

# Utiligroup Acquisitions Limited

## Annual Report and Financial Statements

Registered number 09008074

Year ended 31 December 2019

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## Utiligroup Acquisitions Limited

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### **Directors**

M C Hirst  
S Gosling  
P Galati

### **Secretary**

Brodies Secretarial Services Limited

### **Independent Auditors**

RSM UK Audit LLP  
Bluebell House  
Brian Johnson Way  
Preston  
PR2 5PE

### **Registered Office**

Utilihouse  
East Terrace  
Euxton Lane  
Chorley  
Lancashire  
PR7 6TE  
Registered number 09008074

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## Strategic report

The directors present their strategic report for the year ended 31 December 2019.

### Principal activities and review of the business

The company did not trade in the year.

The company was formed on the 23 April 2014 with the principal objective to act as the acquisition and financing vehicle to acquire the Utiligroup group of companies from Bglobal plc. On 14 April 2017 the company was acquired via its parent company by ESG-Utiligroup Holdings LLC and there are no future plans for the company to trade.

Approved by the Board on 16 April 2020 and signed on its behalf by:



S Gosling  
Director

## Utiligroup Acquisitions Limited

Registered No. 09008074

### Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2019.

The company did not trade in the year.

The company was formed on the 23 April 2014 with the principal objective to act as the acquisition and financing vehicle to acquire the Utiligroup group of companies from Bglobal plc. On 14 April 2017 the company was acquired via its parent company by ESG-Utiligroup Holdings LLC and there are no future plans for the company to trade.

### Results and dividends

The profit for the financial year amounted to £nil (period ended 31 December 2018: £nil). The directors do not recommend a final dividend (period ended 31 December 2018: £nil).

### Future developments

On 14 April 2017 the company was acquired by ESG-Utiligroup Holdings LLC via its parent company and has no future intentions to trade.

### Directors

The directors of the company who were in office during the year and up to the date of signing the financial statements were:

S Gosling  
M C Hirst  
P Galati

### Going concern

The directors believe that preparing the financial statements on a going concern basis is appropriate due to the continued financial support of the subsidiary Utilisoft Limited. The directors have received confirmation that the company intends to continue its support for at least one year after these financial statements are signed. The directors have considered new external risks in the year, namely the Covid-19 virus, and are taking the necessary actions to insulate the business. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

### Charitable and political donations

No charitable or political donations were made by the company in the year (period ended 31 December 2018: £nil).

### Disclosure of information to the auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### Independent Auditors

Pursuant to Section 485 of the Companies Act 2006, new auditors have been appointed and RSM UK Audit LLP has now taken office.

On behalf of the Board



S Gosling  
Director

16 April 2020

## **Statement of directors' responsibilities in respect of the financial statements**

The directors are responsible for preparing the Strategic report, the Directors report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 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 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.

## ***Independent auditor's report to the members of Utiligroup Acquisitions Limited***

### **Report on the audit of the financial statements**

#### **Opinion**

We have audited the financial statements of Utiligroup Acquisitions Limited (the 'company') for the year ended 31 December 2019 which comprise the profit and loss account and other comprehensive income, the balance sheet, statement of changes in equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its result for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

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

#### **Conclusions relating to going concern**

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the 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.

#### **Other information**

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

## ***Independent auditor's report to the members of Utiligroup Acquisitions Limited (continued)***

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

We have nothing to report in this regard.

### **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 has been prepared in accordance with applicable legal requirements.

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

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

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

- adequate accounting records have not been kept, 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.

### **Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 3, 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.



## ***Independent auditor's report to the members of Utiligroup Acquisitions Limited (continued)***

### **Auditor's responsibilities for the audit of the financial statements**

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

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

### **Use of our report**

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

*RSM UK Audit LLP*

Alastair John Richard Nuttall ACA (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor

Chartered Accountants

Bluebell House

Brian Johnson Way

Preston

Lancashire,

PR2 5PE

16 April 2020

## **Profit and loss account and other comprehensive income**

**for the year ended 31 December 2019**

The company did not trade in the year (year ended 31 December 2018: did not trade).

