

Company Registered Number 11858430

APOLLO KALLIDUS MIDCO LIMITED

**Annual Report and Consolidated Financial Statements
for the year ended 30 June 2023**



APOLLO KALLIDUS MIDCO LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2023

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APOLLO KALLIDUS MIDCO LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T S Green
V Krishna

COMPANY SECRETARY

Oakwood Corporate Secretary Limited

REGISTERED OFFICE

3rd Floor 1 Ashley Road
Altrincham
Cheshire
WA14 2DT

BANKERS

Kartesia UK Limited
6 Chesterfield Gardens
London
W1J 5BQ

AUDITOR

Crowe U.K. LLP
Aquis House
49-51 Blagrove Street
Reading
Berkshire
RG1 1PL

APOLLO KALLIDUS MIDCO 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 recruitment, onboarding and development of an organisation's employees. These principal activities are delivered by the Group's main trading subsidiaries. The principal activity of the company is that of a holding company.

Review of the business

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

The Group's trading operations comprise Kallidus Limited, Hot Learning Limited, and Kallidus Inc.

At a consolidated level, Group Revenues showed strong growth and at £24,830,000 increased by 14% on the equivalent prior period driven by organic growth in Kallidus Limited and Kallidus Inc.

EBITDA at a group level increased compared to the prior year, with the organic growth in Kallidus Limited more than offsetting EBITDA losses in Kallidus Inc as it continues to scale to profitability.

Kallidus

The following relates to the statutory financial statements of the trading subsidiary entity of the group Kallidus Limited ('Kallidus') for the year ended 30 June 2023. These financial statements may be obtained from Companies House.

The directors are pleased to report on a year of success for Kallidus with 22% revenue growth for the full year ended 30 June 2023 at the reporting entity level. Kallidus is following its strategy of prioritising the focus of recurring revenues in proportion to its services offering. This is strategically and tactically achieved by continual development of its multi-tenanted SaaS ('Software-as-a-Service') modules improving and increasing functionality, service speed and ease of implementation. This reduces and also de-risks the customer onboarding cycle whilst continuing to offer a premium end-user experience. It expedites SaaS sales, over a broader customer base, and results in an inherently lower cost to serve, with greater longer term value creation.

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

- **Extending industry leading standard support operations to service international customers**, both within their region and by deploying multiple time zone cover from the UK. Customer satisfaction is a key metric for the Company and it measures this via CSAT measures, with the current CSAT score for support an industry leading 93%.
- **Expansion of the "Kallidus Forever Free Training Academy"** accompanying new customers from implementation throughout their time with Kallidus to maximise the benefits of the Kallidus systems and content, filled with training materials, live events, value add strategic content, resources and templates, reporting top tips and demo's galore.
- **Increased customer footprint:** New Kallidus Learn customers increase the volume and value of products purchased from Kallidus, increasing average contract values to just under £25k over the last 12 months.
- **Deep customer/user engagement:** Completion of 315,000 Kallidus compliance and health & safety courses over the last 12 months on the Kallidus Learn platform, showing our leadership in the off-the-shelf e-learning content market.

APOLLO KALLIDUS MIDCO LIMITED

STRATEGIC REPORT (continued)

Review of the business (continued)

Kallidus (continued)

- **Advancing product capability:** throughout the year we invested our product and development resources across two main themes: new features and customer experience improvements to support our goals of:
 - Improving the product fit within the North American Market
 - Further improving our already impressive customer renewals through customer and focus-group suggested improvements and
 - Enhancing a one platform wrapper for our suite of point solution products
- **Industry recognition:** Highlights from our leadership in the Learning & Development and e-learning course creation include:
 - Positioned as a 'Strong Performer' in the 2024 Fosway 9-Grid for Learning Systems. Also recognised for our lower total cost of ownership
 - A Silver Award for Best Learning Platform Implementation at the Learning Technology 2023 Awards
 - A Bronze Award at the Learning and Performance Institute 2024 Learning Awards for 'Rising Star of the Year'
 - Kallidus Learn named a leading Learning Management System in the G2 Crowd Spring 2023 Report, as a High Performer for Enterprise and Mid-Market Grid. Recognised for 'Users Love Us.'

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.

Engage in Learning

The following relates to the statutory financial statements of the trading subsidiary entity of the group HOT Learning Limited ('Engage in Learning' or 'Engage') for the year ended 30 June 2023. These financial statements may be obtained from Companies House.

