
Debtors – due within one year	13	2,571,601		2,011,069	
Cash at bank and in hand		363,917		396,576	
		<u>2,939,275</u>		<u>2,411,402</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	14	(5,897,361)		(4,388,952)	
<b>NET CURRENT LIABILITIES</b>		<u>(2,958,086)</u>		<u>(1,977,550)</u>	
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		9,789,694		10,780,374	
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15	(9,563,138)		(9,112,304)	
<b>NET ASSETS</b>		<u>226,556</u>		<u>1,668,070</u>	
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17	26,676		26,676	
Share premium account		2,229,161		2,229,161	
Profit and loss account		(2,029,281)		(587,767)	
<b>SHAREHOLDERS' FUNDS</b>		<u>226,556</u>		<u>1,668,070</u>	

The consolidated financial statements of Kallidus Holdings Limited, were approved by the Board of Directors and authorised for issue on 16 December 2016

They were signed on its behalf by.



**I G Slater**  
Director

**KALLIDUS HOLDINGS LIMITED**

**COMPANY STATEMENT OF FINANCIAL POSITION**  
As at 30 June 2016

	Note	2016		2015	
		£	£	£	£
<b>FIXED ASSETS</b>					
Investments	9		48,009		48,009
<b>CURRENT ASSETS</b>					
Debtors	13	5,284,006		5,284,006	
<b>NET CURRENT ASSETS</b>			5,284,006		5,284,006
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			5,332,015		5,332,015
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	15		(3,544,120)		(3,213,783)
<b>NET ASSETS</b>			1,787,895		2,118,232
<b>CAPITAL AND RESERVES</b>					
Called up share capital	17		26,676		26,676
Share premium account			2,229,161		2,229,161
Profit and loss account			(467,942)		(137,605)
<b>SHAREHOLDERS' FUNDS</b>			1,787,895		2,118,232

The financial statements of Kallidus Holdings Limited, registered number 09261638, were approved by the Board of Directors and authorised for issue on 16 December 2016

They were signed on its behalf by.



**I G Slater**  
Director

**KALLIDUS HOLDINGS LIMITED**

**CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY**  
**As at 30 June 2016**

**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 year	-	-	(587,767)	(587,767)
Issue of shares	2,229,161	26,676	-	2,255,837
<b>At 30 June 2015</b>	<b>2,229,161</b>	<b>26,676</b>	<b>(587,767)</b>	<b>1,668,070</b>
Loss for the year	-	-	(1,441,514)	(1,441,514)
<b>At 30 June 2016</b>	<b>2,229,161</b>	<b>26,676</b>	<b>(2,029,281)</b>	<b>226,556</b>

**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 year	-	-	(137,605)	(137,605)
Issue of shares	2,229,161	26,676	-	2,255,837
<b>At 30 June 2015</b>	<b>2,229,161</b>	<b>26,676</b>	<b>(137,605)</b>	<b>2,118,232</b>
Loss for the year	-	-	(330,337)	(330,337)
<b>At 30 June 2016</b>	<b>2,229,161</b>	<b>26,676</b>	<b>(467,942)</b>	<b>1,787,895</b>

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

**KALLIDUS HOLDINGS LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the year ended 30 June 2016

	Note	Year ended 30 June 2016		Period from 13 October 2014 to 30 June 2015	
		£	£	£	£
<b>Net cash inflow from operating activities</b>	19		1,652,955		978,052
<b>Cash flows from investing activities</b>					
Payments to acquire intangible fixed assets		(1,590,783)		(329,207)	
Payments to acquire tangible fixed assets		(159,869)		(27,666)	
Acquisition of subsidiary net of cash acquired		-		(10,756,789)	
<b>Net cash flow from investing activities</b>			(1,750,652)		(11,113,662)
<b>Cash flows from financing activities</b>					
Repayments of term loan		(268,406)		(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		(166,556)		(83,870)	
<b>Net cash flow from financing activities</b>			(434,962)		10,532,186
<b>(Decrease)/increase in cash in year</b>			(532,659)		396,576



## **KALLIDUS HOLDINGS LIMITED**

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

**Year ended 30 June 2016**

#### **1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding 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. 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 Company 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 year end, the Group cash balance was £363,917. The RCF was fully drawn.