# Utiligroup Acquisitions Limited

## Balance sheet

As at 31 December 2019

		<i>As at</i> <i>31 December</i> <i>2019</i>	<i>As at</i> <i>31 December</i> <i>2018</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
<b>Fixed assets</b>			
Investments	5	<u>16,664,779</u>	<u>16,664,779</u>
		<u>16,664,779</u>	<u>16,664,779</u>
<b>Creditors: amounts falling due within one year</b>	6	<u>(16,653,225)</u>	<u>(16,653,225)</u>
<b>Net current liabilities</b>		<u>(16,653,225)</u>	<u>(16,653,225)</u>
<b>Total assets less current liabilities</b>		<u>11,554</u>	<u>11,554</u>
<b>Net Assets</b>		<u>11,554</u>	<u>11,554</u>
<b>Capital and reserves</b>			
Called up share capital	7	1	1
Profit and loss account	8	11,553	11,553
<b>Total Shareholders' funds</b>		<u>11,554</u>	<u>11,554</u>

The financial statements on pages 7 to 14 were approved by the Board of Directors on 16 April 2020 and are signed on their behalf by:



S Gosling

Director

Registered number 09008074

## Statement of changes in equity

For the year ended 31 December 2019

	<i>Called up share capital</i> £	<i>Profit and loss account</i> £	<i>Total shareholders' funds</i> £
1 January 2018	1	11,553	11,554
Total comprehensive income for the year	-	-	-
At 31 December 2018 & 1 January 2019	1	11,553	11,554
Result for the period	-	-	-
Other comprehensive income	-	-	-
Total comprehensive income for the year	-	-	-
<b>At 31 December 2019</b>	<b>1</b>	<b>11,553</b>	<b>11,554</b>

## Notes to the financial statements

For the year ended 31 December 2019

Utiligroup Acquisitions Limited (Company number 09008074) is a private company limited by shares registered, incorporated and domiciled in England and Wales. The registered office and principal place of business is: Utilihouse, East Terrace, Euxton Lane, Chorley, Lancashire, England, PR7 6TE.

The company's principal activities are disclosed in the directors' report.

### 1. Accounting policies

#### **Basis of preparation**

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium sized Companies and Groups (Accounts and Reports) Regulations 2008, and under the historical cost convention. The accounting policies have been applied consistently.

The presentation currency of these financial statements is sterling. Monetary amounts in these financial statements are rounded to the nearest whole £1 except where otherwise indicated.

The Company adopted the amendment(s) to FRS 102 published in the Triennial Review 2017.

The Company's parent undertaking, ESG-Utiligroup Holdings LLC includes the Company in its consolidated financial statements. The consolidated financial statements of ESG-Utiligroup Holdings LLC are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ. In these financial statements, the company is considered to be a qualifying entity (for the purposes of this FRS) and has applied the exemptions available under FRS 102 in respect of the following disclosures:

- Cash Flow Statement and related notes.

As the consolidated financial statements of ESG-Utiligroup Holdings LLC include the equivalent disclosures, the Company has also taken the exemptions under FRS 102 available in respect of the following disclosures:

- The disclosures required by FRS 102.11 *Basic Financial Instruments* and FRS 102.12 *Other Financial Instrument Issues* in respect of financial instruments not falling within the fair value accounting rules of Paragraph 36(4) of Schedule 1.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

#### **Going concern**

At the year end the Company had net current liabilities of £16,653,225 (31 December 2018: £16,653,225) and net assets of £11,554 (31 December 2018: £11,554).