Engage 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 SMEs to global multinationals) with over 200 courses focused on the more resilient compliance, health and safety and personal development sectors.

During the year ended 30 June 2023, at the reporting entity level, Engage contributed revenue of £1,062,000 (2022: £2,649,000), gross margin of £1,024,000 (2022: £2,503,000) and net profit before tax of £516,000 (2022: £1,948,000) to the Group's performance. This was due to the run-down of the existing Engage business through the Engage entity as Kallidus pursues a strategy of invoicing new business and renewals through the main Kallidus entity so as to eventually consolidate all billing through the Kallidus entity.

Taking into account Engage Revenues across the group (Kallidus and Engage) total Revenues of £4,436,000 increased by £667,000 or just over +15%.

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STRATEGIC REPORT (continued)

Review of the business (continued)

Kallidus Inc

The following relates to the statutory financial statements of the trading subsidiary entity of the group Kallidus Inc ('Sapling Technologies Inc') for the year ended 30 June 2023.

Kallidus Inc. (formerly Sapling Technologies Inc) is a leading People Operations and employee onboarding Platform, based in San Francisco (US) and Vancouver (Canada).

During the year ended 30 June 2023, Kallidus Inc contributed revenue of £3,530,000 (2022: £2,974,000), Gross Margin of £2,856,000 (2022: £2,472,000) and a Net Loss of £2,455,000 (2022: £2,211,000) to the Group's performance as it continues to scale.

Key performance indicators

There are no relevant key performance indicators given the Company is a holding company. This commentary refers to Kallidus Limited, as it is the most significant trading entity in the group. Highlights of Kallidus Limited's ("Kallidus") operating and financial performance for the full year ended 30 June 2023, as per the audited statutory financial statements which may be obtained from Companies House, compared to the year ended 30 June 2022, are as follows:

Turnover, being the main KPI, saw growth of 22% on the previous year, increasing from £16,829,000 in 2022 to £20,520,000 in 2023 on which the Company saw gross margin increasing to £14,560,000 (2022: £11,050,000) through continued multi-talented SaaS module expansion.

As at 30 June 2023, 80% of trading revenues were also recurring in nature (2022: 79%).

Gross margin increased by £3,510,000 (or 32%) in the year ended 30 June 2023, when compared to 2022.

Selling and administrative expenses increased by £1,718,000 following a strategic decision to enhance investment in this area for the purposes of accelerating future growth. Expensed product development costs, accounted for within selling and administrative expenses, were £511,000 for the year ended 30 June 2023 representing a decrease of 8% on the prior year (2022: £556,000).

The amortisation charge relating to the development cost intangible asset was £3,648,000 (2022: £2,857,000). Net loss before tax was £352,000 for the year ended 30 June 2023 (2022: loss of £1,349,000). This movement was due to the improvement in absolute gross margin, offset to a lesser extent by an element of strategic increases in selling and administrative expense to facilitate future revenue growth.

In the year ended 30 June 2023, Kallidus employed 183 staff (2022: 180).

APOLLO KALLIDUS MIDCO LIMITED

STRATEGIC REPORT (continued)

Key performance indicators (continued)

A five-year summary of the operating and financial performance of Kallidus Limited, as per the audited financial statements, is laid out below:

Year ended:		2019	2020	2021	2022	2023
Turnover	£'000	10,605	10,937	12,112	16,829	20,520
% growth year-on-year	%	18%	3%	11%	39%	22%
% recurring revenue	%	79%	78%	79%	79%	80%
Gross profit	£'000	7,221	7,807	8,321	11,050	14,560
Gross profit %	%	68%	71%	69%	66%	71%
EBITDA	£'000	2,407	2,213	2,069	1,672	3,467
Profit/(loss) before tax	£'000	(52)	(266)	(413)	(1,349)	(352)

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.

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

Macro-economic Inflationary and recessionary pressure

Following the Russian invasion of Ukraine (February 2022) the world economy has seen significant increases in inflationary and recessionary pressure.

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

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

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

With its resilient "digital" business model, strong customer and supplier relationships, diverse customer base and also a robust liquidity outlook, the directors believe that Kallidus and the wider Kallidus Group, are well placed to manage any potential business risks from inflationary and recessionary pressures going forward.

