Company Registered Number 11857906

APOLLO KALLIDUS HOLDCO LIMITED

Annual Report and Consolidated Financial Statements

for the year ended 30 June 2020

APOLLO KALLIDUS HOLDCO LIMITED

CONSOLIDATED FINANCIAL STATEMENTS 2020

CONTENTS

APOLLO KALLIDUS HOLDCO LIMITED

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

T S Green
V Krishna

REGISTERED OFFICE

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London
EC4M 7RD

BANKERS

The Royal Bank of Scotland
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AUDITOR

Deloitte LLP
Statutory Auditor
Bristol
United Kingdom

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 subsidiary, Kallidus Limited. The principal activity of the company is to act as a holding company.

Review of the business

The Group's trading operations comprise Kallidus and Engage in Learning.

Kallidus
The prior period comparatives for the Group 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") trading with comparison against the 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 3% revenue growth on the year ended 30 June 2019. Kallidus is following its strategy of increasing its recurring revenues in proportion to its services offering. This is strategically and 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 cost to serve, with greater longer term value creation.

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:

- The Acquisition of 100% of the share capital of e-learning provider, HOT Learning Limited (trading as Engage in Learning) on 28 February 2020 and subsequent integration into the Kallidus group whilst delivering a 9.2% underlying revenue growth year-on-year (on a deferred revenue basis) for the HOT Learning entity.

- Successfully adapting to totally remote working following the Covid-19 pandemic to date.

- Extending support operations to service international customers, both within their region and by deploying multiple time zone cover from the UK.

- Maintaining the customer Net Promoter Score (NPS) consistently above the industry average (at 34 for 2020 compared to 36 for 2019) 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 and instrumental in customer retention. 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. Average scores from our customer base also increased from 8.14 in 2019 to 8.22 in 2020.

- Continued development of the product suite, including the UX harmonisation and integration of the Kallidus suite and Engage in Learning content.

Review of the business (continued)

Kallidus (continued)

- Winning some notable awards in the year with three awards at the prestigious Learning Technology Awards in December 2019:
    - Gold award for "Learning Developer of the year" for Joe Turner (Senior Kallidus Developer)
    - Silver award for 'Best Learning Platform Implementation' in partnership with JYSK
    - Bronze award for 'Best Learning Technologies Project' (UK Commercial Sector) in partnership with Govia Thameslink Railways (GTR)

- Shortlisted for the Sunday Times Tech Track 100 'Ones to Watch' in September 2019

- In March 2020 the Company entered into a three-year lease to commence in July 2020, with annual break clauses, on an increased capacity facility in Bristol to replace its current leasehold facility which expired in June 2020.

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
On 28 February 2020 the Company's subsidiary, Apollo Kallidus Bidco Limited, acquired the entire share capital of HOT Learning Limited, trading as Engage in Learning ("Engage").

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 100 courses focused on the more resilient compliance, health and safety and personal development sectors.

During the year ended 30 June 2020, Engage contributed revenue of £817,000, gross margin of £760,000 and net profit before tax of £292,000 to the Group's performance for the year.

Key performance indicators

In the prior period, the Group accounts consolidated Kallidus Limited's results for the period 14 March 2019 to 30 June 2019.

This commentary refers to Kallidus Limited. Highlights of Kallidus Limited's ("Kallidus") operating and financial performance for the year, compared to the full year ended 30 June 2019, are as follows:

Turnover, being the main KPI, saw growth of 3% on the previous year, increasing from £10,605,000 in 2019 to £10,937,000 in 2020 on which the Group improved its gross margin to just over 71% (2019: 68%) through continued multi-talented Saas module expansion

As at 30 June 2020, 78% of trading revenues were also recurring in nature (2019: 79%).

Gross margin increased by £586,000 (or 8%) in the year ended 30 June 2020, when compared to the year ended 30 June 2019.

Selling and administrative expenses increased by £807,000 for the same comparative period following a strategic decision to enhance investment in this area for the purposes of accelerating future growth. Product development costs, accounted for within selling and administrative expenses, were £471,000 for the year ended 30 June 2020 representing a reduction of 29% on the prior year ended 30 June 2019 (2019: £667,000).

STRATEGIC REPORT (continued)

Key performance indicators (continued)

The amortisation charge relating to the development cost intangible asset was £2,355,000 (2019: £1,877,000) an increase of 25% and £478,000. Increased development cost amortisation resulted from the commercial release of new product within the year ended 30 June 2020. Net loss before tax was £266,000 for the year ended 30 June 2020 (2019: loss of £52,000). This movement was due to the improvement in absolute and percentage gross margin, offset by strategic increases in selling and administrative expenses, and additional development cost amortisation which has no cash effect on the reported year.

As at 30 June 2020, Kallidus employed 112 staff (2019: 100).

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

Year ended:		2016	2017	2018	2019	2020
Turnover	£'000	7,981	8,480	8,962	10,605	10,937
% growth year-on-year	%	10%	6%	6%	18%	3%
% recurring revenue	%	56%	61%	66%	79%	78%
Gross profit	£'000	4,950	5,326	5,646	7,221	7,807
Gross profit %	%	62%	63%	63%	68%	71%
EBITDA	£'000	1,109	1,198	1,363	2,407	2,213
Profit/(loss) before tax	£'000	544	53	(631)	(52)	(266)

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.

