

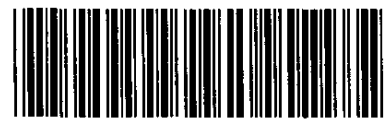
Company Registered Number 11858430

**APOLLO KALLIDUS MIDCO LIMITED**

**Annual Report and Consolidated Financial Statements**

**for the period from incorporation on  
4 March 2019 to 30 June 2019**

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# **APOLLO KALLIDUS MIDCO LIMITED**

## **CONSOLIDATED FINANCIAL STATEMENTS 2019**

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## **APOLLO KALLIDUS MIDCO LIMITED**

### **OFFICERS AND PROFESSIONAL ADVISERS**

#### **DIRECTORS**

T S Green        (appointed 4 March 2019)  
V Krishna        (appointed 4 March 2019)

#### **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

## **APOLLO KALLIDUS MIDCO LIMITED**

### **STRATEGIC REPORT**

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

These are the Company's first consolidated financial statements for the period from incorporation on 4 March 2019 to 30 June 2019 and accordingly prior period comparatives are not presented. These financial statements are prepared in accordance with Financial Reporting Standard 102 (FRS 102).

#### **Principal activities**

The principal activities of the Group comprise the provision of software systems, e-learning, and consultancy services to support the effective recruitment, onboarding and development of an organisation's employees. These principal activities are delivered by the Group's main trading subsidiary, Kallidus Limited.

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

The Group has consolidated the results of Kallidus Limited for the post-acquisition period being 14 March 2019 to 30 June 2019. Given the shorter post-acquisition period the directors consider it more appropriate to comment on Kallidus Limited's ("Kallidus") full year of trading for the year ended 30 June 2019.

The directors are pleased to report on a year of success for Kallidus with a 18% revenue growth on the year ended 30 June 2018. Kallidus is following its strategy of increasing its recurring revenues in proportion to its services offering. This is tactically achieved by developing its multi-tenanted SaaS ('Software-as-a-Service') modules to be both quicker and easier to implement. This reduces and also de-risks the customer onboarding cycle whilst continuing to offer a premium end-user experience. It expedites SaaS sales, over a broader customer base and results in an inherently lower service revenue percentage.

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

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

- On 14<sup>th</sup> March 2019 the business saw the exit of FPE Capital and the introduction of a new investor, Apse Capital. Kallidus Limited has since invested significantly in sales & marketing to grow its customer base, as well as accelerating product development on its integrated suite.
- Extending support operations to service international customers, both within their region and by deploying multiple time zone cover from the UK.
- Improving the customer Net Promoter Score (NPS) from 20 to 36 through ongoing work on the Customer Excellence programme. NPS is widely used in the technology and service sectors to gain insight into the customer experience. Scoring starts at negative 100 to rise to a maximum positive 100. A negative score can be indicative of customer detractors. Whereas a positive score alludes to customer advocacy and recommendation, which underpins growth potential.
- Continued development of the product suite, including the addition of Social Learning and AI capabilities.
- Winning the Bronze award for Best LMS Implementation with Sainsbury's at the Learning Technology Awards November 2018.

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

## APOLLO KALLIDUS MIDCO LIMITED

### STRATEGIC REPORT (continued)

#### Key performance indicators

The Group accounts consolidate Kallidus Limited's results for the period 14 March 2019 to 30 June 2019.

This commentary refers to Kallidus Limited to provide a meaningful review of the acquired trading subsidiary. Highlights of the Kallidus Limited's ("Kallidus") operating and financial performance in the full year ended 30 June 2019 are as follows:

Turnover saw growth of 18% on the previous year, increasing from £8,962,000 in 2018 to £10,605,000 in 2019 on which Kallidus improved its gross margin to just over 68% (2018: 63%).

As at 30 June 2019, 79% of Kallidus trading revenues were also recurring in nature (2018: 66%).

Gross margin increased by £1,575,000 (or 28%) in the year ended 30 June 2019, when compared to the year ended 30 June 2018.

Selling and administrative expenses increased by £523,000 for the same comparative period. Product development costs, accounted for within selling and administrative expenses, were £667,000 for the year ended 30 June 2019 representing an increase of 3% on the prior year ended 30 June 2018 (2018: £647,000).

The amortisation charge relating to the development cost intangible asset was £1,877,000 (2018: £1,488,000) an increase of 26% and £389,000. Increased development cost amortisation resulted from the commercial release of new product within the year ended 30 June 2019. Net loss before tax was £52,000 for the year 30 June 2019 (2018: loss of £631,000). This movement was due to the improvement in absolute and percentage gross margin, more than offsetting the strategic increases in selling and administrative expenses, and additional development cost amortisation which has no cash effect on the reported year. At an EBITDA level earnings improved by 76% or £1,044,000 to £2,407,000 (2018: £1,363,000).

As at 30 June 2019, Kallidus employed 100 staff (2018: 91).