The directors believe that the use of the going concern basis of accounting is appropriate. The Company has received confirmation from its subsidiary Utilisoft Limited, that it will provide the necessary financial support to meet the Company's liabilities as and when they fall due. The directors have considered new external risks in the year, namely the Covid-19 virus, and are taking the necessary actions to insulate the business. Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

#### **Consolidated financial statements**

The Company has taken advantage of the exemption in section 401 of the Companies Act 2006 from the requirement to prepare consolidated financial statements. Consequently, these financial statements present the financial position and financial performance of the Company as a single entity.

## Notes to the financial statements (*continued*)

For the year ended 31 December 2019

### 1. Accounting policies (*continued*)

#### *Fixed asset investments*

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses.

Interests in subsidiaries, associates and jointly controlled entities are assessed for impairment at each reporting date. Any impairments losses or reversals of impairment losses are recognised immediately in profit or loss.

#### *Financial instruments*

The Company has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102, in full, to all of its financial instruments.

#### *Recognition and measurement of financial instruments*

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

#### *Classification of financial instruments*

Financial instruments are classified as liabilities and equity instruments 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 Company after deducting all of its liabilities.

#### *Financial assets and liabilities at amortised cost*

##### *Group debtors*

Group debtors which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost using the effective interest method. The effective interest rate is the market rate used to determine initial measurement adjusted to amortise directly attributable transaction costs.

#### *Equity*

##### *Equity instruments*

Financial instruments classified as equity instruments are recorded at the fair value of the cash or other resources received or receivable, net of transaction costs, unless the equity instruments are issued to extinguish a financial liability due to a shareholder or a party under common control, or in accordance with the original terms of the financial liability.

#### *Derecognition of financial assets and liabilities*

A financial asset is derecognised only when the contractual rights to cash flows expire or are settled, or substantially all the risks and rewards of ownership are transferred to another party, or if some (but not substantially all) risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

## Notes to the financial statements (*continued*)

For the year ended 31 December 2019

### 1. Accounting policies (*continued*)

#### *Significant judgements and estimates*

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Details regarding judgements and estimates which have the most significant effect on the amounts recognised in the financial statements are as follows:

#### *Impairment of assets*

The Company assesses whether there are any indicators of impairment for all assets. Investments in subsidiaries are tested for impairment when there are indicators that the carrying values may not be recoverable. When value-in-use calculations are undertaken, management must estimate expected cash flows from the asset or cash generating unit and choose a suitable discount rate to calculate the net present value of those cash flows.

### 2. Turnover

The company has no trading income during the year (31 December 2018: £nil).

### 3. Auditors' Remuneration

All audit and non-audit costs paid to the company's auditors in the current year and prior period were borne by Utilisoft Limited and no recharge was made. Total costs for the year were £68,000 (year ended 31 December 2018: £65,644), with £1,000 (year ended 31 December 2018: £1,000) attributing to Utiligroup Acquisitions Limited.

### 4. Directors' remuneration and employees

The Directors remuneration is in relation to their services to the Utiligroup Group as a whole. These costs were borne by Utilisoft Limited, a fellow group undertaking and no recharge was made. The directors of the company are also directors of the holding company and fellow subsidiaries. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the holding and fellow subsidiary companies.

Other than the Directors disclosed within these financial statements, the company has no (31 December 2018: none) employees.

## Notes to the financial statements (*continued*)

For the year ended 31 December 2019

### 5. Investments

	<i>Subsidiary undertakings £</i>
Cost and net book value:	
At 1 January 2019	16,664,779
Additions	-
At 31 December 2019	<u>16,664,779</u>

Details of subsidiaries are as follows:

	<i>Country of incorporation</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Utiligroup Holdings Limited	England	Ordinary shares	100%	Holding company
Utilisoft Limited*	England	Ordinary shares	100%	Software Managed Data
Utiliserve Limited*	England	Ordinary shares	100%	Services
Draig Technology Ltd*	England	Ordinary shares	100%	Dormant

\* Denotes held through a subsidiary

All subsidiaries are registered at Utilihouse, East Terrace, Euxton Lane, Chorley, Lancashire PR7 6TE.

