

Company Registered Number 09261638

KALLIDUS HOLDINGS LIMITED

**Annual Report and Consolidated Financial Statements
for the year ended 30 June 2017**

SATURDAY



A70F93W8

A23

24/02/2018

#432

COMPANIES HOUSE

KALLIDUS HOLDINGS LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2017

CONTENTS

	Page
Officers and professional advisers	1
Strategic report	2
Directors' report	5
Directors' responsibilities statement	8
Independent auditor's report	9
Consolidated statement of comprehensive income	12
Consolidated statement of financial position	13
Company statement of financial position	14
Consolidated and company statement of changes in equity	15
Consolidated statement of cash flows	16
Notes to the consolidated financial statements	17

KALLIDUS HOLDINGS LIMITED

OFFICERS AND PROFESSIONAL ADVISORS

DIRECTORS

R S Caul
J E Hawkins
A Munday
K B Ord (appointed 25 July 2017)
P J Pyle
H J W Ropner
H W B Sallitt
I G Slater

REGISTERED OFFICE

5 Fleet Place
London
EC4M 7RD

BANKERS

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

AUDITOR

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

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 success for Kallidus with a 6% revenue growth on the year ended 30 June 2016. The year ended 30 June 2017 also saw significant investment in the development of our cloud SaaS platforms and continued development in two new products being Kallidus Learn and Kallidus Perform. These two new products were both launched within the year ended 30 June 2017.

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 £1,847,000 (2016: £1,442,000) is after charging £1,202,000 (2016: £1,202,000) of amortisation relating to intangible assets arising on acquisition being customer lists, software products and goodwill. In addition £790,000 (2016: £718,000) 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 on redemption. Both the acquisition amortisation and loan note interest totalled £1,992,000 (2016: £1,920,000) 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 the Directors' Report.

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

- Sales of our new products Kallidus Learn and Kallidus Perform to both large and medium enterprises operating in the retail, financial services, manufacturing and health sectors. These products offer an enhanced user interface and experience, similar to that of consumer software applications, to engage learners and employees.
- The launch of Kallidus Recruit which is a fully-featured SaaS applicant tracking system. This has been successfully sold into the retail, services and health sectors.
- The launch of PaaS ("Platform-as-a-Service") hosting to provide rapidly-scalable, pure SaaS solutions.

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

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 2017 are as follows:

Turnover saw growth of 6% on the previous year, increasing from £8.0m in 2016 to £8.5m in 2017, on which the Company held its gross margin performance of 63% (2016: 62%).

As at 30 June 2017, 61% of the Company's revenues were recurring in nature (2016: 56%).

KALLIDUS HOLDINGS LIMITED

STRATEGIC REPORT (continued)

Key performance indicators (continued)

The Company continued to make a significant investment in product development and increased expenditure in sales and marketing in line with its growth strategy. Headcount continued to increase with an 8% increase in average headcount in the year. Gross margin increased by £376,000 in the year ended 30 June 2017, when compared to the year ended 30 June 2016, but investment-related spend resulted in selling and administrative expenses increasing by £282,000 for the same comparative period. Product development costs, accounted for within selling and administrative expenses, were £713,000 for the year ended 30 June 2017 representing an increase of 21% on the prior year ended 30 June 2016 (2016: £588,000). Profit before tax for Kallidus Limited reduced from £544,000 in the year ended 30 June 2016 to £53,000 in the year ended 30 June 2017 which was a decrease of £491,000 as a result of investment strategy, amortisation of product and interest costs being booked directly to the trading company following on from the October 2016 re-banking with Royal Bank of Scotland Plc. This re-banking saw debt previously held by its intermediate parent company, Kallidus Bidco Limited, being transferred to the trading company.

As at 30 June 2017, Kallidus Limited and the Group employed 95 staff (2016: 91).

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

Year ended:		2013 <i>Restated*</i>	2014 <i>Restated*</i>	2015	2016	2017
Turnover	£'000	5,501	6,774	7,257	7,981	8,480
% growth year on year	%	17%	23%	7%	10%	6%
% recurring revenue	%	48%	54%	53%	56%	61%
Gross profit	£'000	3,571	4,255	4,463	4,950	5,326
Gross profit %	%	65%	63%	61%	62%	63%
EBITDA	£'000	655	1,100	1,176	1,109	1,198
Profit before tax	£'000	554	926	919	544	53

**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 years ended 30 June. 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.