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. 90% (2019: 88%) of the Group's turnover is derived from the UK, with only 6% (2019: 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.

Principal risks and uncertainties (continued)

Covid-19

In March 2020, the Covid-19 global pandemic severely impacted Europe, the USA and the UK.

There remains significant 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, 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 13 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 complementary 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 Group 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.

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 Kallidus' capacity to capitalise on business opportunities as the wider economy recovers. The total value of furlough claims during the year was £171,000. All such resources had returned to the business by 30 September 2020.

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 Covid-19 pandemic 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 was 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.

STRATEGIC REPORT (continued)

Principal risks and uncertainties (continued)

Covid-19 (continued)
The directors have produced forecasts for various different prudent scenarios, such as assuming no new sales in conjunction with up to an assumed 25% loss of renewal contracts. These scenarios show that the Group has adequate resources to continue in operational existence for the foreseeable future, with cash reserves above £1m for the next 18 months and further allowing for a return to normal trading not occurring until at least the second calendar quarter of 2021.

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 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, 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.

Section 172 (1) statement

The Directors of the company – and those of all UK companies – must act in accordance with their duties under the Companies Act 2006 (the Act). These include a fundamental duty to promote the success of the Company for the benefit of its members as a whole. This duty has been central to the Board's decision-making processes and outcomes over many years. The information which follows in this section describes how, in performing their duties during the year, the Directors have had regard to the matters set out in Section 172(1) (a) to (f) of the Act, and constitutes the Director's Section 172 Statement for 2019.

Long-term decision-making
The Board of Directors delegates day-to-day management and decision-making to the senior management team, but maintains oversight of the Company's performance, and reserves to itself specific matters for approval, including significant new business initiatives. Then, by receiving regular updates on business programmes and objectives, the Directors monitor that management is acting in accordance with agreed strategy. Processes are in place to ensure that the Directors receive all relevant information to enable them to make well-judged decisions in support of the Company's long-term success.

The nature of the regulatory environment in which the company operates emphasises the need for long term thinking. Consequently, long-term outlooks always underpin strategic decision-making at the Director level and in fact has been the reason for the company's sustained success, informing growth and expansion into new markets and products at critical junctures.

Decisions made by the Board will impact the company's stakeholders in different ways over the long term and these impacts have to be weighed up against each other and certain trade-offs might need to be considered. For example, the company's continued investment in research and development will ensure product availability.

Section 172 (1) statement (continued)

Reputation for high standards of business conduct
The Directors are responsible for developing a corporate culture which promotes integrity and transparency. They have established systems of corporate governance, and approve policies and procedures which promote corporate responsibility and ethical behaviour.

Key policies that have been implemented include an Anti-Bribery and Corruption policy and a Trade Sanctions policy.

Stakeholder Engagement
The Directors recognises that relationships with the Group's key stakeholders, including its investors, lenders, employees, customers, and suppliers are important in allowing the Group to achieve its business aims. Engagement takes place with our stakeholders at all levels, and the size, diversity of our business and global nature of the Group means that it can take many different forms. Much of it takes place at an operational level, and this is especially true in respect of our customers and suppliers, with whom we deal in the ordinary course of business on a day-to-day basis.

As a result of these activities, the Directors have an overview of engagement with stakeholders, and other relevant factors, which enables them to comply with their legal duty under section 172 of the Companies Act 2006.

Investors
Investors aim to maximise returns at the level of risk they are willing to assume. Consequently, investors' concerns revolve around having continued access to the information they need to assess the relevant risks and ultimately achieving the expected return on their investment.

The long-term success of the Group could be adversely affected if investors perceive the required information to be unavailable or unreliable. This in turn could affect their propensity to invest (or reinvest) and the price at which they would be will willing to do so. This could hamper the Group's ability to achieve its long term goals.

Kallidus has a successful track-record of partnering with private equity investors to achieve its growth aspirations. The nature of this partnership is such that investors are engaged at the highest levels across the business and are provided with regular updates on Company performance.

Lenders
Like investors, lenders also look to achieve a return on funds they have lent to the Group under the debt facilities they make available. However, returns are generally lower, given risk is lowered through a series of mitigating actions, including seniority of the facilities in the inter-creditors agreement, securing the facilities with the assets of the company, setting financial covenants which the company must achieve, and prescribing various other obligation which the company must fulfil (including information undertakings).

Lenders are primarily concerned with the maintaining the risk level of their lending and such with the company's continued compliance with all obligations related to the facilities. Lenders are also subject to strict anti-money laundering ("AML") regulations, so another key concern is ensuring that they are not aiding money laundering in any way.

Section 172 (1) statement (continued)

Lenders (continued)
The Long-Term Success of the Group could be adversely affected if it fails to comply with any of the obligations under the senior facility agreement ("SFA"). This could put the Group into default which could be costly to remedy or at worst mean that all facilities become due and payable on demand. Any such failures could also affect the Group's ability to secure future borrowing and impact the related cost.