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

Year ended:		2015	2016	2017	2018	2019
Turnover	£'000	7,257	7,981	8,480	8,962	10,605
% growth year-on-year	%	7%	10%	6%	6%	18%
% recurring revenue	%	53%	56%	61%	66%	79%
Gross profit	£'000	4,463	4,950	5,326	5,646	7,221
Gross profit %	%	61%	62%	63%	63%	68%
EBITDA	£'000	1,176	1,109	1,198	1,363	2,407
Profit/(Loss) before tax	£'000	919	544	53	(631)	(52)

#### Principal risks and uncertainties

The key risks and uncertainties affecting the Group and Company 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.

**STRATEGIC REPORT (continued)**

**Principal risks and uncertainties (continued)**

**Brexit**

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

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

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

**Covid-19**

Prior to filing the FY19 statutory accounts in March 2020 the Covid-19 global pandemic severely impacted Europe, the USA and the UK. In order to better understand the effects of this unprecedented outbreak and to evaluate the Group's mitigation response options, a filing extension was sought to 30th June 2020.

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

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

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

**STRATEGIC REPORT (continued)**

**Principal risks and uncertainties (continued)**

**Covid-19 (continued)**

During the first calendar quarter of 2020, as the pandemic began to take effect, the wider Kallidus Group maximised its liquidity position by:

- (i) drawing down on existing facilities - £500,000 RCF drawdown in March 2020
- (ii) taking advantage of the government's VAT payment deferral scheme and establishing strict cost and governance control strategies until the effects could be better evaluated.
- (iii) all existing capital and operational expenditure plans were reviewed by the Board. All such non-essential spend was either deferred or cancelled, as necessary.
- (iv) In addition, during the latter half of 2019, the company significantly increased its strategic investment in its sales and research and development resource with a view to accelerating growth. With the recent business uncertainty arising from Covid-19, an element of this resource was furloughed at full salary levels to maintain the Kallidus' capacity to capitalise on business opportunities as the wider economy recovers. It is envisaged that all such resources will return to the business on a phased approach by 1st August at the latest.

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

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

Detailed modelling has been undertaken by the Board of Directors for the next 18 months on the following basis:

- (i) Contract renewals at the post Covid-19 rate (March 2020 through June 2020) less a further 5% contingency, that is 95% renewal by value.
- (ii) New business volumes at a reduced 50% level as currently being experienced in June 2020 and not returning to normal levels (100%) until the second calendar quarter of 2021.
- (iii) Fully loaded operational costs and headcount throughout with no use of government assistance through any furlough schemes.
- (iv) Continued additional strategic expenditure throughout, to capitalise on the opportunity of accelerated digital learning once normal trading resumes.
- (v) Working capital assumptions extrapolated on current post Covid-19 experience (March 2020 through to June 2020).

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

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

## **APOLLO KALLIDUS MIDCO LIMITED**

### **STRATEGIC REPORT (continued)**

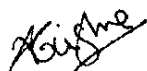
#### **Future developments**

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

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

On acquisitive activities, the Group continuously reviews the market to identify targets that would be synergistic to the Group's wider HCM offering. This is evidenced by the 100% acquisition of e-learning provider, HOT Learning Limited (trading as Engage in Learning), subsequent to the year end, on 28th February 2020. Gloucester based HOT Learning Limited is a rapidly growing business providing off-the-shelf and bespoke content through its proprietary learning management system, customers' existing systems or third party learning platforms to over 800 customers (from SME's to global multinationals) with over 100 courses focussed on the more resilient compliance, health and safety and personal development sectors.

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



**V Krishna**  
Director

30 June 2020



## **APOLLO KALLIDUS MIDCO LIMITED**

### **DIRECTORS' REPORT**

The directors present their annual report on the affairs of the Group, together with the audited financial statements for the period ended 30 June 2019.

### **FUTURE DEVELOPMENTS AND EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE**

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

On 28 February 2020 the subsidiary undertaking, Apollo Kallidus Bidco Limited, acquired 100% of the share capital of e-learning provider, HOT Learning Limited (trading as Engage in Learning). In February 2020, Kallidus Limited also entered into a three year lease commencing in March 2020, with annual break clauses, on an increased capacity facility in Bristol in March 2020 to replace its current leasehold facility which expires in June 2020.

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

### **RESEARCH AND DEVELOPMENT**

The Group's software products continue to be key to its future success. During the period three and a half month period ended 30 June 2019, the Group's investment in research and development charged to the Statement of Comprehensive Income was £125,000 but total development expenditure in the period ended 30 June 2019, including capitalised software development costs, was £741,000.

### **GOING CONCERN**

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

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

The Group loss before tax of £4,088,000 is after charging amortisation on intangible assets arising on acquisition of £2,888,000, loan note interest of £988,000 that is rolled into a payment-in-kind loan. Loan note interest is to be settled on redemption. Loan notes are redeemable on the earlier of an exit or March 2029. An exit event is defined as the sale, liquidation or listing of the Group. None of these charges had a cash flow effect and further details on the full year performance of the trading subsidiary, Kallidus Limited, can be found in the Review of the Business section in the Strategic Report.

The Group's major shareholder is a Private Equity ("PE") firm. As is typical in PE investments there is a significant funding debt, primarily loan notes, which sit in the upper section of the balance sheet. This funding structure results in negative net liabilities. Such funding is long-term, and it is intended to be redeemed on an exit event. It is not a liability arising from the normal trading operations of the Group and has no cash effect on trading.