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

KALLIDUS HOLDINGS LIMITED

STRATEGIC REPORT (continued)

Future developments

The year ended 30 June 2017 saw two major new product launches being Learn and Perform and new platform launches. This resulted in a corresponding peak in development investment. The Group will continue to invest in the development of its products to underpin their growth and market attractiveness. But such investment will now be balanced with sales and marketing efforts to deliver the commercial benefits of the high level of investment in 2017. On 29th September 2017 the Group acquired all of the share capital of Advorto UK Limited. This is discussed in the Directors' Report below.

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

I G Slater
Director



13 December 2017

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 2017.

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.

On 29 September 2017 the Group acquired all of the share capital of Advorto UK Limited. Its principal product is a *fully-featured applicant tracking system which the Group successfully re-sold as Kallidus Recruit* in the year ended 30 June 2017. The Group will continue the activities of Advorto UK Limited and the Group will further promote and develop the Kallidus Recruit product.

RESEARCH AND DEVELOPMENT

The Group's software products are key to its future success. During the year ended 30 June 2017, the Group's investment in research and development charged to the Statement of Comprehensive Income was £713,000, but total development expenditure in the year ended 30 June 2017, including capitalised software development costs, was £2,581,000. This is considered to be a peak level of development to launch new products and platforms. Future development spend is expected to lower in time to a percentage of revenue comparable to industry peers of 10 to 15% of revenue

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.

On 29 September 2017 the Group raised £1,867,000 for additional working capital and software development. The funding was in the form of issuing £1,400,000 loan notes and £467,000 in equity.

The Group loss before tax of £1,906,000 (2016: £1,454,000) 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 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.

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 2017 (2016: £nil).

DIRECTORS

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

R S Caul
J E Hawkins
C L Laithwaite (resigned 31 August 2017)
K B Ord (appointed 25 July 2017)
A Munday
P J Pyle
H J W Ropner
H W B Sallitt
I G Slater

KALLIDUS HOLDINGS LIMITED

DIRECTORS' REPORT (continued)

PROVISION OF INFORMATION TO THE AUDITOR

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

- *so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware.*
- 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 G Slater
Director

13 December 2017

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) including FRS102 "The Financial Reporting Standard applicable in the United Kingdom and Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently; 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

Report on the audit of the financial statements

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 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Kallidus Holdings Limited (the 'parent company') and its subsidiaries (the 'group') which comprise:

- the consolidated statement of comprehensive income;
- the consolidated and parent company statements of financial position;
- the consolidated and parent company statements of changes in equity;
- the consolidated statement of cash flows;
- the statement of accounting policies; 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

We have nothing to report in respect of these matters.

Other information

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

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

Other information (continued)

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

We have nothing to report in respect of these matters.

Responsibilities of directors

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

Report on other legal and regulatory requirements

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

Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- adequate accounting records have not been kept 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.

We have nothing to report in respect of these matters.

**Andrew Wright FCA (Senior statutory auditor)
for and on behalf of Deloitte LLP**

Statutory Auditor
Bristol
United Kingdom

December 2017

KALLIDUS HOLDINGS LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME For the year ended 30 June 2017

	Note	2017 £	2016 £
TURNOVER	3	8,480,078	7,981,368
Cost of sales		(3,153,964)	(3,030,968)
GROSS PROFIT		5,326,114	4,950,400
Amortisation of intangible assets		(2,156,688)	(1,668,248)
Other administrative and distribution expenses		(4,128,240)	(3,851,282)
Administrative expenses		(6,284,928)	(5,519,530)
OPERATING LOSS		(958,814)	(569,130)
Interest payable and similar expenses	6	(946,873)	(884,873)
LOSS BEFORE TAXATION	4	(1,905,687)	(1,454,003)
Tax credit on loss	7	58,836	12,489
LOSS FOR THE FINANCIAL YEAR		(1,846,851)	(1,441,514)