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STRATEGIC REPORT (continued)

Future developments

The Group 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.

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



V Krishna
Director

27 March 2024

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 year ended 30 June 2023.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE STATEMENT OF FINANCIAL POSITION DATE

Details of future developments can be found in the Strategic Report and the Post Balance Sheet Events note, and form part of this report by cross-reference.

RESEARCH AND DEVELOPMENT

The Group's software products continue to be key to its future success. During the year ended 30 June 2023, the Kallidus Group's investment in research and development charged to the Statement of Comprehensive Income was £511,000 (2022: £556,000) but total development expenditure in the year ended 30 June 2023, including capitalised software development costs, was £5,991,000 (2022: £6,976,000).

GOING CONCERN

The directors have a reasonable expectation that the Company and the wider Group have adequate resources to continue in operational existence for the foreseeable future.

The Group meets its loan repayments from cash generated within the wider Kallidus Group, specifically Kallidus Limited. £3m of additional liquidity was provided in the year via equity and long-term loan facilities by shareholders and the Group's bankers, Kartesia, on a 50/50 basis with all associated interest charges from all parties rolled up to be settled purely on redemption.

As outlined in the Strategic Report 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.

Since the balance sheet date, the Group also sourced supplemental equity and long term loan facilities of £4m from its shareholders to provide extra liquidity and further investment funds to accelerate Development, incorporating additional AI functionality and One Platform integration capability.

The Group loss before tax of £24,042,000 is after charging amortisation on intangible assets of £17,461,000 and loan note interest of £5,392,000 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 underlying result excluding these items is a loss before tax of £1,189,000.

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 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.

Net current liabilities include deferred income balances of £12,959,000. 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 year ended 30 June 2023 the Group spent £5,480,000 on development-cost additions within intangible assets. This use of cash increases fixed asset value but conversely also increases the net current liability.

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DIRECTORS' REPORT (continued)

GOING CONCERN (continued)

Overall Group net liabilities are primarily driven by £59,503,000 of loan notes. These investor loan notes are financing the Group and are not a trading liability. In accordance with FRS 102, 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 net liabilities are not considered to impact the cash flows 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.

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.

Foreign exchange risk

The Group's activities occasionally expose it to the financial risk of changes in foreign currency exchange rates. Since 76% of the Group's turnover is derived from the 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. The Board review such exposure with a view as to whether any hedging instruments may be required as part of its normal monthly reviews and no such hedging was deemed necessary during the period on top of the PIK optionality from the Group's long term debt providers, Kartesia.

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 £28.2 million senior secured unitranche facility (and additional Capex / Acquisition facility), along with issued loan stock and preference shares. As the main trading subsidiary, Kallidus Limited is cash generative, the Group's reliance on such long-term debt finance will diminish over time. In addition no repayments are due on the unitranche facility until Dec 2026.

APOLLO KALLIDUS MIDCO LIMITED

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Macro-economic risk

Due to the macro-economic environment post the global Covid-19 pandemic and Russian Ukraine crisis 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, in this and prior periods, have been serviced by contractors. In addition, there are contingent remuneration arrangements and the virtual-platform hosting costs vary with customer usage. These dynamics, with committed banking facilities, and standard inflationary price mechanisms within customer contractual arrangements will mitigate risk. The Group is continuously monitoring macro-economic developments and continues to plan and take actions accordingly.

DIRECTORS' INDEMNITIES

The Group 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. These provisions apply to this company and all other companies in the group headed by the ultimate parent company, Apollo Kallidus Topco Limited.

DIVIDENDS

The directors do not recommend payment of a dividend for the year ended 30 June 2023 (2022: £nil). No dividend has been recommended or paid after 30 June 2023 to the date of this report.

DIRECTORS

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

T S Green
V Krishna

PROVISION OF INFORMATION TO THE AUDITOR

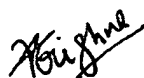
Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as each of the directors is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

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

Approved by the Board and signed on its behalf by:



V Krishna
Director

27 March 2024

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 period. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 "The Financial Reporting Standard applicable in the 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 Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and 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 Group 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

Opinion

We have audited the financial statements of Apollo Kallidus Midco Limited (the "parent company") and its subsidiaries (the "group") for the year ended 30 June 2023 which comprise the consolidated statement of comprehensive income, the consolidated and parent company statement of financial position, the consolidated and parent company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT (continued)

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, 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.