A syndicate of lenders provide Kallidus, via its parent companies, with the liquidity it requires both for working capital purposes, as well as investment in capital projects and acquisitions. As such, it is a key stakeholder in the continued growth of the Group.

The lenders receive financial information from the Group on a monthly and quarterly basis and the Directors also met with the lenders on several occasions during the course of the year. These sessions helped to broaden the lenders' understanding of the business and answer their questions on trading and forecasts. Amendments to the Groups senior facility agreement were also negotiated and enacted during the year.

Employees
Our people are essential to our success, future growth, and our aim to build leading positions in long-term global growth markets. We continue to invest substantial time and effort to employ, train, develop and retain employees who are passionate about our business and have up-to-date knowledge and world class expertise in our key functional areas. Hearing their views on what we do well, and what we can do better, is an important driver for improvement and retaining our best talent.

A comprehensive culture survey was conducted during the year to obtain a genuine perspective of what working at Kallidus is like through our employees' eyes and experiences. The feedback is being used to help promote engagement, effectiveness and goal attainment. During the year, the business implemented a new people management system to aid continuous development and promote regular conversations between team members and their line managers. We also communicate regularly with our employees via the monthly communications meetings and through a group-wide intranet platform.

Customers
The company is defined by its ability to meet the needs of its customer base. It endeavours to develop mutually beneficial partnership which drives the long-term success of all parties. Customer concerns centre around the availability, quality and price of products and services, open and honest communications, and relevant support or their own growth initiatives.

Engagement with customers takes place mainly at an operational level within our business areas through face-to-face meetings, ongoing dialogue through dedicated sales and operations teams, customer relationship managers, and in respect of material customer issues, through our senior management team.

During the year the Directors received updates on key customer issues through regular business reviews.

Suppliers
The Directors recognises the key role our suppliers play in ensuring the quality of our products and that as a business we meet the high standards of conduct that we set ourselves. We aim to be fair and ethical in dealings with all our suppliers, pay them on agreed terms and be a collaborative and responsive partner.

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 Company has continued to invest in the Sales and Marketing infrastructure to commercially exploit the R&D activities. The Company entered into a three-year lease, with annual break clauses, on an increased capacity sales Bristol office in March 2020. This replaced its current leasehold facility which expired 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. Moreover, on 23 December 2020 Apollo Kallidus Bidco Limited acquired 100% of the share capital of Sapling Technologies Inc., a leading People Operations Platform, based in San Francisco (US) and Vancouver (Canada).

Sapling is highly complementary to Kallidus thanks to its core HR platform, specialising in employee onboarding, and shared focus on helping companies turn HR from an administrative role into a strategic function, helping build better companies. The acquisition will help Kallidus enter the North American market as well as offer a suite of HR and Digital Learning solutions, at a time of growing demand for full HCM due to greater adoption of distributed and remote working practices; fiercer competition for talent; and increasing compliance requirements across industries.

The acquisition transforms Kallidus, into a full-suite Human Capital Management (HCM) software and Digital Learning provider, and also provides international businesses with a one-stop solution for all their HR and Digital Learning needs across the entire employee lifecycle.

To fund the acquisition of Sapling Technologies Inc. and support the continued growth of the enlarged Kallidus Group the existing £13.75 million Royal Bank of Scotland facility was replaced with a new £26.7 million senior secured unitranche facility (and additional Capex / Acquisition facility) along with a further £6.5m Investment from Apse Capital and the existing Kallidus management team.

As part of this revised financing Covenants were set off prudent financial forecasts with additional headroom buffers of a minimum of 30%. This is expected to result in cash reserves above £1.6m for the next 24 months at least. Hence, the Directors are happy that there are no going concern issues or non-compliance with covenants.

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

V Krishna

V Krishna
Director

26 February 2021

APOLLO KALLIDUS HOLDCO 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 2020.

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.

In March 2020 the Covid-19 global pandemic started to have a severe impact on the economies of the UK, Europe and the 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.

On 23 December 2020, Apollo Kallidus Bidco Limited acquired 100% of the share capital of Sapling Technologies Inc., a leading People Operations Platform, based in San Francisco (US) and Vancouver (Canada).

To fund the acquisition of Sapling Technologies Inc. and support the continued growth of the enlarged Kallidus Group the existing £13.75 million Royal Bank of Scotland facility was replaced with a new £26.7 million senior secured unitranche facility (and additional Capex / Acquisition facility) along with a further £6.5m Investment from Apse Capital and the existing Kallidus management team.

RESEARCH AND DEVELOPMENT

The Group's software products continue to be key to its future success. During the year ended 30 June 2020, the Group's investment in research and development charged to the Statement of Comprehensive Income was £471,000 (period ended 30 June 2019: £125,000) but total development expenditure in the year, including capitalised software development costs, was £2,676,000 (£741,000).

GOING CONCERN

As outlined in the Strategic Report 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, 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.

Whilst the level of demand for the Group's products can never be certain, taking account of reasonably possible changes in trading performance, including Covid-19, the Group's 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 £13,274,000 is after charging amortisation on intangible assets arising on acquisition of £11,533,000, loan note interest of £3,456,000 that is rolled into a payment-in-kind loan and preference share interest of £22,000 that is rolled on to the carrying value of these shares. Loan note and preference share interest is to be settled on redemption. Loan notes are redeemable on the earlier of an exit or March 2029. Preference shares are redeemable on an exit. 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 profit before tax of £1,737,000.