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 2017

	Note	2017		2016	
		£	£	£	£
FIXED ASSETS					
Goodwill	8		487,902		515,657
Intangible assets	8		11,843,283		12,079,202
Tangible assets	10		121,627		152,921
			<u>12,452,812</u>		<u>12,747,780</u>
CURRENT ASSETS					
Stocks and work in progress	11	4,000		3,757	
Debtors – due within one year	12	1,952,193		2,571,601	
Cash at bank and in hand		460,965		363,917	
			<u>2,417,158</u>		<u>2,939,275</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	13	(5,730,146)		(5,897,361)	
NET CURRENT LIABILITIES			<u>(3,312,988)</u>		<u>(2,958,086)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>9,139,824</u>		<u>9,789,694</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	14	(10,760,119)		(9,563,138)	
NET (LIABILITIES)/ASSETS			<u>(1,620,295)</u>		<u>226,556</u>
CAPITAL AND RESERVES					
Called up share capital	16		26,676		26,676
Share premium account			2,229,161		2,229,161
Profit and loss account			(3,876,132)		(2,029,281)
SHAREHOLDERS' (DEFICIT)/FUNDS			<u>(1,620,295)</u>		<u>226,556</u>

The consolidated financial statements of Kallidus Holdings Limited, were approved by the Board of Directors and authorised for issue on 3 December 2017.

They were signed on its behalf by:



I G Slater
Director

KALLIDUS HOLDINGS LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION As at 30 June 2017

	Note	2017		2016	
		£	£	£	£
FIXED ASSETS					
Investments	9		48,009		48,009
CURRENT ASSETS					
Debtors	12	5,284,006		5,284,006	
NET CURRENT ASSETS			5,284,006		5,284,006
TOTAL ASSETS LESS CURRENT LIABILITIES			5,332,015		5,332,015
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR					
	14		(3,907,392)		(3,544,120)
NET ASSETS			1,424,623		1,787,895
CAPITAL AND RESERVES					
Called up share capital	16		26,676		26,676
Share premium account			2,229,161		2,229,161
Profit and loss account			(831,214)		(467,942)
SHAREHOLDERS' FUNDS			1,424,623		1,787,895

As 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 Company's loss for the financial year was £363,272 (2016: £330,337).

The financial statements of Kallidus Holdings Limited, registered number 09261638, were approved by the Board of Directors and authorised for issue on 13 December 2017.

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 2017

Consolidated statement of changes in equity

	Share premium account £	Called up share capital £	Profit and loss account £	Total Equity £
At 1 July 2015	2,229,161	26,676	(587,767)	1,668,070
Total comprehensive loss	-	-	(1,441,514)	(1,441,514)
At 30 June 2016	2,229,161	26,676	(2,029,281)	226,556
Total comprehensive loss	-	-	(1,846,851)	(1,846,851)
At 30 June 2017	2,229,161	26,676	(3,876,132)	(1,620,295)

Company statement of changes in equity

	Share premium account £	Called up share capital £	Profit and loss account £	Total Equity £
At 1 July 2015	2,229,161	26,676	(137,605)	2,118,232
Total comprehensive loss	-	-	(330,337)	(330,337)
At 30 June 2016	2,229,161	26,676	(467,942)	1,787,895
Total comprehensive loss	-	-	(363,272)	(363,272)
At 30 June 2017	2,229,161	26,676	(831,214)	1,424,623

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 2017

	Note	2017		2016	
		£	£	£	£
Net cash inflow from operating activities	19	1,808,055		1,582,735	
Tax received		-		70,220	
Cash flows from investing activities					
Payments to acquire intangible fixed assets		(1,894,341)		(1,590,783)	
Payments to acquire tangible fixed assets		(55,461)		(159,869)	
Net cash flow from investing activities		(1,949,802)		(1,750,652)	
Cash flows from financing activities					
Repayments of loans		(2,323,947)		(268,406)	
Proceeds from new loans		3,300,000		-	
Repayment of finance leases		(4,427)		-	
Interest paid		(232,831)		(166,556)	
Net cash flow from financing activities		738,795		(434,962)	
Decrease in cash in year		597,048		(532,659)	
Cash and cash equivalents at beginning of year		(136,083)		(396,576)	
Cash and cash equivalents at end of year		460,965		(136,083)	

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2017

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 private company limited by shares, incorporated in England and Wales under the Companies Act. The address of the registered office is given on page 1. The nature of the Group's operations and its principal activities are set out in the strategic report.