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

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

INDEPENDENT AUDITOR'S REPORT (continued)

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


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

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

A further description of our responsibilities for the audit of the financial statements is available on the Financial Reporting 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 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.



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

Aquis House
49-51 Blagrove Street
Reading
RG1 1PL

27 March 2024

APOLLO KALLIDUS MIDCO LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2023

	Note	2023 £'000	2022 £'000
TURNOVER	3	24,830	21,755
Cost of sales		(6,390)	(5,729)
GROSS PROFIT		18,440	16,026
Amortisation of intangible assets		(17,461)	(16,294)
Administrative expenses and distribution costs		(15,869)	(13,805)
Administrative expenses		(33,330)	(30,099)
OPERATING LOSS		(14,890)	(14,073)
Interest payable and similar charges	6	(9,152)	(7,006)
LOSS BEFORE TAXATION	5	(24,042)	(21,079)
Tax on loss	7	(11)	-
LOSS FOR THE FINANCIAL YEAR		(24,053)	(21,079)

There are no recognised gains or losses for the year, or the preceding year, 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 2023

	Note	2023 £'000	2022 £'000
FIXED ASSETS			
Goodwill	8	12,444	24,833
Intangible assets	8	10,765	10,357
Tangible assets	10	175	241
		<u>23,384</u>	<u>35,431</u>
CURRENT ASSETS			
Debtors – falling due within one year	11	9,913	9,363
Cash at bank and in hand		2,315	1,985
		<u>12,228</u>	<u>11,348</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(27,767)</u>	<u>(22,654)</u>
NET CURRENT LIABILITIES		<u>(15,539)</u>	<u>(11,306)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>7,845</u>	<u>24,125</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	<u>(87,571)</u>	<u>(79,798)</u>
NET LIABILITIES		<u><u>(79,726)</u></u>	<u><u>(55,673)</u></u>
CAPITAL AND RESERVES			
Called-up share capital	16	85	85
Share premium account	16	763	763
Profit and loss account		<u>(80,574)</u>	<u>(56,521)</u>
SHAREHOLDERS' DEFICIT		<u><u>(79,726)</u></u>	<u><u>(55,673)</u></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 27 March 2024.

They were signed on its behalf by:



V Krishna
Director

APOLLO KALLIDUS MIDCO LIMITED


COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Note	2023 £'000	2022 £'000
FIXED ASSETS			
Investments	9	33,927	33,927
CURRENT ASSETS			
Debtors – falling due within one year	11	4,333	3,729
		<u>4,333</u>	<u>3,729</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN THAN ONE YEAR	12	(43)	(34)
NET CURRENT ASSETS		<u>4,290</u>	<u>3,695</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>38,217</u>	<u>37,622</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(55,280)	(49,668)
NET LIABILITIES		<u>(17,063)</u>	<u>(12,046)</u>
CAPITAL AND RESERVES			
Called-up share capital	16	85	85
Share premium account	16	763	763
Profit and loss account		(17,911)	(12,894)
SHAREHOLDERS' DEFICIT		<u>(17,063)</u>	<u>(12,046)</u>

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 £5,017,000 (2022: £4,521,000).

The financial statements of Apollo Kallidus Midco Limited, registered number 11858430, were approved by the Board of Directors and authorised for issue on 27 March 2024.

They were signed on its behalf by:



V Krishna
Director

APOLLO KALLIDUS MIDCO LIMITED

CONSOLIDATED AND COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2023

Consolidated statement of changes in equity

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2021	85	763	(35,442)	(34,594)
Total comprehensive expense	-	-	(21,079)	(21,079)
At 30 June 2022	85	763	(56,521)	(55,673)
Total comprehensive expense	-	-	(24,053)	(24,053)
At 30 June 2023	85	763	(80,574)	(79,726)

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

Company statement of changes in equity

	Called-up share capital £'000	Share premium account £'000	Profit and loss account £'000	Total equity £'000
At 1 July 2021	85	763	(8,373)	(7,525)
Total comprehensive expense	-	-	(4,521)	(4,521)
At 30 June 2022	85	763	(12,894)	(12,046)
Total comprehensive expense	-	-	(5,017)	(5,017)
At 30 June 2023	85	763	(17,911)	(17,063)