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 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.

DIRECTORS' REPORT (continued)

GOING CONCERN (continued)

Net current liabilities include bank loans repayable within the year of £1,272,000 and deferred income balances of £6,219,000. 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 2020 the Group spent £2,332,000 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 £39,523,000 of loan notes, £34,066,000 of which are accounted for in the wholly owned subsidiary, Apollo Kallidus Midco Limited. 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 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 90% 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.

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.

DIRECTORS' REPORT (continued)

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

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.

DIVIDENDS

The directors do not recommend payment of a dividend for the year ended 30 June 2020 (period ended 30 June 2019: £nil). No dividend has been recommended or paid after 30 June 2020 to the date of this report.

DIRECTORS

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

P G Cannon	(resigned 23 December 2020)
R S Caul	(resigned 23 December 2020)
T S Green	
J E Hawkins	(appointed 2 March 2020, resigned 23 December 2020)
V Krishna	
A Mundray	(resigned 23 December 2020)
P J Pyle	(resigned 23 December 2020)
I G Slater	(resigned 26 July 2019)
S G Varnish	(appointed 12 August 2019, resigned 23 December 2020)

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

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 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.

DIRECTORS' REPORT (continued)

Approved by the Board and signed on its behalf by:

V Krishna
Director

26 February 2021

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 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 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; 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 HOLDCO LIMITED

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Apollo Kallidus Holdco Limited (the 'parent company'):

- give a true and fair view of the state of the company's affairs as at 30 June 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 23.

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 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 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.

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 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 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 FRC's website at: 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 year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified any material misstatements in [the strategic report or] the directors' report.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF APOLLO KALLIDUS HOLDCO 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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

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

26 February 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2020

	Note	Year ended 30 June 2020 £'000	Period 4 March to 30 June 2019 £'000
TURNOVER	3	11,754	3,136
Cost of sales		(3,187)	(981)
GROSS PROFIT		8,567	2,155
Amortisation of intangible assets		(11,533)	(3,550)
Administrative expenses and distribution costs		(6,184)	(1,457)
Administrative expenses		(17,717)	(5,007)
OPERATING LOSS		(9,150)	(2,852)
Interest payable and similar charges	6	(4,124)	(1,236)
LOSS BEFORE TAXATION	5	(13,274)	(4,088)
Tax credit on loss	7	16	42
LOSS FOR THE FINANCIAL PERIOD		(13,258)	(4,046)

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note	2020 £'000	2020 £'000	2019 £'000	2019 £'000
FIXED ASSETS					
Goodwill	8		36,592		40,426
Intangible assets	8		6,355		3,680
Tangible assets	10		152		121
			43,099		44,227
CURRENT ASSETS					
Debtors – falling due within one year	11	2,873		2,585	
Debtors – falling due after more than one year	11	337		267	
Cash at bank and in hand		2,630		1,553	
		5,840		4,405	
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(10,261)		(7,252)	
NET CURRENT LIABILITIES			(4,421)		(2,847)
TOTAL ASSETS LESS CURRENT LIABILITIES			38,678		41,380
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13		(52,173)		(44,335)
PROVISIONS FOR LIABILITIES	17		(3)		-
NET LIABILITIES			(13,498)		(2,955)
CAPITAL AND RESERVES					
Called-up share capital	16		105		101
Share premium account			945		911
Preference shares			2,756		79
Profit and loss account			(17,304)		(4,046)
SHAREHOLDERS' DEFICIT			(13,498)		(2,955)

The consolidated financial statements of Apollo Kallidus Holdco Limited, registered number 11857906, were approved by the Board of Directors and authorised for issue on 26 February 2021.

They were signed on its behalf by:

V Krishna
Director

COMPANY STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Note		2020		2019
				£'000	£'000
FIXED ASSETS					
Investments	9		848		848
CURRENT ASSETS					
Debtors	11	5,183		2,905	
Cash at bank and in hand		1		-	
		5,184		2,905	
CREDITORS: AMOUNTS FALLING DUE WITHIN THAN ONE YEAR	12	(11)		(18)	
NET CURRENT ASSETS			5,173		2,887
TOTAL ASSETS LESS CURRENT LIABILITIES			6,021		3,735
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13		(2,040)		(2,656)
NET ASSETS			3,981		1,079
CAPITAL AND RESERVES					
Called-up share capital	16		105		101
Share premium account			945		911
Preference shares			2,756		79
Profit and loss account			175		(12)
SHAREHOLDERS' FUNDS			3,981		1,079

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 profit for the financial year was £187,000 (period ended 30 June 2019: loss of £12,000).

The financial statements of Apollo Kallidus Holdco Limited, registered number 11857906, were approved by the Board of Directors and authorised for issue on 26 February 2021.