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

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.

Kallidus Holdings Limited meets the definition of a qualifying entity under FRS 102 and has therefore taken advantage of the disclosure exemptions available to it in respect of its separate financial statements, which are presented alongside the consolidated financial statements. Exemptions have been taken in relation to financial instruments, presentation of a cash flow statement, remuneration of key management personnel.

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.

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 £460,965 and 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.

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2017

1. ACCOUNTING POLICES (continued)

Going concern (continued)

On 29 September 2017 the Group raised £1,867,000 for additional working capital and software development. The funding was in the form of issuing £1,400,000 loan notes and £467,000 in ordinary shares.

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.

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.

Exchange differences are recognised in profit or loss in the period in which they arise except for exchange differences arising on gains or losses on non-monetary items which are recognised in other 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

1. ACCOUNTING POLICES (continued)

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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

1. ACCOUNTING POLICES (continued)

Financial instruments

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

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

(i) Financial assets and liabilities

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

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

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

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

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

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

1. ACCOUNTING POLICES (continued)

Financial instruments (continued)

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

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

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

(ii) Investments

In the Company balance sheet, investments in subsidiaries and associates are measured at cost less impairment. For investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value of the shares issued plus fair value of other consideration. Any premium is ignored.

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.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty.

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2017

3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amount to 9% (2016: 10%). The turnover is attributable to the Group's principal activities.

	2017 £	2016 £
United Kingdom	7,746,831	7,221,190
Rest of Europe	210,928	290,993
Other	522,319	469,185
	<u>8,480,078</u>	<u>7,981,368</u>

4. LOSS BEFORE TAX

	2017 £	2016 £
Loss before tax is stated after charging:		
Depreciation (note 10)	86,755	92,548
Amortisation (note 8)	2,156,688	1,668,248
Research and development	712,634	588,345
Auditor's remuneration - audit services:		
- Group	30,000	23,500
- Company	-	-
Non-audit services – taxation compliance services	9,695	9,600
Operating lease rentals – land and buildings	62,292	54,120
Operating lease rentals – other	5,112	-
	<u></u>	<u></u>

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group

	2017 £	2016 £
Directors' emoluments fees		
Emoluments	758,960	611,537
Pension contributions	12,749	12,359
Non-executive directors' fees	55,121	55,561
	<u>826,830</u>	<u>679,457</u>
	No.	No.
Number of directors accruing benefits in the money purchase pension scheme	<u>5</u>	<u>2</u>

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

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

5. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Group	2017	2016
	£	£
Directors' emoluments fees		
Non-executive directors' fees	55,121	55,561

Employee costs during the year including directors

Group	£	£
Wages and salaries	4,738,562	4,244,259
Social security costs	545,594	481,930
Pension contributions	82,256	71,815
	<u>5,366,412</u>	<u>4,798,004</u>

The company had no employee costs during the year (2016: £nil).

Average number of persons employed including directors

Group	No.	No.
Sales and Marketing	23	22
R&D and Technical Services	66	60
Administration	7	7
	<u>96</u>	<u>89</u>

The company had no employees during the year (2016: none).

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2017	2016
	£	£
Bank interest	152,519	159,434
Loan note interest	789,933	718,317
Foreign exchange	1,930	5,692
Finance lease interest	2,491	1,430
	<u>946,873</u>	<u>884,873</u>

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2017

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

The tax credit comprises:

	2017 £	2016 £
Current tax		
UK corporation tax	(67,680)	-
Adjustments in respect of prior period	-	1,594
Total current tax	(67,680)	1,594
Deferred tax		
Origination and reversal of timing differences	7,564	(18,750)
Effect of changes in tax rates	1,280	4,667
Total deferred tax	8,844	(14,083)
Total tax credit on profit on ordinary activities	(58,836)	(12,489)

The standard rate of tax applied to reported profit on ordinary activities is 19.75% (2016: 20%). The applicable tax rate changed following the substantive enactment of the Finance Act 2016.