Negative net current liabilities include bank loans repayable within the year of £400,000 and deferred income balances of £4,404,000. The deferred income balances arise from billing customers in advance and then recognising the income over the life of the customer contract. They are not a cash liability. In the very short-term such customer payments increase cash. However, the Group's strategy of investing in product has seen a proportion of cash receipts then being expended on development expenditure within intangible assets. In the period ended 30 June 2019 the Group spent £620,000 on development-cost additions within intangible assets.

## **APOLLO KALLIDUS MIDCO LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **GOING CONCERN (continued)**

This use of cash increases fixed asset value but conversely also increases the net current liability.

Overall Group net liabilities are primarily driven by £34,066,000 of loan notes which are accounted for in the Company. These investor loan notes are financing the Group and are not a trading liability. In accordance with FRS102, loan notes are accounted for as a liability and not within equity.

As explained above the loan notes, and their accrued interest, can only be redeemed on an exit event. The directors do not foresee an exit event occurring before the 12 months from the signing of these financial statements. Therefore, the negative net liabilities are not considered to impact the cashflows of the Group in the period of at least 12 months from the signing of these financial statements and the directors have adopted a going concern basis for the preparation of these financial statements.

The Company and wider Group have taken a number of mitigating actions to protect against the macro-economic risk arising from Covid-19. During the first calendar quarter of 2020, as the pandemic began to take effect, Kallidus Group maximised its liquidity position by:

- (i) drawing down on existing facilities - £500,000 RCF drawdown in March 2020
- (ii) taking advantage of the government's VAT payment deferral scheme and establishing strict cost and governance control strategies until the effects could be better evaluated.
- (iii) all existing capital and operational expenditure plans were reviewed by the Board. All such non-essential spend was either deferred or cancelled, as necessary.
- (iv) In addition, during the latter half of 2019, the company significantly increased its strategic investment in its sales and research and development resource with a view to accelerating growth. With the recent business uncertainty arising from Covid-19, an element of this resource was furloughed at full salary levels to maintain the Kallidus' capacity to capitalise on business opportunities as the wider economy recovers. It is envisaged that all such resources will return to the business on a phased approach by 1st August at the latest.
- (v) Formally agreeing with the Group's bank on the deferral of any bank term loan repayments to March 2022.

In addition to the above liquidity measures, the Group also agreed with its bank to increase covenant headroom for the period March 2022. This was to ensure that not only would the Group have cash sufficiency, seeing cash reserves in excess of £1m for the 18 month outlook from June 2020 but also be in compliance with its banking facilities for the same 18 month period.

The actions to maximise liquidity and banking covenant headroom underpin the going concern basis.

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

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

##### **Foreign exchange risk**

The Group's activities occasionally expose it to the financial risk of changes in foreign currency exchange rates. Since 88% 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.

## **APOLLO KALLIDUS MIDCO LIMITED**

### **DIRECTORS' REPORT (continued)**

#### **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

##### **Credit risk**

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

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

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

##### **Liquidity risk**

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

##### **Macro-economic risk**

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

#### **DIRECTORS' INDEMNITIES**

The company has made qualifying third party indemnity provisions for the benefit of its directors which were made during the period and remain in force at the date of this report.

#### **DIVIDENDS**

The directors do not recommend payment of a dividend for the period ended 30 June 2019. No dividend has been recommended or paid after 30 June 2019 to the date of this report.

#### **DIRECTORS**

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

T S Green	(appointed 4 March 2019)
V Krishna	(appointed 4 March 2019)

**APOLLO KALLIDUS MIDCO LIMITED**

**DIRECTORS' REPORT (continued)**

**PROVISION OF INFORMATION TO THE AUDITOR**

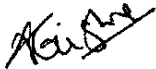
Each of the persons who is a director at the date of approval of this annual report confirms that:

- 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 provisions of s418 of the Companies Act 2006.

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

Approved by the Board and signed on its behalf by:



**V Krishna**  
Director

30 June 2020

## **APOLLO KALLIDUS MIDCO 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 Republic of Ireland". Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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.

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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APOLLO KALLIDUS MIDCO 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 affairs of Apollo Kallidus Midco Limited (the 'Parent Company') and its subsidiaries (the 'Group') as at 30 June 2019 and of the Group's loss for the period 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 the Parent Company and 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; 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 Financial Reporting Council's ("the FRC's") Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the 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 APOLLO KALLIDUS MIDCO 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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### **Report on other legal and regulatory requirements**

#### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial period 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 Group and the Parent Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Strategic Report or the Directors' Report.

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

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

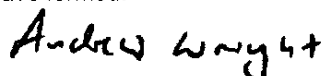
Under the Companies Act 2006 we are required to report in respect of the following matters if, in our opinion:

- 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.