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 falling due within one year.

## KALLIDUS HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2016

#### 1. ACCOUNTING POLICES (continued)

##### 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. These translation differences are recognised in the statement of comprehensive income.

##### 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.

Development costs have been capitalised in accordance with FRS102 section 18 'Intangible Assets other than Goodwill' and are therefore not treated, for dividend purposes, as a realised loss.

##### 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.

## **KALLIDUS HOLDINGS LIMITED**

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

Year ended 30 June 2016

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

##### **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

##### **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 comprehensive income 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 statement of comprehensive income 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.

# KALLIDUS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 30 June 2016

### 2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

#### 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

### 3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amount to 10% (2015 9%) The turnover is attributable to the Group's principal activities

	Year ended 30 June 2016 £	Period from 13 October 2014 to 30 June 2015 £
United Kingdom	7,221,190	2,870,201
Rest of Europe	290,993	155,592
Other	469,185	137,471
	<u>7,981,368</u>	<u>3,163,264</u>

### 4. OPERATING LOSS

	Year ended 30 June 2016 £	Period from 13 October 2014 to 30 June 2015 £
Operating loss is stated after charging		
Depreciation of tangible fixed assets - owned assets	87,563	41,380
Depreciation of tangible fixed assets - leased assets	4,985	-
Amortisation of customer list intangible assets	913,300	380,542
Amortisation of software product intangible assets	261,200	108,833
Amortisation of goodwill	27,741	11,562
Amortisation of brand	5,585	2,330
Amortisation of software licences	114,193	-
Amortisation of development costs	346,229	81,199
Research and development	588,345	208,045
Auditor's remuneration - audit services		
- Group	23,500	25,900
- Company	-	2,100
Non-audit services - taxation	9,600	6,825
Share based payments expense	-	10,744
Operating lease rentals – land and buildings	54,120	22,550
	<u></u>	<u></u>

**KALLIDUS HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended 30 June 2016

**5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	Year ended 30 June 2016 £	Period from 13 October 2014 to 30 June 2015 £
<b>Directors' emoluments fees</b>		
Emoluments	611,537	210,441
Pension contributions	12,359	4,803
<i>Non-executive directors' fees</i>	55,561	30,833
	<u>679,457</u>	<u>246,077</u>
		<b>No.</b>
Number of directors accruing benefits in the money purchase pension scheme	2	2
	<u>2</u>	<u>2</u>

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

<b>Employee costs during the year including directors</b>		<b>£</b>
<i>Wages and salaries</i>	4,244,259	1,765,846
Social security costs	481,930	872,896
Pension contributions	71,815	24,684
	<u>4,798,004</u>	<u>2,663,426</u>
		<b>No.</b>
<b>Average number of persons employed including directors</b>		
Sales and Marketing	22	21
R&D and Technical Services	60	53
Administration	7	6
	<u>89</u>	<u>80</u>

**6. FINANCE COST (NET)**

	Year ended 30 June 2016 £	Period from 13 October 2014 to 30 June 2015 £
Bank interest	159,434	63,933
Loan note interest	718,317	275,856
Bank loan arrangement fee	-	60,000
Foreign exchange	5,692	19,937
Finance lease interest	1,430	-
	<u>884,873</u>	<u>419,726</u>

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS  
Year ended 30 June 2016

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	Year ended 30 June 2016 £	Period from 13 October 2014 to 30 June 2015 £
The tax credit comprises		
<b>Current tax</b>		
UK corporation tax	-	-
Adjustments in respect of prior period	1,594	-
<b>Total current tax</b>	<u>1,594</u>	<u>-</u>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(18,750)	(3,889)
Effect of changes in tax rates	4,667	-
<b>Total deferred tax</b>	<u>(14,083)</u>	<u>(3,889)</u>
<b>Total tax credit on profit on ordinary activities</b>	<u>(12,489)</u>	<u>(3,889)</u>

The standard rate of tax applied to reported profit on ordinary activities is 20% (2015 20.75%). The applicable tax rate changed following the substantive enactment of the Finance Act 2015.