The Finance Act 2015 which was substantively enacted on 26 October 2015 included legislation to reduce the main rate of corporation tax to 19% from 1 April 2017 and to 18% from 1 April 2020.

The March 2016 Budget Statement announced a further change to the UK Corporation tax rate which will now reduce the main rate of corporation tax to 17% from 1 April 2020.

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	(1,905,687)	(1,454,003)
Tax on Group profit on ordinary activities at blended UK corporation tax rate of 19.75% (2016: 20%)	(376,385)	(290,801)
Effects of:		
Expenses not deductible for tax purposes	240,379	246,229
Income not taxable	(73,417)	(55,567)
Deferred tax asset not recognised	149,306	81,389
Adjustments in respect of previous periods	-	1,594
Effects of changes in tax rates	1,281	4,667
Group current tax credit for year	(58,836)	(12,489)

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2017

8. INTANGIBLE FIXED ASSETS

	Brand £	Licences £	Development costs £	Customer lists £	Software products £	Total intangible assets £	Goodwill £
Cost							
At 1 July 2016	27,760	341,500	2,271,732	9,133,000	2,612,000	14,385,992	554,960
Additions	-	-	1,868,242	26,099	-	1,894,341	-
Disposals	(27,760)	-	-	-	-	(27,760)	-
At 30 June 2017	-	341,500	4,139,974	9,159,099	2,612,000	16,252,573	554,960
Amortisation							
At 1 July 2016	20,924	114,193	507,798	1,293,842	370,033	2,306,790	39,303
Charge in year	5,509	113,476	834,548	914,200	261,200	2,128,933	27,755
Disposals	(26,433)	-	-	-	-	(26,433)	-
At 30 June 2017	-	227,669	1,342,346	2,208,042	631,233	4,409,290	67,058
Net book value							
At 30 June 2017	-	113,831	2,797,628	6,951,057	1,980,767	11,843,283	487,902
At 30 June 2016	6,836	227,307	1,763,934	7,839,158	2,241,967	12,079,202	515,657

9. FIXED ASSET INVESTMENTS

Company	Kallidus Target Limited £
Cost	
At 1 July 2016	48,009
At 30 June 2017	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 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.

The registered office of Intraventure Limited is 6 New Street Square, London, EC4A 3LX. The registered office of all other subsidiary undertakings is 5 Fleet Place, London, EC4M 7RD.

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

10. TANGIBLE FIXED ASSETS

Group	Computer equipment £	Office equipment £	Fixture and fittings £	Total £
Cost				
At 1 July 2016	720,449	90,833	40,220	851,502
Additions	54,030	622	809	55,461
Disposals	(280,546)	(39,188)	-	(319,734)
At 30 June 2017	493,933	52,267	41,029	587,229
Depreciation				
At 1 July 2016	600,968	81,256	16,357	698,581
Charge in year	72,648	6,374	7,733	86,755
Disposals	(280,546)	(39,188)	-	(319,734)
At 30 June 2017	393,070	48,442	24,090	465,602
Net book value At 30 June 2017	100,863	3,825	16,939	121,627
At 30 June 2016	119,481	9,577	23,863	152,921

The net book value of fixtures and fittings held under finance leases is £14,956 (2016: £21,603). Kallidus Holdings Limited has no tangible fixed assets held under finance leases.

11. STOCKS AND WORK IN PROGRESS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Stocks	4,000	3,757	-	-

The Company has no stocks or work in progress.