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

APOLLO KALLIDUS MIDCO LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2023

	Note	2023 £'000	2022 £'000
Net cash inflow from operating activities	18	5,186	3,713
Cash flows from investing activities			
Payments to acquire intangible fixed assets		(5,480)	(6,725)
Payments to acquire tangible fixed assets		(73)	(143)
Net cash flow from investing activities		(5,553)	(6,868)
Cash flows from financing activities			
New bank loans		1,800	1,400
New loan notes		603	-
Interest paid		(1,706)	(1,546)
Net cash flow from financing activities		697	(146)
Increase/(decrease) in cash in period		330	(3,301)
Cash and cash equivalents at beginning of period		1,985	5,286
Cash and cash equivalents at end of period		2,315	1,985

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 Topco 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.

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS **For the year ended 30 June 2023**

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

Apollo Kallidus Midco Limited is a private company limited by shares, incorporated in the United Kingdom and registered in England and Wales under the Companies Act. The address of the registered office is given on page 2. The nature of the 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.

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

The directors have a reasonable expectation that the Company and the wider Group have adequate resources to continue in operational existence for the foreseeable future.

The Group meets its loan repayments from cash generated within the wider Kallidus Group, specifically Kallidus Limited. £3m of additional liquidity was provided in the year via equity and long-term loan facilities by shareholders and the Group's bankers, Kartesia, on a 50/50 basis with all associated interest charges from all parties rolled up to be settled purely on redemption.

As outlined in the Strategic Report 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

Since the balance sheet date, the Group also sourced supplemental equity and long term loan facilities of £4m from its shareholders to provide extra liquidity and further investment funds to accelerate Development, incorporating additional AI functionality and One Platform integration capability.

The Group loss before tax of £24,042,000 is after charging amortisation on intangible assets of £17,461,000 and loan note interest of £5,392,000 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 underlying result excluding these items is a loss before tax of £1,189,000.

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 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.

Net current liabilities include deferred income balances of £12,959,000. 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 year ended 30 June 2023 the Group spent £5,480,000 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 £59,503,000 of loan notes. These investor loan notes are financing the Group and are not a trading liability. In accordance with FRS 102, 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 net liabilities are not considered to impact the cash flows 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.

Turnover

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

Investments

Fixed asset investments within the Company are shown at cost less any provision for impairment.

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the year ended 30 June 2023

1. ACCOUNTING POLICIES (continued)

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the 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.

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	3 years straight-line
Office equipment	2-4 years straight-line

Intangible fixed assets

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

Customer lists	3 years straight-line
Goodwill arising on acquisition	5 years straight-line
Licences	3 years straight-line
Development costs	3 years straight-line

Development costs have been capitalised in accordance with FRS 102 section 18 'Intangible Assets other than Goodwill' and are therefore not treated, for dividend purposes, as a realised loss.

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 year ended 30 June 2023

1. ACCOUNTING POLICIES (continued)

Interest payable

Interest payable is written off the profit and loss account as incurred.

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.

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 year ended 30 June 2023

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(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.

(i) Financial assets and liabilities (continued)

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

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.

The occurrence of revenue and completeness of deferred income

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

The validity of development costs capitalised

Development costs are predominantly tracked and recorded via timesheets with capitalisations subsequently calculated from these according to generally agreed accounting concepts of costs and future value. Reviews as to the validity are undertaken with the CTO, having particular regard to the nature of work done (development versus fixes), future economic benefit and expected useful life.

Impairment of investment balances

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, particularly around the multiple used in determining the fair value less costs to sell, based on the experience and knowledge of staff in the business.

Useful economic lives and impairment of intangible fixed assets

The directors establish a reliable useful life of intangible assets. This estimate is based on the expected useful life of the asset and the predicted life of the product. The company reviews the amortisation period and method when events and circumstances indicate that the useful life may have changed since the last reporting date.

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 year ended 30 June 2023**

3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounts to 24% (2022: 23%). The turnover is attributable to the Group's principal activities.