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

	£	£
Group loss on ordinary activities before tax	<u>(1,454,003)</u>	<u>(591,656)</u>
	£	£
Tax on Group profit on ordinary activities at blended UK corporation tax rate of 20% (2015 20.4%)	(290,801)	(120,698)
Effects of		
Expenses not deductible for tax purposes	246,229	102,654
Income not taxable	(55,567)	-
Deferred tax asset not recognised	81,389	9,496
Other adjustments	6,261	4,659
<b>Group current tax credit for year</b>	<u>(12,489)</u>	<u>(3,889)</u>

# KALLIDUS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS Year ended 30 June 2016

### 8. INTANGIBLE FIXED ASSETS

	Brand £	Licences £	Development costs £	Customer lists £	Software products £	Total intangible assets £	Goodwill £
<b>Cost</b>							
At 1 July 2015	27,760	-	1,022,449	9,133,000	2,612,000	12,795,209	554,960
Additions	-	341,500	1,249,283	-	-	1,590,783	-
At 30 June 2016	27,760	341,500	2,271,732	9,133,000	2,612,000	14,385,992	554,960
<b>Amortisation</b>							
At 1 July	15,339	-	161,569	380,542	108,833	666,283	11,562
Charge in year	5,585	114,193	346,229	913,300	261,200	1,640,507	27,741
At 30 June 2016	20,924	114,193	507,798	1,293,842	370,033	2,306,790	39,303
<b>Net book value</b>							
At 30 June 2016	6,836	227,307	1,763,934	7,839,158	2,241,967	12,079,202	515,657
At 30 June 2015	12,421	-	860,880	8,752,458	2,503,167	12,128,926	543,398

### 9. FIXED ASSET INVESTMENTS

Company	Kallidus Target Limited £
<b>Cost</b>	
At 1 July 2015	48,009
At 30 June 2016	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
Kallius 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 year 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**  
**Year ended 30 June 2016**

**10. TANGIBLE FIXED ASSETS**

Group	Computer equipment £	Office equipment £	Fixture and fittings £	Total £
<b>Cost</b>				
At 1 July 2015	590,687	88,734	12,872	692,293
Additions	130,422	2,099	27,348	159,869
Disposals	(660)	-	-	(660)
At 30 June 2016	<u>720,449</u>	<u>90,833</u>	<u>40,220</u>	<u>851,502</u>
<b>Depreciation</b>				
At 1 July 2015	522,101	74,891	9,701	606,693
Charge for the year	79,257	6,635	6,656	92,548
Disposals	(660)	-	-	(660)
At 30 June 2016	<u>600,698</u>	<u>81,526</u>	<u>16,357</u>	<u>698,581</u>
<b>Net book value</b>				
At 30 June 2016	<u>119,751</u>	<u>9,307</u>	<u>23,863</u>	<u>152,921</u>
At 30 June 2015	<u>68,586</u>	<u>13,843</u>	<u>3,171</u>	<u>85,600</u>

The net book value of assets held under finance leases is £21,603 (2015 £nil)

**11. STOCKS AND WORK IN PROGRESS**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Stocks	<u>3,757</u>	<u>3,757</u>	<u>-</u>	<u>-</u>

Work in progress for the period ended 30 June 2015 of £164,897 has been reclassified as accrued income within debtors (note 12). The reclassification reflects that this 2015 balance was subsequently invoiced and contained an element of profit.

**12. DEBTORS**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Amounts falling due within one year</b>				
Trade debtors	2,123,651	1,572,178	-	-
Amounts owed by group undertakings	-	-	5,284,006	5,284,006
Corporation tax recoverable	-	71,112	-	-
Deferred tax asset (note 19)	41,999	27,916	-	-
Prepayments and accrued income	405,952	339,863	-	-
	<u>2,571,602</u>	<u>2,011,069</u>	<u>5,284,006</u>	<u>5,284,006</u>



**KALLIDUS HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

Year ended 30 June 2016

**13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Bank overdraft	500,000	-	-	-
Obligations under finance leases	4,427	-	-	-
Bank loan	285,963	268,406	-	-
Trade creditors	826,143	448,792	-	-
Other taxation and social security	480,094	428,975	-	-
Accruals	271,278	237,790	-	-
Deferred income	3,528,754	3,004,989	-	-
Corporation tax	702	-	-	-
	<u>5,897,361</u>	<u>4,388,952</u>	<u>-</u>	<u>-</u>