**Use of our report**

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



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

Statutory Auditor  
Bristol  
United Kingdom

30 June 2020



**APOLLO KALLIDUS MIDCO LIMITED**

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
For the period ended 30 June 2019

	Note	Period 4 March to 30 June 2019 £'000
<b>TURNOVER</b>	3	3,136
Cost of sales		(981)
<b>GROSS PROFIT</b>		<u>2,155</u>
Amortisation of intangible assets		(3,550)
Administrative expenses and distribution costs		(1,454)
Administrative expenses		<u>(5,004)</u>
<b>OPERATING LOSS</b>		(2,849)
Interest payable and similar charges	6	(1,239)
<b>LOSS BEFORE TAXATION</b>	5	<u>(4,088)</u>
Tax credit on loss	7	58
<b>LOSS FOR THE FINANCIAL PERIOD</b>		<u><u>(4,030)</u></u>

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

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

**APOLLO KALLIDUS MIDCO LIMITED**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2019**

	Note	£'000	2019 £'000
<b>FIXED ASSETS</b>			
Goodwill	8		40,426
Intangible assets	8		3,680
Tangible assets	10		121
			<u>44,227</u>
<b>CURRENT ASSETS</b>			
Debtors – falling due within one year	11	2,601	
Debtors – falling due after more than one year	11	267	
Cash at bank and in hand		1,553	
		<u>4,421</u>	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR</b>	12	(7,249)	
<b>NET CURRENT LIABILITIES</b>			<u>(2,828)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			<u>41,399</u>
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	13		(44,581)
<b>NET LIABILITIES</b>			<u>(3,182)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16		85
Share premium account			763
Profit and loss account			(4,030)
<b>SHAREHOLDERS' DEFICIT</b>			<u>(3,182)</u>

The consolidated financial statements of Apollo Kallidus Midco Limited, registered number 11858430, were approved by the Board of Directors and authorised for issue on 30 June 2020.

They were signed on its behalf by:



**V Krishna**  
**Director**

**APOLLO KALLIDUS MIDCO LIMITED**

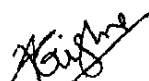
**COMPANY STATEMENT OF FINANCIAL POSITION**  
**As at 30 June 2019**

	Note	£'000	2019 £'000
<b>FIXED ASSETS</b>			
Investments	9		33,927
<b>CURRENT ASSETS</b>			
Debtors	11	-	
<b>CREDITORS: AMOUNTS FALLING DUE WITHIN THAN ONE YEAR</b>	12	(3)	
<b>NET CURRENT LIABILITIES</b>			(3)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			33,924
<b>CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR</b>	13		(34,066)
<b>NET LIABILITIES</b>			(142)
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16		85
Share premium account			763
Profit and loss account			(990)
<b>SHAREHOLDERS' DEFICIT</b>			(142)

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 period was £990,000.

The financial statements of Apollo Kallidus Midco Limited, registered number 11858430, were approved by the Board of Directors and authorised for issue on 30 June 2020.

They were signed on its behalf by:



**V Krishna**  
 Director

**APOLLO KALLIDUS MIDCO LIMITED**

**CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY**  
**As at 30 June 2019**

**Consolidated statement of changes in equity**

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>	<b>Total Equity £'000</b>
<b>At 4 March 2019</b>	-	-	-	-
New shares issued	85	763	-	848
Total comprehensive loss		-	(4,030)	(4,030)
<b>At 30 June 2019</b>	<u>85</u>	<u>763</u>	<u>(4,030)</u>	<u>(3,182)</u>

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

**Company statement of changes in equity**

	<b>Called up share capital £'000</b>	<b>Share premium account £'000</b>	<b>Profit and loss account £'000</b>	<b>Total Equity £'000</b>
<b>At 4 March 2019</b>	-	-	-	-
New shares issued	85	763	-	848
Total comprehensive loss	-	-	(990)	(990)
<b>At 30 June 2019</b>	<u>85</u>	<u>763</u>	<u>(990)</u>	<u>(142)</u>

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

**APOLLO KALLIDUS MIDCO LIMITED**

**CONSOLIDATED STATEMENT OF CASH FLOWS**  
For the period ended 30 June 2019

	Note	£'000	2019 £'000
<b>Net cash inflow from operating activities</b>	18		974
<b>Cash flows from investing activities</b>			
Payments to acquire intangible fixed assets		(616)	
Payments to acquire tangible fixed assets		(33)	
Acquisition of subsidiary net of cash acquired		(25,884)	
<b>Net cash flow from investing activities</b>			(26,533)
<b>Cash flows from financing activities</b>			
Repayments of term loan		(4,730)	
Repayments of loan notes		(12,517)	
Payment of lease obligations		(4)	
Proceeds on issue of loan notes		35,880	
Proceeds on issue of ordinary shares		848	
New bank loans raised		8,000	
Bank arrangement fee		(360)	
Interest paid		(5)	
<b>Net cash flow from financing activities</b>			27,112
<b>Increase in cash in period</b>			1,553
<b>Cash and cash equivalents at beginning of period</b>			-
<b>Cash and cash equivalents at end of period</b>			1,553

The Company is a wholly owned subsidiary undertaking of Apollo Kallidus Holdco Limited, a company incorporated in England and Wales. The Company is included in the consolidated financial statements of Apollo Kallidus Holdco Limited. The Company is a qualifying entity for the purposes of FRS 102 and it has elected to take the exemption under FRS 102, para 1.12(b) not to present a Company statement of cash flows.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**For the period ended 30 June 2019**

**1. ACCOUNTING POLICIES**

The principal accounting policies are summarised below. They have all been applied consistently throughout the period. The Company was incorporated on 4 March 2019. This is the company's first financial statements, and accordingly prior period comparatives are not presented.