They were signed on its behalf by:

V Krishna
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
As at 30 June 2020

	Called-up share capital £'000	Share premium account £'000	Preference shares £'000	Profit and loss account £'000	Total equity £'000
At 4 March 2019	-	-	-	-	-
New shares issued	101	911	-	-	1,012
Preference shares interest (see note 16)	-	-	79	-	79
Total comprehensive expense		-	-	(4,046)	(4,046)
At 30 June 2019	101	911	79	(4,046)	(2,955)
New shares issued	4	34	-	-	38
Preference shares interest (see note 16)	-	-	22	-	22
Reclassification of preference shares (see note 16)	-	-	2,655	-	2,655
Total comprehensive expense	-	-	-	(13,258)	(13,258)
At 30 June 2020	105	945	2,756	(17,304)	(13,498)

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

COMPANY STATEMENT OF CHANGES IN EQUITY
As at 30 June 2020

	Called Up-share capital £'000	Share premium account £'000	Preference shares £'000	Profit and loss account £'000	Total equity £'000
At 4 March 2019	-	-	-	-	-
New shares issued	101	911	-	-	1,012
Preference shares interest (see note 16)	-	-	79	-	79
Total comprehensive expense	-	-	-	(12)	(12)
At 30 June 2019	101	911	79	(12)	1,079
New shares issued	4	34	-	-	38
Preference shares interest (see note 16)	-	-	22	-	22
Reclassification of preference shares (see note 16)	-	-	2,655	-	2,655
Total comprehensive income	-	-	-	187	187
At 30 June 2020	105	945	2,756	175	3,981

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2020

	Note	2020		2019	
		£'000	£'000	£'000	£'000
Net cash inflow from operating activities	18		3,090		956
Cash flows from investing activities					
Payments to acquire intangible fixed assets		(2,332)		(616)	
Payments to acquire tangible fixed assets		(92)		(33)	
Acquisition of subsidiary net of cash acquired		(7,021)		(25,884)	
Net cash flow from investing activities			(9,445)		(26,533)
Cash flows from financing activities					
Repayments of term loan		-		(4,730)	
Repayments of loan notes		-		(12,517)	
Payment of lease obligations		(16)		(4)	
Proceeds on issue of loan notes		2,000		33,079	
Proceeds on issue of preference shares		-		2,655	
Proceeds on issue of ordinary shares		38		1,012	
New bank loans raised		5,922		8,000	
Bank arrangement fee		-		(360)	
Interest paid		(512)		(5)	
Net cash flow from financing activities			7,432		27,130
Increase in cash in period			1,077		1,553
Cash and cash equivalents at beginning of period			1,553		-
Cash and cash equivalents at end of period			2,630		1,553

The Company is a qualifying entity for the purposes of FRS 102 and has elected to take the exemption under FRS 102, para 1.12(b) not to present the Company statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30 June 2020

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 Holdco Limited is a private company limited by shares, incorporated 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. There are no foreign operations.

Apollo Kallidus Holdco 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 Directors' report 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, 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.

Whilst the level of demand for the Group's products can never be certain, taking account of reasonably possible changes in trading performance, including Covid-19, the Group's 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.

1. ACCOUNTING POLICIES (continued)

Going concern (continued)

The Group loss before tax of £13,274,000 is after charging amortisation on intangible assets arising on acquisition of £11,533,000, loan note interest of £3,456,000 that is rolled into a payment-in-kind loan and preference share interest of £22,000 that is rolled on to the carrying value of these shares. Loan note and preference share interest is to be settled on redemption. Loan notes are redeemable on the earlier of an exit or March 2029. Preference shares are redeemable on an exit. 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 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 bank loans repayable within the year of £1,272,000 and deferred income balances of £6,219,000. 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 2020 the Group spent £2,332,000 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 £39,523,000 of loan notes, £34,066,000 of which are accounted for in the wholly-owned subsidiary, Apollo Kallidus Midco Limited. 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 services falling within the Company's ordinary activities excluding any value added taxes and discounts. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

1. ACCOUNTING POLICIES (continued)

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.

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	2-4 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
Goodwill arising on acquisition	5 years straight-line
Licences	3 years straight-line
Development costs	3 years straight-line

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.

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.

Interest payable

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

Government grants

Government grants relating to revenue expenditure are recognised on a systematic basis over the period in which the entity recognises the related costs for which the grant is intended to compensate. Amounts received are offset against the related expenses.

1. ACCOUNTING POLICIES (continued)

Financial instruments

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

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

(i) Financial assets and liabilities

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

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

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

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

Debt instruments that have no stated interest rate (and do not constitute 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.

1. ACCOUNTING POLICIES (continued)

Financial instruments (continued)

(i) Financial assets and liabilities (continued)

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.

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.

The occurrence of revenue and completeness of deferred income
All invoicing is analysed with regards to whether (i) "one-off" (e.g. Bespoke Content) with revenues recognised on service delivery or (ii) "recurring" (i.e. 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.

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

Critical judgements in applying the Group's accounting policies (continued)

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.

The validation and impairment review 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.

Key sources of estimation uncertainty

There are no key sources of estimation uncertainty.

3. TURNOVER

Turnover attributable to geographical markets outside the United Kingdom amounts to 10%. The turnover is attributable to the Group's principal activities.