**14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR**

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
Obligations under finance leases	18,481	-	-	-
Bank loan	1,837,984	2,123,947	-	-
Loan notes	7,706,673	6,988,357	3,544,120	3,213,783
	<u>9,563,138</u>	<u>9,112,304</u>	<u>3,544,120</u>	<u>3,213,783</u>

**15. GROUP BORROWINGS**

2016	Bank loan £	Loan notes £	Finance lease £	Bank overdraft £	Total £
Within one year	285,963	-	4,427	500,000	790,390
Between one and two years	304,532	-	4,968	-	309,500
Between two and five years	1,533,452	7,706,673	13,513	-	9,253,638
Total Group borrowings	<u>2,123,947</u>	<u>7,706,673</u>	<u>22,907</u>	<u>500,000</u>	<u>10,353,527</u>

# KALLIDUS HOLDINGS LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2016

### 15. GROUP BORROWINGS (continued)

2015	Bank loan £	Loan notes £	Finance lease £	Bank overdraft £	Total £
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
<b>Total Group borrowings</b>	<b>2,392,353</b>	<b>6,988,357</b>	<b>-</b>	<b>-</b>	<b>9,380,710</b>

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.

The bank overdraft is in the form of a Revolving Credit Facility with a minimum one month drawdown. It carries an interest charge of LIBOR plus 5%.

16. CALLED UP SHARE CAPITAL	2016 £	2015 £
<b>Authorised, allotted, called up and fully paid</b>		
Ordinary 'A' shares of £0.01 each	12,086	12,086
Ordinary 'B' shares of £0.01 each	10,290	10,290
Ordinary 'C' shares of £0.01 each	3,423	3,423
Ordinary 'D' shares of £0.01 each	877	877
	<b>26,676</b>	<b>26,676</b>

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.

### 17. RELATED PARTY TRANSACTIONS

During the year the Group purchased consultancy services from Reditus Limited for £1,312 (2015 £18,481). At the balance sheet date, the creditor amounted to £nil (2015 £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.

**KALLIDUS HOLDINGS LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
Year ended 30 June 2016

**18. DEFERRED TAX ASSET**

	Group 2016 £	Company 2015 £
<b>Deferred tax asset</b>		
Balance at 1 July 2015	27,916	-
Credit for the period	14,083	-
<b>Balance at 30 June 2016</b>	<u>41,999</u>	<u>-</u>

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

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Deferred tax asset</b>				
Capital allowances in excess of depreciation	40,992	27,321	-	-
Short-term timing differences	1,007	595	-	-
	<u>41,999</u>	<u>27,916</u>	<u>-</u>	<u>-</u>

The amount of deferred tax not recognised in the financial statements is as follows

	Group 2016 £	Group 2015 £	Company 2016 £	Company 2015 £
<b>Losses</b>	<u>86,320</u>	<u>27,725</u>	<u>72,530</u>	<u>-</u>

**19. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	2016 £	2015 £
Operating loss	(569,130)	(171,930)
Adjustment for		
Depreciation	92,548	41,380
Amortisation	1,668,248	584,466
Share based award	-	10,744
Decrease/(increase) in stocks	-	(3,757)
Increase in debtors	(617,560)	(605,606)
Increase in creditors	1,008,629	1,246,733
Corporation tax refunded/(paid)	70,220	(123,978)
<b>Net cash inflow from operating activities</b>	<u>1,652,955</u>	<u>978,052</u>

## KALLIDUS HOLDINGS LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Year ended 30 June 2016

#### 20. FINANCIAL COMMITMENTS

##### Operating leases

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

	2016 £	2015 £
- within one year	6,524	-
- between one and five years	-	54,120
	<u>6,524</u>	<u>54,120</u>

#### 21. PARENT COMPANY LOSS

As would be permitted by section 408 of the Companies Act 2006 the statement of comprehensive income of the parent company is not presented as part of these financial statements. The parent company's loss for the year amounted to £330,337 (period ended 30 June 2015 £137,605)

#### 22. 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 2016 was £71,815 (period ended 30 June 2015 £29,487)

#### 23. SUBSIDIARY COMPANY AUDIT EXEMPTIONS

For the year ended 30 June 2016 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 as follows

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

#### 24. ULTIMATE CONTROLLING PARTY

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