**Basis of accounting**

Apollo Kallidus Midco 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 2. 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.

Apollo Kallidus Midco 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 and 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**

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

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

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**1. ACCOUNTING POLICIES (continued)**

**Going concern (continued)**

The Group loss before tax of £4,088,000 is after charging amortisation on intangible assets arising on acquisition of £2,888,000, loan note interest of £988,000 that is rolled into a payment-in-kind loan. Loan note interest is to be settled on redemption. Loan notes are redeemable on the earlier of an exit or March 2029. An exit event is defined as the sale, liquidation or listing of the Group. None of these charges had a cash flow effect and further details on the full year performance of the trading subsidiary, Kallidus Limited, can be found in the Review of the Business section in the Strategic Report.

The Group's major shareholder is a Private Equity ("PE") firm. As is typical in PE investments there is a significant funding debt, primarily loan notes, which sit in the upper section of the balance sheet. This funding structure results in negative net liabilities. Such funding is long-term, and it is intended to be redeemed on an exit event. It is not a liability arising from the normal trading operations of the Group and has no cash effect on trading.

Negative net current liabilities include bank loans repayable within the year of £400,000 and deferred income balances of £4,404,000. The deferred income balances arise from billing customers in advance and then recognising the income over the life of the customer contract. They are not a cash liability. In the very short-term such customer payments increase cash. However, the Group's strategy of investing in product has seen a proportion of cash receipts then being expended on development expenditure within intangible assets. In the period ended 30 June 2019 the Group spent £620,000 on development-cost additions within intangible assets.

This use of cash increases fixed asset value but conversely also increases the net current liability.

Overall Group net liabilities are primarily driven by £34,066,000 of loan notes which are accounted for in the Company. These investor loan notes are financing the Group and are not a trading liability. In accordance with FRS102, loan notes are accounted for as a liability and not within equity.

As explained above the loan notes, and their accrued interest, can only be redeemed on an exit event. The directors do not foresee an exit event occurring before the 12 months from the signing of these financial statements. Therefore, the negative net liabilities are not considered to impact the cashflows of the Group in the period of at least 12 months from the signing of these financial statements and the directors have adopted a going concern basis for the preparation of these financial statements.

The Company and wider Group have taken a number of mitigating actions to protect against the macro-economic risk arising from Covid-19. During the first calendar quarter of 2020, as the pandemic began to take effect, Kallidus Group maximised its liquidity position by:

- (i) drawing down on existing facilities - £500,000 RCF drawdown in March 2020
- (ii) taking advantage of the government's VAT payment deferral scheme and establishing strict cost and governance control strategies until the effects could be better evaluated.
- (iii) all existing capital and operational expenditure plans were reviewed by the Board. All such non-essential spend was either deferred or cancelled, as necessary.
- (iv) In addition, during the latter half of 2019, the company significantly increased its strategic investment in its sales and research and development resource with a view to accelerating growth. With the recent business uncertainty arising from Covid-19, an element of this resource was furloughed at full salary levels to maintain the Kallidus' capacity to capitalise on business opportunities as the wider economy recovers. It is envisaged that all such resources will return to the business on a phased approach by 1st August at the latest.
- (v) Formally agreeing with the Group's bank on the deferral of any bank term loan repayments to March 2022.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**1. ACCOUNTING POLICIES (continued)**

**Going concern (continued)**

In addition to the above liquidity measures, the Group also agreed with its bank to increase covenant headroom for the period March 2022. This was to ensure that not only would the Group have cash sufficiency, seeing cash reserves in excess of £1m for the 18 month outlook from June 2020 but also be in compliance with its banking facilities for the same 18 month period.

The actions to maximise liquidity and banking covenant headroom underpin the going concern basis

**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 statement of financial position date are reported at the rates of exchange prevailing at that date. These translation differences are recognised in the statement of comprehensive income.

**Interest Income**

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



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**1. ACCOUNTING POLICIES (continued)**

**Borrowing and finance lease costs**

Borrowing costs are recognised in profit or loss in the period in which they are incurred. Interest payable on both borrowings and finance leases is calculated using the effective interest rate method.

**Tangible fixed assets**

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

Computer equipment	2 years straight-line
Office equipment	4 years straight-line
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	3 years straight-line
Software products	10 years straight-line
Goodwill arising on acquisition	5 years straight line
Licences	3 years straight-line
Development costs	3 years straight-line

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

Goodwill arising on acquisition is amortised over five years. This is considered to be the useful life of this asset. It arose as a result of a private equity acquisition. The directors estimate that the current investors' period of ownership will be five years.

**Taxation**

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

Deferred tax is provided in full on timing differences that result in an obligation at the statement of financial position date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**1. ACCOUNTING POLICIES (continued)**

**Finance leases**

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

**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.

**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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments**

**(i) Financial assets and liabilities (continued)**

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 a financing transaction) and are classified as payable or receivable within one year are initially measured at an undiscounted amount of the cash or other consideration expected to be paid or received, net of impairment.