	2023 £'000	2022 £'000
United Kingdom	18,784	16,797
Rest of Europe	1,004	971
Rest of World	5,042	3,987
	<u>24,830</u>	<u>21,755</u>

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group

	2023 £'000	2022 £'000
Directors' emoluments fees		
Emoluments	200	200
Pension contributions	-	-
	<u>200</u>	<u>200</u>

	No.	No.
Number of directors accruing benefits in the money purchase pension scheme	-	-
	<u>-</u>	<u>-</u>

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Employee costs during the year including directors

Group	£'000	£'000
Wages and salaries	14,804	13,884
Social security costs	1,312	1,140
Pension contributions	812	702
	<u>16,928</u>	<u>15,726</u>

Monthly average number of persons employed including directors

Group	2023 No.	2022 No.
Sales and Marketing	64	73
R&D and Technical Services	121	120
Administration	20	29
	<u>205</u>	<u>222</u>

The Company had no employees during either year.

5. LOSS BEFORE TAX

	2023 £'000	2022 £'000
Loss before tax is stated after charging:		
Depreciation – owned assets (note 10)	139	128
Amortisation (note 8)	17,461	16,294
Research and development	511	556
Auditor's remuneration - audit of the financial statements:		
- Group	87	84
- Company	3	3
Non-audit services – taxation compliance services	27	11
Operating lease rentals – land and buildings	292	277
Operating lease rentals – other	14	5
	<u></u>	<u></u>

Amortisation is recognised within administrative expenses.

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2023	2022
	£'000	£'000
Bank interest	3,716	2,096
Loan note interest	5,392	4,865
Foreign exchange differences	16	42
Other interest payable	28	3
	<u>9,152</u>	<u>7,006</u>

7. TAX ON LOSS

The tax charge comprises:

	2023	2022
	£'000	£'000
Current tax		
UK corporation tax	-	-
Adjustments in respect of prior periods	11	-
Total current tax	<u>11</u>	<u>-</u>
Deferred tax		
Origination and reversal of timing differences	-	-
Adjustments in respect of prior periods	-	-
Total deferred tax	<u>-</u>	<u>-</u>
Total tax charge on loss on ordinary activities	<u>11</u>	<u>-</u>

Factors affecting the tax charge

The standard rate of tax applied to reported loss on ordinary activities is 20.5% (2022: 19%). The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the loss before tax is as follows:

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

7. TAX ON LOSS (continued)

	2023 £'000	2022 £'000
Group loss on ordinary activities before tax	(24,042)	(21,079)
Tax on Group loss on ordinary activities at blended UK corporation tax rate of 20.5% (2022: 19%)	(4,929)	(4,005)
Effects of:		
Expenses not deductible for tax purposes	3,275	2,808
Fixed asset timing differences	(2)	(7)
Effect of change in tax rates	(313)	(363)
Effect of group relief not paid for	79	55
Adjustments in respect of prior periods	11	-
Deferred tax asset not recognised	1,890	1,512
Group tax charge for year	11	-

Factors that may affect future tax charges

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

8. INTANGIBLE FIXED ASSETS

Group	Development costs £'000	Licences £'000	Customer lists £'000	Total intangible assets £'000	Goodwill £'000	Grand total £'000
Cost						
At 1 July 2022	24,282	767	28	25,077	59,804	84,881
Restatement	(1,394)	-	-	(1,394)	-	(1,394)
Additions	5,480	-	-	5,480	-	5,480
At 30 June 2023	28,368	767	28	29,163	59,804	88,967
Amortisation						
At 1 July 2022	13,925	767	28	14,720	34,971	49,691
Restatement	(1,394)	-	-	(1,394)	-	(1,394)
Charge in period	5,072	-	-	5,072	12,389	17,461
At 30 June 2023	17,603	767	28	18,398	47,360	65,758
Net book value						
At 30 June 2023	10,765	-	-	10,765	12,444	23,209
At 30 June 2022	10,357	-	-	10,357	24,833	35,190

Development costs have been capitalised in accordance with FRS 102 Section 18 Intangible Assets other than Goodwill and are therefore not treated, for dividend purposes, as a realised loss.

The restatement of opening balances is to correct gross book values at 1 July 2022. There is no impact on net book values.

The company had no intangible fixed assets (2022: £nil).

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the year ended 30 June 2023

9. FIXED ASSET INVESTMENTS

Company	£'000
Cost	
At 1 July 2022 and 30 June 2023	33,927

The investment represents the Company's 100% holding in Apollo Kallidus Bidco Limited.

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 unless otherwise stated:

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	Dormant	Ordinary	100%
HOT Learning Ltd	07505130	Software systems	Ordinary	100%
Kallidus Inc	-	Software systems	Ordinary	100%

* Held directly by Apollo Kallidus Midco Limited.