### 6. Creditors: amounts falling due within one year

	<i>As at 31 December 2019 £</i>	<i>As at 31 December 2018 £</i>
Amounts owed to group undertakings	<u>16,653,225</u>	<u>16,653,225</u>
	<u>16,653,225</u>	<u>16,653,225</u>

### 7. Called up share capital

	<i>As at 31 December 2019</i>	<i>As at 31 December 2018</i>
<i>Allotted, called up and fully paid</i>	<i>No. £</i>	<i>No. £</i>
Ordinary shares of £1 each	1 1	1 1

Each share has full rights in the Company with respect to voting, dividends and distribution.



## Notes to the financial statements (*continued*)

For the year ended 31 December 2019

### 8. Reserves

The reserves of the company represent the following:

*Profit and loss account*

Cumulative profit and loss net of distribution to owners

### 9. Related party transactions

The company has taken advantage of the exemption available under FRS 102 not to disclose transactions with other group companies which meet the criteria that all subsidiary undertakings which are party to the transactions are wholly owned by the ultimate controlling parent.

**Transactions with key management are disclosed below:**

At 31 December 2019 no directors held share options or received remuneration (year ended 31 December 2018: none).

### 10. Ultimate parent undertaking and controlling party

Utiligroup Acquisitions Limited is a company incorporated in England & Wales. Following the company sale by its owners on 14 April 2017, the Ultimate parent is Accel-KKR by virtue of its controlling holding in ESG-Utiligroup Holdings LLC. ESG-Utiligroup Holdings LLC is both the smallest and largest group for which group financial statement are prepared and in which the company is included. The consolidated financial statements of ESG-Utiligroup Holdings LLC are available to the public and may be obtained from Companies House, Crown Way, Maindy, Cardiff, CF14 3UZ.

# ESG-Utiligroup Holdings, LLC and Subsidiaries

Consolidated Financial Statements  
December 31, 2019 and 2018

THESE PARTNERSHIP  
ACCOUNTS FORM  
PART OF THE ACCOUNTS  
OF COMPANY  
No. 09008074

WEDNESDAY

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COMPANIES HOUSE

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**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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**December 31, 2019 and 2018**

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## **Report of Independent Auditors**

To the Board of Directors and Management of  
ESG-Utiligroup Holdings, LLC

We have audited the accompanying consolidated financial statements of ESG-Utiligroup Holdings, LLC and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2019 and 2018, and the related consolidated statements of operations, of comprehensive loss, of changes in members' capital, and of cash flows for the years then ended.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ESG-Utiligroup Holdings, LLC and its subsidiaries as of December 31, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As discussed in Note 3 to the consolidated financial statements, the Company changed the manner in which it accounts for revenue from, and costs incurred to obtain, contracts with customers in 2019. Our opinion is not modified with respect to this matter.

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

Boston, Massachusetts  
April 3, 2020

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2019 and 2018**

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 8,684	\$ 10,924
Accounts receivable, net	13,527	13,807
Unbilled accounts receivable, net	3,648	3,566
Prepaid expenses and other current assets	3,115	3,811
Total current assets	28,974	32,108
Property and equipment, net	6,809	5,661
Goodwill, net	144,766	161,940
Intangible assets, net	33,043	47,862
Deferred costs, net	1,973	-
Other assets, net	5,484	109
Total assets	\$ 221,049	\$ 247,680
<b>Liabilities and Members' Capital</b>		
Current liabilities		
Accounts payable	\$ 903	\$ 1,955
Accrued expenses	6,948	6,970
Term loan, current portion	8,525	8,701
Deferred revenue, current portion	2,604	2,158
Income tax payable	814	255
Total current liabilities	19,794	20,039
Long-term liabilities		
Term loan, net of current portion	160,318	166,226
Deferred revenue, net of current portion	2,632	1,854
Deferred tax liabilities	1,722	2,652
Other liabilities	311	2,144
Total long-term liabilities	164,983	172,876
Total liabilities	184,777	192,915
Commitments and contingencies (Notes 3, 8, 9, 11, and 14)		
Members' capital		
Contributed capital	108,407	108,407
Accumulated deficit	(79,701)	(61,348)
Currency translation adjustment	2,688	2,148
Total members' capital - ESG-Utiligroup Holdings, LLC	31,394	49,207
Noncontrolling interest in consolidated subsidiaries	4,878	5,558
Total members' capital	36,272	54,765
Total liabilities and members' capital	\$ 221,049	\$ 247,680