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

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

Financial assets are derecognised when and only when (a) the contractual rights to the cash flows from the financial asset expire or are settled, (b) the 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.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**1. ACCOUNTING POLICIES (continued)**

**Financial instruments (continued)**

(i) Financial assets and liabilities (continued)

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

(ii) Investments

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

**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 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.

**Key sources of estimation uncertainty**

There are no key sources of estimation uncertainty.

# APOLLO KALLIDUS MIDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2019

### 3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounts to 12%. The turnover is attributable to the Group's principal activities.

	Period 4 March to 30 June 2019 £'000
United Kingdom	2,747
Rest of Europe	243
Other	146
	<hr/> 3,136 <hr/>

### 4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group	Period 4 March to 30 June 2019 £'000
<b>Directors' emoluments fees</b>	
Emoluments	237
Pension contributions	4
	<hr/> 241 <hr/>
	<b>No.</b>
Number of directors accruing benefits in the money purchase pension scheme	<hr/> 5 <hr/>

R S Caul, P Pyle and A Munday were remunerated by Kallidus Limited.

#### Employee costs during the period including directors

Group	£'000
Wages and salaries	1,543
Social security costs	160
Pension contributions	77
	<hr/> 1,780 <hr/>

The Company had no employee costs during the period.

# **APOLLO KALLIDUS MIDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)** **For the period ended 30 June 2019**

### **4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)**

#### **Monthly average number of persons employed including directors**

<b>Group</b>	<b>Period 4 March to 30 June 2019 No.</b>
Sales and Marketing	27
R&D and Technical Services	62
Administration	11
	<hr/>
	100
	<hr/>

The Company had no employees during the period.

### **5. LOSS BEFORE TAX**

	<b>Period 4 March to 30 June 2019 £'000</b>
Loss before tax is stated after charging:	
Depreciation – owned assets (note 10)	23
Amortisation (note 8)	3,550
Research and development	125
Auditor's remuneration - audit services:	
- Group	61
- Company	3
Non-audit services – taxation compliance services	13
Operating lease rentals – land and buildings	42
	<hr/>

Amortisation is recognised within administrative expenses.

### **6. INTEREST PAYABLE AND SIMILAR CHARGES**

	<b>Period 4 March to 30 June 2019 £'000</b>
Bank interest	167
Loan note interest	988
Interest payable to group undertakings	84
	<hr/>
	1,239
	<hr/>

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**7. TAX ON LOSS**

The tax credit comprises:

	<b>Period 4 March to 30 June 2019 £'000</b>
<b>Current tax</b>	
UK corporation tax	(56)
Total current tax	<u>(56)</u>
<b>Deferred tax</b>	
Origination and reversal of timing differences	(2)
Total deferred tax	<u>(2)</u>
<b>Total tax credit on loss on ordinary activities</b>	<u>(58)</u>

The standard rate of tax applied to reported loss on ordinary activities is 19% . 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 2018 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.

At Budget 2019 it was announced that legislation would be proposed to maintain the main rate of corporation tax at 19% from 1 April 2020, although this has not been enacted at the date of approval of the financial statements.

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

	<b>£'000</b>
Group loss on ordinary activities before tax	<u>(4,088)</u>
	<b>£</b>
Tax on Group loss on ordinary activities at blended UK corporation tax rate of 19%	(777)
Effects of:	
Expenses not deductible for tax purposes	555
Income not taxable	(43)
Deferred tax asset not recognised	<u>207</u>
<b>Group tax credit for period</b>	<u>(58)</u>

# APOLLO KALLIDUS MIDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2019

### 8. INTANGIBLE FIXED ASSETS

	Development costs £'000	Licences £'000	Customer lists £'000	Software products £'000	Total intangible assets £'000	Goodwill £'000	Grand total £'000
<b>Cost</b>							
At 4 March 2019	-	-	-	-	-	-	-
Arising on acquisition	7,233	767	28	246	8,274	43,314	51,588
Additions	616	-	-	-	616	-	616
Reclassification	246	-	-	(246)	-	-	-
At 30 June 2019	8,095	767	28	-	8,890	43,314	52,204
<b>Amortisation</b>							
At 4 March 2019	-	-	-	-	-	-	-
Arising on acquisition	4,088	443	17	-	4,548	-	4,548
Charge in period	620	40	2	-	662	2,888	3,550
At 30 June 2019	4,708	483	19	-	5,210	2,888	8,098
<b>Net book value</b>							
At 30 June 2019	3,387	284	9	-	3,680	40,426	44,106
At 4 March 2019	-	-	-	-	-	-	-

### 9. FIXED ASSET INVESTMENTS

Company	Apollo Kallidus Midco Limited £'000
<b>Cost</b>	
At 4 March 2019	-
Additions	33,927
At 30 June 2019	33,927

The Company holds more than 20% of the share capital of the following companies, all of which are registered and incorporated in England and Wales:

Subsidiary undertaking	Registered number	Principal activity	Class	Shares held
Apollo Kallidus Bidco Limited*	11859037	Holding company	Ordinary	100%
Kallidus Holdings Limited	09261638	Holding company	Ordinary	100%
Kallidus Intermediary Limited	09262306	Holding company	Ordinary	100%
Kallidus Bidco Limited	09263434	Holding company	Ordinary	100%
Kallidus Target Limited**	07008939	Dormant	Ordinary	100%
Kallidus Limited	03984404	Software systems	Ordinary	100%
Intraventure Limited**	04161655	Dormant	Ordinary	100%
Advorto UK Limited	07452718	Software systems	Ordinary	100%

\* Held directly by Apollo Kallidus Midco Limited.