** Dormant

The registered office address of all UK subsidiary undertakings is 3rd Floor 1 Ashley Road, Altrincham, Cheshire, WA14 2DT. The registered office of Kallidus Inc is 410 Pacific Avenue San Francisco, CA 94133 USA. Kallidus Target Ltd, Advorto UK Ltd and Intraventure Ltd are dormant companies and have taken advantage of the s448A, Companies Act 2006 exemption from filing individual accounts. These 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.

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

10. TANGIBLE FIXED ASSETS

Group	Computer equipment £'000	Office equipment £'000	Total £'000
Cost			
At 1 July 2022	743	135	878
Additions	73	-	73
Disposals	(16)	(82)	(98)
At 30 June 2023	800	53	853
Depreciation			
At 1 July 2022	517	120	637
Charge in period	128	11	139
Disposals	(16)	(82)	(98)
At 30 June 2023	629	49	678
Net book value			
At 30 June 2023	171	4	175
At 30 June 2022	226	15	241

The company had no tangible fixed assets (2022: £nil).

11. DEBTORS

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Amounts falling due within one year				
Trade debtors	3,507	3,948	-	-
Amounts owed by group undertakings	4,540	3,728	4,331	3,728
Prepayments and accrued income	1,866	1,687	2	1
	9,913	9,363	4,333	3,729

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 year ended 30 June 2023

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Bank loan	2,011	-	-	-
Amounts due to group undertakings	7,972	6,475	38	31
Trade creditors	968	1,024	-	-
Corporation tax	5	-	-	-
Other taxation and social security	1,143	1,179	-	-
Other creditors	284	35	-	-
Accruals	2,425	2,177	5	3
Deferred income	12,959	11,764	-	-
	<u>27,767</u>	<u>22,654</u>	<u>43</u>	<u>34</u>

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

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

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
Bank loan	28,068	26,291	-	-
Loan notes	59,503	53,507	55,280	49,668
	<u>87,571</u>	<u>79,798</u>	<u>55,280</u>	<u>49,668</u>

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

14. BORROWINGS

Group

2023	Bank loan £'000	Loan notes £'000	Total £'000
Within one year	2,011	-	-
Between one and two years	-	-	-
Between two and five years	28,068	-	30,079
After more than five years	-	59,503	59,503
Total Group borrowings	30,079	59,503	89,582
2022	Bank loan £'000	Loan notes £'000	Total £'000
Within one year	-	-	-
Between one and two years	-	-	-
Between two and five years	-	-	-
After more than five years	26,291	53,507	79,798
Total Group borrowings	26,291	53,507	79,798

The Group's bank facilities comprise a term facility of £26,500,000 and a capital expenditure facility of £1,700,000 with Kartesia Management SA, which bear interest at 7.5% to 8.0% plus SONIA (with PIK arrangements for an element of interest payable subject to a 0.5% to 1.0% premium) and are repayable on 23 December 2026.

Loan notes with a nominal value of £33,079,000 were issued on 14 March 2019. On 23 December 2020, the Company issued further loan notes with a nominal value of £3,728,000. 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.

Loan notes with a nominal value of £603,000 were issued by the company during the year ended 30 June 2023.

Company

Loan notes	2023 £'000	2022 £'000
After more than five years	55,280	49,668

Loan notes issued by the company with a carrying value of £55,280,000 (comprising nominal value of £37,410,000 and accrued interest of £17,870,000) (2022: £49,668,000 (comprising nominal value of £36,807,000 and accrued interest of £12,861,000)) are listed on The International Stock Exchange.

Loan notes with a nominal value of £603,000 were issued by the company during the year ended 30 June 2023.

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

15. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
<i>Measured at undiscounted amount receivable</i>				
Trade debtors	3,507	3,948	-	-

Financial liabilities

	Group 2023 £'000	Group 2022 £'000	Company 2023 £'000	Company 2022 £'000
<i>Measured at amortised cost</i>				
Bank loans	30,079	26,291	-	-
Loan notes	59,503	53,507	55,280	49,668
<i>Measured at undiscounted amount payable</i>				
Trade and other creditors	2,105	1,951	43	34
Deferred income	12,959	11,763	-	-
	<u>104,646</u>	<u>93,512</u>	<u>55,323</u>	<u>49,702</u>

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2023

16. CALLED-UP SHARE CAPITAL	2023 £'000	2022 £'000
Allotted, called-up and fully paid		
848,182 (2022: 848,182) ordinary share of £0.10	85	85

The share premium account of £763,000 (2022: £763,000) represents the historic premium paid on the nominal value of the share capital.