	Year ended 30 June 2020 £'000	Period 4 March to 30 June 2019 £'000
United Kingdom	10,623	2,747
Rest of Europe	682	243
Other	449	146
	11,754	3,136

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Group	**Year ended 30 June 2020 £'000**	**Period 4 March to 30 June 2019 £'000**
Directors' emoluments fees		
Emoluments	1,021	237
Pension contributions	25	4
	1,046	241

Remuneration of the highest paid director	**£'000**	**£'000**
Emoluments	164	57
Pension contributions	21	2
	185	59

	No.	**No.**
Number of directors accruing benefits in the money purchase pension scheme	6	5

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

Employee costs during the period including directors

Group	**£'000**	**£'000**
Wages and salaries	6,132	1,543
Social security costs	641	160
Pension contributions	274	77
	7,047	1,780

The Company had no employee costs during the year, or the preceding period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

Monthly average number of persons employed including directors

Group	Year ended 30 June 2020 £'000	Period 4 March to 30 June 2019 £'000
Sales and Marketing	37	27
R&D and Technical Services	70	62
Administration	13	11
	120	100

The Company had no employees during the year, or the preceding period.

5. LOSS BEFORE TAX

Loss before tax is stated after charging/(crediting):	Year ended 30 June 2020 £'000	Period 4 March to 30 June 2019 £'000
Depreciation – owned assets (note 10)	79	23
Amortisation (note 8)	11,533	3,550
Research and development	471	125
Auditor's remuneration - audit of the financial statements:		
- Group	95	64
- Company	3	3
Non-audit services – taxation compliance services	22	13
Operating lease rentals – land and buildings	115	42
Operating lease rentals – other	6	-
Government grants – Coronavirus Job Retention Scheme	(171)	-

Amortisation is recognised within administrative expenses.

As a means of reducing costs and preserving cash, the Group utilised the Government's Coronavirus Job Retention Scheme ('CJRS') which subsidised a large proportion of payroll costs for employees that were furloughed between 1 April and 31 August 2020. The total value of claims during the year was £171,000.

6. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 30 June 2020 £'000	Period 4 March to 30 June 2019 £'000
Bank interest	622	169
Preference share interest	22	79
Loan note interest	3,456	988
Foreign exchange differences	21	-
Finance lease interest	3	-
	4,124	1,236

7. TAX ON LOSS

	Year ended 30 June 2020 £'000	Period 4 March to 30 June 2019 £'000
The tax credit comprises:		
Current tax		
UK corporation tax	6	(40)
Adjustments in respect of prior periods	(25)	-
Total current tax	(19)	(40)
Deferred tax		
Origination and reversal of timing differences	1	(2)
Adjustments in respect of prior periods	2	-
Total deferred tax	3	(2)
Total tax credit on loss on ordinary activities	(16)	(42)

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

	£'000	£'000
Group loss on ordinary activities before tax	(13,274)	(4,088)
Tax on Group loss on ordinary activities at blended UK corporation tax rate of 19%	(2,522)	(777)
Effects of:		
Expenses not deductible for tax purposes	1,765	571
Income not taxable	(8)	(43)
Adjustments in respect of prior periods	(23)	-
Deferred tax asset not recognised	772	207
Group tax credit for period	(16)	(42)

Factors that may affect future tax charges

A change to the main UK corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 now remains at 19 percent, rather than the previously enacted reduction to 17 percent.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

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 2019	8,095	767	28	8,890	43,314	52,204
Arising on acquisition	2,892	-	-	2,892	5,150	8,042
Additions	2,332	-	-	2,332	-	2,332
At 30 June 2020	13,319	767	28	14,114	48,464	62,578
Amortisation						
At 1 July 2019	4,708	483	19	5,210	2,888	8,098
Charge in period	2,398	142	9	2,549	8,984	11,533
At 30 June 2020	7,106	625	28	7,759	11,872	19,631
Net book value						
At 30 June 2020	6,213	142	-	6,355	36,592	42,947
At 30 June 2019	3,387	284	9	3,680	40,426	44,106

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 company had no intangible fixed assets (2019: £nil).

9. FIXED ASSET INVESTMENTS

Company	Apollo Kallidus Midco Limited £'000
Cost	
At 1 July 2019 and 30 June 2020	848

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 Midco Limited*	11858430	Holding company	Ordinary	100%
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%

** Held directly by Apollo Kallidus Holdco Limited.*
*** Dormant*

9. FIXED ASSET INVESTMENTS (continued)

The registered office address of all subsidiary undertakings is 5 Fleet Place, London EC4M 7RD. Advorto UK Limited, Kallidus Target Limited 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.

Acquisition of subsidiary undertaking

On 28 February 2020 the Group acquired HOT Learning Limited. The total consideration was £7,608,000. 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:

	Book and fair value to Group £'000
Fixed assets	
Intangible	3,207
Tangible	18
Current assets	
Debtors	406
Cash	587
Total assets	4,218
Creditors	
Trade creditors	(48)
Accruals and deferred income	(1,153)
Corporation tax	(119)
Other creditors	(118)
Total liabilities	(1,438)
Net assets	**2,780**
Satisfied by	
Cash	4,750
Loan notes	2,000
Acquisition costs	858
	7,608
Goodwill arising on acquisition	**4,828**

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.