\*\* Dormant



**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**9. FIXED ASSET INVESTMENTS (continued)**

The registered office address of all subsidiary undertakings is 5 Fleet Place, London EC4M 7RD. Kallidus Target Ltd and Intraventure Ltd are dormant companies and have taken advantage of the s448A, Companies Act 2006 exemption from filing individual accounts. Both dormant companies are exempt from the requirement to deliver a copy of the company's individual accounts to the registrar by virtue of this section.

**Acquisition of subsidiary undertaking**

On 14 March 2019 the Group acquired the group headed by Kallidus Holdings Limited.

The total consideration was £23,344,000.

The acquisition has been accounted for under the acquisition method. The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group:

	<b>Book and fair value to Group £'000</b>
<b>Fixed assets</b>	
Intangible	3,725
Tangible	111
<b>Current assets</b>	
Debtors	2,727
Taxation	92
Cash	231
<b>Total assets</b>	<b>6,886</b>
<b>Creditors</b>	
Bank loans	(4,729)
Trade creditors	(1,478)
Accruals and deferred income	(4,900)
Finance lease liabilities	(33)
Loan notes	(12,516)
<b>Total liabilities</b>	<b>(23,656)</b>
<b>Net liabilities</b>	<b>(16,770)</b>
<b>Satisfied by</b>	
Cash	24,555
Deferred fees	1,989
	<b>26,544</b>
<b>Goodwill arising on acquisition</b>	<b>43,314</b>

Goodwill arising on acquisition is accounted for in intangible assets (note 8). This goodwill is being amortised over its estimated useful life of 5 years.

**APOLLO KALLIDUS MIDCO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**10. TANGIBLE FIXED ASSETS**

<b>Group</b>	<b>Computer equipment £'000</b>	<b>Office equipment £'000</b>	<b>Fixture and fittings £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 4 March 2019	-	-	-	-
Arising on acquisition	272	25	78	375
Additions	22	11	-	33
Disposals	-	(3)	-	(3)
At 30 June 2019	294	33	78	405
<b>Depreciation</b>				
At 4 March 2019	-	-	-	-
Arising on acquisition	197	22	45	264
Charge in period	16	1	6	23
Disposals	-	(3)	-	(3)
At 30 June 2019	213	20	51	284
<b>Net book value</b>				
At 30 June 2019	81	13	27	121
At 4 March 2019	-	-	-	-

**11. DEBTORS**

	<b>Group 2019 £'000</b>	<b>Company 2019 £'000</b>
<b>Amounts falling due within one year</b>		
Trade debtors	1,852	-
Amounts owed by Group undertakings	-	-
Corporation tax recoverable	147	-
Deferred tax asset (note 17)	2	-
Prepayments and accrued income	600	-
	<u>2,601</u>	<u>-</u>
<b>Amounts falling due after more than one year</b>		
Prepayments and accrued income	<u>267</u>	<u>-</u>

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

# **APOLLO KALLIDUS MIDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)** **For the period ended 30 June 2019**

### **12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	<b>Group 2019 £'000</b>	<b>Company 2019 £'000</b>
Obligations under finance leases	16	-
Bank loan	400	-
Trade creditors	886	-
Other taxation and social security	358	-
Accruals	1,185	3
Deferred income	4,404	-
	<u>7,249</u>	<u>3</u>

### **13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<b>Group 2019 £'000</b>	<b>Company 2019 £'000</b>
Obligations under finance leases	13	-
Bank loan	7,600	-
Loan notes	34,066	34,066
Amounts due to group undertakings	2,902	-
	<u>44,581</u>	<u>34,066</u>

The finance lease liabilities represent the total future minimum lease payments.

On 14 March 2019 the Group acquired Kallidus Holdings Limited and all of its subsidiary companies. The acquisition consideration was funded, in part, by a £8,000,000 term loan facility from the Royal Bank of Scotland plc. This term loan is at a weighted interest rate of 4.3% plus LIBOR and it is repayable on 14 March 2025.

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 annually. Interest is rolled into a Payment-in-Kind loan to be settled on redemption. Preference shares are not entitled to any votes and are redeemable. Preference shares are shown as a financial liability in the balance sheet and carry an interest charge of 10% compounding annually. Interest is rolled into the carried fair value of the preference shares.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

**14. GROUP BORROWINGS**

<b>2019</b>	<b>Bank loan £'000</b>	<b>Loan notes £'000</b>	<b>Finance lease £'000</b>	<b>Total £'000</b>
Within one year	400	-	16	416
Between one and two years	500	-	13	513
Between two and five years	2,300	-	-	2,300
After more than five years	4,800	34,066	-	38,866
Total Group borrowings	8,000	34,066	29	42,095

The finance lease liabilities represent the total future minimum lease payments.