The accompanying notes are an integral part of these consolidated financial statements.

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statements of Operations**  
**Years Ended December 31, 2019 and 2018**

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Revenues</b>		
Subscription	\$ 85,768	\$ 79,894
Services	9,860	8,920
Total revenues	<u>95,628</u>	<u>88,814</u>
<b>Operating expenses</b>		
Selling, general and administrative	62,346	62,050
Amortization expense	35,832	38,784
Depreciation expense	2,813	2,012
Loss on disposal of equipment	290	-
Total operating expenses	<u>101,281</u>	<u>102,846</u>
Loss from operations	<u>(5,653)</u>	<u>(14,032)</u>
<b>Other expense (income)</b>		
Interest expense, net	14,610	15,758
Rental income	(72)	-
Foreign currency transaction (gains) losses, net	(568)	159
Total other expenses, net	<u>13,970</u>	<u>15,917</u>
Loss before income taxes	<u>(19,623)</u>	<u>(29,949)</u>
(Provision for) benefit from income taxes	<u>(759)</u>	<u>473</u>
Net loss	<u>(20,382)</u>	<u>(29,476)</u>
Net loss attributable to noncontrolling interests	<u>(738)</u>	<u>(1,067)</u>
Net loss attributable to ESG-Utiligroup Holdings, LLC	<u>\$ (19,644)</u>	<u>\$ (28,409)</u>

The accompanying notes are an integral part of these consolidated financial statements.

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statements of Comprehensive Loss**  
**Years Ended December 31, 2019 and 2018**

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<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
Net loss	\$ (20,382)	\$ (29,476)
Other comprehensive income (loss)		
Foreign currency translation adjustments	560	(1,526)
Comprehensive loss	(19,822)	(31,002)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	(718)	(1,122)
Comprehensive loss attributable to ESG-Utiligroup Holdings, LLC	<u>\$ (19,104)</u>	<u>\$ (29,880)</u>

The accompanying notes are an integral part of these consolidated financial statements.



**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statements of Changes in Members' Capital**  
**Years Ended December 31, 2019 and 2018**

(in thousands, except per unit amounts)	Class A-1 Preferred Units	Class A-2 Preferred Units	Accumulated Deficit	Contributed Capital	Accumulated Other		Noncontrolling Interest	Total Members' Capital
					Comprehensive Income (Loss)			
<b>Balance at December 31, 2017</b>	50,470,031 (364,964)	21,661,483	\$ (32,971)	\$ 107,640	\$ 3,619	\$ 5,680	\$ 84,968 (1,000)	
Redemption of preferred units	-	-	-	(1,000)	-	-	-	
Preferred units issued in connection with the Aproses Acquisition	-	541,975	-	1,767	-	-	1,767	
Unit-based compensation expense	-	-	274	-	-	-	274	
Other comprehensive loss	-	-	-	-	(1,471)	(55)	(1,526)	
Distributions	-	-	(242)	-	-	-	(242)	
Net loss	-	-	(28,409)	-	-	(1,067)	(29,476)	
<b>Balance at December 31, 2018</b>	50,105,067	22,203,458	(61,348)	108,407	2,148	5,558	54,765	
Adoption of new accounting standard (Note 3)	-	-	1,016	-	-	38	1,054	
Unit-based compensation expense	-	-	275	-	-	-	275	
Other comprehensive income	-	-	-	-	540	20	560	
Net loss	-	-	(19,644)	-	-	(738)	(20,382)	
<b>Balance at December 31, 2019</b>	50,105,067	22,203,458	(79,701)	108,407	2,688	4,878	\$ 36,272	

The accompanying notes are an integral part of these consolidated financial statements.