Subsequent to acquisition, the acquired business generated revenue of £817,000 and profit before taxation of £292,000.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

10. TANGIBLE FIXED ASSETS

Group	Computer equipment £'000	Fixture and fittings £'000	Total £'000
Cost			
At 1 July 2019	294	111	405
Arising on acquisition	28	20	48
Additions	84	8	92
Disposals	(11)	-	(11)
At 30 June 2020	395	139	534
Depreciation			
At 1 July 2019	213	71	284
Arising on acquisition	16	14	30
Charge in period	59	20	79
Disposals	(11)	-	(11)
At 30 June 2020	277	105	382
Net book value			
At 30 June 2020	118	34	152
At 30 June 2019	81	40	121

The net book value of fixed assets held under finance leases is £13,000 (2019: £29,000).

The company had no tangible fixed assets (2019: £nil).

11. DEBTORS

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Amounts falling due within one year				
Trade debtors	2,124	1,852	-	-
Amounts owed by Group undertakings	-	-	5,173	2,905
Corporation tax recoverable	-	131	-	-
Deferred tax asset (note 17)	-	2	-	-
Prepayments and accrued income	749	600	10	-
	2,873	2,585	5,183	2,905
Amounts falling due after more than one year				
Prepayments and accrued income	337	267	-	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Obligations under finance leases	13	16	-	-
Amounts owed to group undertakings	-	-	4	-
Bank loan	1,272	400	-	-
Trade creditors	791	886	4	-
Other taxation and social security	1,087	358	-	-
Corporation tax	24	-	-	15
Accruals	855	1,188	3	3
Deferred income	6,219	4,404	-	-
	10,261	7,252	11	18

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

An action taken to preserve cash and enhance the Group's financial position and liquidity was to defer the VAT payment of £624,000 due between 20 March 2020 and 30 June 2020 until 31 March 2021.

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

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Obligations under finance leases	-	13	-	-
Bank loan	12,650	7,600	-	-
Loan notes	39,523	34,066	2,040	-
Preference shares	-	2,656	-	2,656
	52,173	44,335	2,040	2,656

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

On 14 March 2019 the Group acquired Kallidus Holdings Limited. The acquisition consideration was funded, in part, by two term loan facilities from the Royal Bank of Scotland plc. The Group's loan facilities were restructured on 28 February 2020. The first of these loans, for £5,750,000, bears interest at the rate of 4.0% plus LIBOR and is repayable in six-monthly instalments until 28 February 2025. The second loan, for £7,500,000, bears interest at the rate of 4.5% plus LIBOR and is repayable on 28 February 2026.

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.

On 3 July 2020 the loan notes were admitted to the official list of The International Stock Exchange.

In the prior period, preference shares were presented as a financial liability in the balance sheet. This position changed after 30 June 2019 and is explained in note 16.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

14. GROUP BORROWINGS

2020	Bank loan £'000	Loan notes £'000	Finance lease £'000	Total £'000
Within one year	1,272	-	13	1,285
Between one and two years	1,250	-	-	1,250
Between two and five years	3,900	-	-	3,900
After more than five years	7,500	39,523	-	47,023
Total Group borrowings	13,922	39,523	13	53,458

2019	Bank loan £'000	Loan notes £'000	Finance lease £'000	Total £'000
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 Group acquired Kallidus Holdings Limited. The acquisition consideration was funded, in part, by two term loan facilities from the Royal Bank of Scotland plc. The Group's loan facilities were restructured on 28 February 2020. The first of these loans, for £5,750,000, bears interest at the rate of 4.0% plus LIBOR and is repayable in six-monthly instalments until 28 February 2025. The second loan, for £7,500,000, bears interest at the rate of 4.5% plus LIBOR and is repayable on 28 February 2026. As described in note 24, the facilities were refinanced after the balance sheet date.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

15. FINANCIAL ASSETS AND LIABILITIES

Financial assets

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Measured at undiscounted amount receivable				
Trade debtors	2,124	1,852	-	-

Financial liabilities

	Group 2020 £'000	Group 2019 £'000	Company 2020 £'000	Company 2019 £'000
Measured at amortised cost				
Bank loans	13,922	8,000	-	-
Redeemable preference shares	-	2,656	-	2,656
Loan notes	39,523	34,066	2,040	-
Obligations under finance leases	13	29	-	-
Measured at undiscounted amount payable				
Trade and other creditors	1,878	1,244	-	-
Deferred income	6,219	4,404	-	-
	61,555	50,399	2,040	2,656

16. CALLED-UP SHARE CAPITAL

	2020 £'000	2019 £'000
Authorised, allotted, called up and fully paid		
46,431 (2019: 33,165) 'A' Ordinary shares of £0.000001 each	-	-
51,583 (2019: 36,845) 'B' Ordinary shares of £0.000001 each	-	-
1,050,509 (2019: 1,012,701) Ordinary shares of £0.10 each	105	101
	105	101
2,654,380 10% redeemable preference shares of £1 each	2,655	-
Accrued interest thereon on	101	79
	2,756	79

A ordinary shares and B ordinary shares carry no voting rights or right to dividends.