On 14 March 2019 the Company acquired Kallidus Holdings Limited. The acquisition consideration was funded, in part, by two term loan facilities from the Royal Bank of Scotland plc. The first of these loans, for £3,200,000, bears interest at the rate of 4.0% plus LIBOR and is repayable in quarterly instalments until 14 March 2024. The second loan, for £4,800,000, bears interest at the rate of 4.5% plus LIBOR and is repayable in on 14 March 2025.

Loan notes with a nominal value of £33,079,000 were issued on 14 March 2019. The loan notes are unsecured and carry an interest charge of 10% per annum compounding semi-annually. The loan notes are redeemable in 2029. Interest is rolled into a Payment-in-Kind loan to be settled on redemption. Loan notes are carried at the amount of nominal value plus rolled-up interest.

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)  
For the period ended 30 June 2019

15. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	Group 2019 £'000	Company 2019 £'000
<i>Measured at undiscounted amount receivable</i>		
Trade debtors	1,852	-

Financial liabilities

	Group 2019 £'000	Company 2019 £'000
<i>Measured at amortised cost</i>		
Bank loans	8,000	-
Loan notes	34,066	34,066
Obligations under finance leases	29	-
<i>Measured at undiscounted amount payable</i>		
Trade and other creditors	1,244	-
Deferred income	4,404	-
	50,399	34,066

**APOLLO KALLIDUS MIDCO LIMITED**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)**  
**For the period ended 30 June 2019**

<b>16. CALLED UP SHARE CAPITAL</b>	<b>2019</b>
	<b>£'000</b>
<b>Allotted, called-up and fully paid</b>	
848,181 ordinary share of £0.10	85

On 14 March 2019, 848,181 ordinary shares of £0.10 each were issued for consideration of £848,000, giving rise to share premium of £763,000.

<b>17. DEFERRED TAX ASSET</b>	<b>Group</b>	<b>Company</b>
	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
<b>Deferred taxation asset</b>		
Balance at 4 March 2019	-	-
Current period credit	(2)	-
Balance at 30 June 2019	(2)	-

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

Short-term timing differences	(2)
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No material reversal is expected within the next 12 months.

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

	<b>Group</b>	<b>Company</b>
	<b>2019</b>	<b>2019</b>
	<b>£'000</b>	<b>£'000</b>
Depreciation in excess of capital allowances	11	-
Short term timing differences	214	-
Losses	538	-
	763	-

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

# **APOLLO KALLIDUS MIDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)** **For the period ended 30 June 2019**

### **18. RECONCILIATION OF OPERATING LOSS TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	<b>2019 £'000</b>
Operating loss	(2,849)
Adjustment for:	
Depreciation	23
Amortisation	3,550
Decrease in debtors	149
Increase in creditors	101
<b>Net cash inflow from operating activities</b>	<b>974</b>

### **19. FINANCIAL COMMITMENTS**

#### **Operating leases**

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

	<b>2019</b>	
	<b>Land and buildings £'000</b>	<b>Other £'000</b>
- within one year	135	1
- between one and five years	70	1
	<u>205</u>	<u>2</u>

### **20. PARENT COMPANY LOSS**

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 parent Company's loss for the period is disclosed at the foot of the company balance sheet.

### **21. DEFINED CONTRIBUTION SCHEMES**

The Group operates defined contribution retirement benefit schemes for qualifying employees. The total expense charged to profit or loss in the period ended 30 June 2019 was £77,000. The balance owed to the scheme at 30 June 2019 was £29,000.

## APOLLO KALLIDUS MIDCO LIMITED

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the period ended 30 June 2019

#### 22. SUBSIDIARY COMPANY AUDIT EXEMPTIONS

For the period ended 30 June 2019 certain subsidiaries of Apollo Kallidus Midco Limited were entitled to exemption from audit under Section 479A of the Companies Act 2006 relating to subsidiary companies. Apollo Kallidus Holdco 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:

<b>Subsidiary undertaking</b>	<b>Company Number</b>
Kallidus Intermediary Limited	09262306
Kallidus Bidco Limited	09263434
Advorto UK Limited	07452718

The following dormant companies have taken advantage of the s448A Companies Act 2006 exemption from filing individual accounts:

Kallidus Target Limited	07008939
Intraventure Limited	04161655

#### 23. SUBSEQUENT EVENTS

On 28 February 2020 the subsidiary undertaking, Apollo Kallidus Bidco Limited, acquired 100% of the share capital of e-learning provider, HOT Learning Limited (trading as Engage in Learning).

The Covid-19 global pandemic started to severely impact Europe, the USA and the UK in March 2020. This is a non-adjusting subsequent event. The strategic report details the potential impact of Covid-19 and mitigating actions taken by both the Company and the wider Kallidus Group.

#### 24. ULTIMATE CONTROLLING PARTY

In the opinion of the directors, the ultimate controlling party is the Company's immediate parent company, Apollo Kallidus Holdco Limited, a company incorporated in England and Wales.

Apollo Kallidus Holdco Limited is the parent company of the smallest and largest group into which the results of the Company are consolidated. Copies of the group financial statements can be obtained from the company secretary at the company's registered office, the address of which is 5 Fleet Place, London EC4M 7RD.