12. DEBTORS

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Trade debtors	1,257,734	2,123,650	-	-
Amounts owed by group undertakings	-	-	5,284,006	5,284,006
Corporation tax recoverable	67,680	-	-	-
Deferred tax asset (note 17)	33,155	41,999	-	-
Prepayments and accrued income	593,624	405,952	-	-
	1,952,193	2,571,601	5,284,006	5,284,006

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2017

13. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdraft	-	500,000	-	-
Obligations under finance leases	4,968	4,427	-	-
Bank loan	850,000	285,963	-	-
Trade creditors	577,569	826,143	-	-
Other taxation and social security	601,797	480,094	-	-
Accruals	318,609	271,278	-	-
Deferred income	3,377,203	3,528,754	-	-
Corporation tax	-	702	-	-
	<u>5,730,146</u>	<u>5,897,361</u>	<u>-</u>	<u>-</u>

14. CREDITORS: AMOUNTS FALLING DUE AFTER ONE YEAR

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Obligations under finance leases	13,513	18,481	-	-
Bank loan	2,250,000	1,837,984	-	-
Loan notes	8,496,606	7,706,673	3,907,392	3,544,120
	<u>10,760,119</u>	<u>9,563,138</u>	<u>3,907,392</u>	<u>3,544,120</u>

15. GROUP BORROWINGS

2017	Bank loan £	Loan notes £	Finance lease £	Bank overdraft £	Total £
Within one year	850,000	-	4,968	-	1,604,968
Between one and two years	400,000	-	5,575	-	5,575
Between two and five years	1,850,000	8,496,606	7,938	-	10,904,544
Total Group borrowings	<u>3,100,000</u>	<u>8,496,606</u>	<u>18,481</u>	<u>-</u>	<u>12,515,087</u>

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2017

15. GROUP BORROWINGS (continued)

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>22,908</u>	<u>500,000</u>	<u>10,353,528</u>

On 28 October 2016 the Group re-banked with The Royal Bank of Scotland plc. The new Royal Bank of Scotland facilities comprise a term loan of £2,100,000 at a weighted interest rate of 3.8% plus LIBOR repayable on 28 October 2021 plus a revolving credit facility of up to £1,200,000 at an interest rate of 3.5% plus LIBOR.

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.

16. CALLED UP SHARE CAPITAL	2017 £	2016 £
Authorised, allotted, called up and fully paid		
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
	<u>26,676</u>	<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.

17. RELATED PARTY TRANSACTIONS

During the year the Group purchased consultancy services from Reditus Limited for £nil (2016: £1,312). At the balance sheet date, the creditor amounted to £nil (2016: £nil). Monitoring fees paid during the year to FPE Capital LLP were £34,246 (2016 £32,698). At the balance sheet date the creditor due to FPE Capital LLP amounted to £13,754 (2016 £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 For the year ended 30 June 2017

18. DEFERRED TAX ASSET

	Group 2017 £	Company 2016 £
Deferred tax asset		
Balance at 1 July 2016	41,999	-
Credit for the period	(8,844)	-
Balance at 30 June 2017	<u>33,155</u>	<u>-</u>

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Deferred tax asset				
Capital allowances in excess of depreciation	31,971	40,992	-	-
Short-term timing differences	1,184	1,007	-	-
	<u>33,155</u>	<u>41,999</u>	<u>-</u>	<u>-</u>

No material reversal is expected within the next 12 months.

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

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Losses	<u>130,257</u>	<u>86,320</u>	<u>130,257</u>	<u>72,530</u>

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

	2017 £	2016 £
Operating loss	(958,814)	(569,130)
Adjustment for:		
Depreciation	86,755	92,548
Amortisation	2,156,688	1,668,248
Loss on disposal	1,325	-
Increase in stocks	(243)	-
Decrease/(increase) in debtors	753,435	(617,560)
(Decrease)/increase in creditors	(231,091)	1,008,629
Net cash inflow from operating activities	<u>1,808,055</u>	<u>1,582,735</u>

KALLIDUS HOLDINGS LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS For the year ended 30 June 2017

20. FINANCIAL COMMITMENTS

Operating leases

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

	2017		2016	
	Land and buildings £	Other £	Land and buildings £	Other £
- within one year	63,840	1,778	6,324	-
- between one and five years	86,796	1,384	-	-
	<u>150,636</u>	<u>3,162</u>	<u>6,324</u>	<u>-</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 £363,272 (2016: £330,337).

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 2017 was £82,256 (2016: £71,815).

23. SUBSIDIARY COMPANY AUDIT EXEMPTIONS

For the year ended 30 June 2017 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.