On 2 March 2020, 13,266 A Ordinary shares of £0.000001 each, 14,738 B Ordinary shares of £0.000001 each and 37,808 Ordinary shares of £0.10 each were issued for consideration of £37,808, giving rise to share premium of £34,000.

Treatment of preference shares
An amended Investment Agreement, pertaining to institutional and management shareholders, was signed on 31 July 2019. It affects the accounting treatment of preference shares in the accounting period ended 30 June 2020. The preference shares are owned by management who reinvested proceeds from the sale of Kallidus Holdings Limited, this being termed a "rollover".

Prior to the amendment, the articles enabled ordinary shareholders to force the Company to repurchase the preference subscription amount of a resigning manager. Both resignation and repurchase events are not in control of the Company. Therefore the preference share subscription amount was accounted for as a long-term liability for the period ended 30 June 2019. The 10% per annum interest, accruing on preference shares, was not subject to the repurchase rules. Interest is only expected to crystallise upon the sale of the Group, that is, an exit event. Interest accrued on preference shares was therefore accounted for in equity for the period ended 30 June 2019. No repurchase circumstance arose prior to the amendment.

Under the amended Investment Agreement, preference shares funded by a rollover are not subject to the articles leavers' rules. This results in removing any obligation, from the Company, to repurchase a resigning manager's preference shares after 31 July 2019. The preference share subscription amount and accrued interest will therefore stay in issue until an exit event, regardless if a manager should leave the business. The preference shares and their accrued interest will ultimately be redeemed by a purchaser of the Group, they will not be a cost to the Company. Therefore for the year ended 30 June 2020 both the preferred share subscription amount and interest have been accounted for in equity. Such a treatment would have applied for the period ended 30 June 2019 had the Investment Agreement been amended prior to 30 June 2019.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

17. DEFERRED TAX

Deferred taxation asset	**Group £'000**	**Company £'000**
Balance at 1 July 2019	-	-
Current period charge	3	-
Balance at 30 June 2020	3	-

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

	2020 £'000	**2019 £'000**
Capital allowances in excess of depreciation	3	-

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 2020 £'000	**Company 2020 £'000**	**Group 2019 £'000**	**Company 2019 £'000**
Depreciation in excess of capital allowances	1	-	11	-
Short term timing differences	12	8	214	-
Losses	1,590	-	538	-
	1,602	8	763	-

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)
For the year ended 30 June 2020

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

	Year ended 30 June 2020 £'000	Period 4 March to 30 June 2019 £'000
Operating loss	(9,150)	(2,852)
Adjustment for:		
Depreciation	79	23
Amortisation	11,533	3,550
(Increase)/decrease in debtors	(86)	167
Increase in creditors	539	68
Tax received	175	-
Net cash inflow from operating activities	3,090	956

Net debt reconciliation

	At 1 July 2019 £'000	Cash flows £'000	Acquisitions £'000	At 30 June 2020 £'000
Cash	1,553	489	588	2,630
Bank loans	(8,000)	(5,922)	-	(13,922)
Finance leases	(29)	16	-	(13)
Loan notes	(34,066)	(2,001)	-	(36,067)
Net funds/(debt)	(40,542)	(7,418)	588	(47,372)

19. FINANCIAL COMMITMENTS

Operating leases

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

	Land and buildings 2020 £'000	Other 2020 £'000	Land and buildings 2019 £'000	Other 2019 £'000
- within one year	202	5	135	1
- between one and five years	7	7	70	1
	209	12	205	2

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 year was £274,000 (period ended 30 June 2019: £77,000). The balance owed to the scheme at 30 June 2020 was £30,000 (2019: £29,000).

22. SUBSIDIARY COMPANY AUDIT EXEMPTIONS

For the year ended 30 June 2020 certain subsidiaries of Apollo Kallidus Holdco 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:

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

23. RELATED PARTY TRANSACTIONS

Remuneration of key management personnel other than statutory directors amounted to £134,000 (2019: £114,000).

24. POST BALANCE SHEET EVENTS

On 23 December 2020, Apollo Kallidus Bidco Limited acquired 100% of the share capital of Sapling Technologies Inc., a leading People Operations Platform, based in San Francisco (US) and Vancouver (Canada). This acquisition is part of the ongoing strategy of the Kallidus group to become a leading provider of integrated Human Capital Management (HCM) software solutions to the lower mid-market by adding an HR operations product to the existing suite.

To fund the acquisition of Sapling Technologies Inc. and support the continued growth of the enlarged Kallidus Group the existing £13.75 million Royal Bank of Scotland facility was replaced with a new £26.7 million senior secured unitranche facility (and additional Capex / Acquisition facility) along with a further £6.5m Investment from Apse Capital and the existing Kallidus management team in the form of new shares issued The consideration paid to date is USD 13.2m.

As at the date of these accounts being signed off the Completion Accounts and accounting entries for the new business combination have not been finalised due to the recent nature of the acquisition and not all of the final deal costs being available. Therefore it is not possible to disclose the final financial values for consideration, assets and liabilities acquired, and goodwill in these accounts.

25. ULTIMATE CONTROLLING PARTY

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