17. DEFERRED TAX	Group £'000	Company £'000
Balance at 1 July 2022 and 30 June 2023	-	-
The analysis of the deferred tax recognised in the financial statements is:		
	2023 £'000	2022 £'000
Capital allowances in excess of depreciation	-	-

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 2023 £'000	Company 2023 £'000	Group 2022 £'000	Company 2022 £'000
Depreciation in excess of capital allowances			-	-
Short term timing differences	1,962	1,962	1,967	1,962
Losses	1,517	5	1,076	5
	<u>3,479</u>	<u>1,967</u>	<u>3,043</u>	<u>1,967</u>

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 year ended 30 June 2023

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

	2023 £'000	2022 £'000
Operating loss	(14,890)	(14,073)
Adjustment for:		
Depreciation	139	128
Amortisation	17,461	16,294
Decrease/(increase) in debtors	(550)	(410)
Increase in creditors	3,099	1,695
Tax (paid)/received	(5)	121
Foreign exchange	(68)	(42)
Net cash inflow from operating activities	5,186	3,713

Net debt reconciliation

	At 1 July 2022 £'000	Cash flows £'000	Other non cash changes £'000	At 30 June 2023 £'000
Cash	1,985	330	-	2,315
Bank loans	(26,291)	(94)	(3,694)	(30,079)
Loan notes	(53,508)	(603)	(5,392)	(59,503)
Net funds/(debt)	(77,814)	(367)	(9,086)	(87,267)

19. FINANCIAL COMMITMENTS

Operating leases

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

	Land and buildings 2023 £'000	Other 2023 £'000	Land and buildings 2022 £'000	Other 2022 £'000
- within one year	117	9	280	3
- between one and five years	-	16	99	-
	117	25	379	3

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.

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) For the year ended 30 June 2023

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 year was £812,000 (2022: £702,000). The balance owed to the scheme at 30 June 2023 was £74,000 (2022: £78,000).

22. SUBSIDIARY COMPANY AUDIT EXEMPTIONS

For the year ended 30 June 2023 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 Topco 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
HOT Learning Ltd	07505130

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
Advorto UK Limited	07452718

APOLLO KALLIDUS MIDCO LIMITED

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued) **For the year ended 30 June 2023**

23. RELATED PARTY TRANSACTIONS

The Company has taken advantage of the exemption in FRS 102 section 33 'Related party disclosures' from disclosing balances and transactions with members of the group headed by Apollo Kallidus Topco Limited that are wholly-owned on the basis the subsidiary is included in the consolidated financial statements of Apollo Kallidus Topco Limited.

Remuneration of key management personnel other than statutory directors amounted to £1,262,000 (2022: £1,402,000).

At the year end, loan notes of £37,410,000 (2022: £36,807,000) were outstanding with shareholders of the ultimate parent company.

Accumulated interest on these loan notes of £17,870,000 (2022: £12,861,000) was also outstanding with shareholders of the ultimate parent company.

During the year interest charged of £5,392,000 (2022: £4,865,000) was charged to Statement of Comprehensive Income. £200,000 (2022: £200,000) of management fees were also charged.

24. ULTIMATE CONTROLLING PARTY

The ultimate parent company is Apollo Kallidus Topco Limited, a company incorporated in England and Wales. The Company's immediate parent company is Apollo Kallidus Holdco Limited.

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

Apollo Kallidus Midco Limited is the parent company of the smallest group into which the results of the Company are consolidated.

Apollo Kallidus Topco Limited is the parent company of the 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 3rd Floor 1 Ashley Road, Altrincham, Cheshire, WA14 2DT.

25. POST BALANCE SHEET EVENTS

Since the balance sheet date, in September 2023 and December 2023, the Group raised additional equity and long term loan facilities of £4m from its shareholders to provide extra liquidity and further investment funds.

On 3 October 2023, the company issued 1 ordinary share for consideration of £2,000,000.

On 19 December 2023, the company issued 1 ordinary share for consideration of £2,000,000.