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statements of Cash Flows**  
**Years Ended December 31, 2019 and 2018**

<i>(in thousands)</i>	<b>2019</b>	<b>2018</b>
<b>Cash flows from operating activities</b>		
Net loss	\$ (20,382)	\$ (29,476)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	38,609	40,796
Bad debt expense	47	926
Unit-based compensation expense	275	274
Loss on disposal of equipment	273	-
Noncash interest expense	757	704
Deferred taxes	(2,207)	292
Changes in operating assets and liabilities		
(Increase) decrease in		
Billed and unbilled accounts receivable	243	(859)
Prepaid expenses and other current assets	660	(693)
Income tax payable	550	611
Deferred costs, net	(522)	-
Other assets, net	(3,299)	(6)
Increase (decrease) in		
Accounts payable and accrued expenses	992	(690)
Other liabilities	(1,833)	(433)
Deferred revenue	95	(530)
Net cash provided by operating activities	<u>14,258</u>	<u>10,916</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(4,131)	(2,718)
Acquisition of software assets	(2,000)	-
Acquisition of Apose Solutions Limited	-	(20,784)
Net cash used in investing activities	<u>(6,131)</u>	<u>(23,502)</u>
<b>Cash flows from financing activities</b>		
Distributions	-	(242)
Redemption of units	-	(1,000)
Contingent consideration payments	(2,000)	(2,000)
Proceeds from term loan	-	25,337
Payments on term loan	(8,989)	(9,066)
Payments of financing costs	-	(379)
Net cash (used in) provided by financing activities	<u>(10,989)</u>	<u>12,650</u>
Effect of foreign exchange rates on cash and cash equivalents	<u>622</u>	<u>(352)</u>
Net decrease in cash and cash equivalents	<u>(2,240)</u>	<u>(288)</u>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>10,924</u>	<u>11,212</u>
Ending of year	<u>\$ 8,684</u>	<u>\$ 10,924</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 13,782	\$ 14,973
Cash paid for taxes	962	939
<b>Supplemental noncash financing activity</b>		
Rollover equity associated with the acquisition during the period	\$ -	\$ 1,767

The accompanying notes are an integral part of these consolidated financial statements.

## **ESG-Utiligroup Holdings, LLC and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2019 and 2018**

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*(in thousands)*

#### **1. Nature of Business**

ESG-Utiligroup Holdings, LLC and Subsidiaries (collectively, the "Company") provides flexible, scalable, end-to-end Software as a Service ("SaaS") solutions for retail energy suppliers and utilities. The Company's back office technologies allow clients to streamline operations and maintain regulatory compliance within the retail energy markets of the United States of America ("U.S."), the United Kingdom ("U.K.") and Japan. These solutions enable energy companies to profile, acquire, contract, enroll, price, invoice, forecast, schedule, settle and service end user energy customers in many utility service territories.

From April 4, 2016 (date of inception) through April 13, 2017, the Company's consolidated financial statements represented those of its predecessor company, ESG Topco, LLC ("Topco") and its subsidiaries. On April 13, 2017, the Company's members formed a new Delaware limited liability company, ESG-Utiligroup Holdings, LLC ("Holdings"). The ultimate effect of the reorganization resulted in the membership interests in Topco being converted into membership interests in Holdings on a unit-for-unit basis. Following the reorganization, Holdings assumed all assets and liabilities of Topco. The members that previously controlled Topco continued to control Holdings. Accordingly, the reorganization did not result in a change in the basis of accounting.

#### **2. Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

#### **3. Summary of Significant Accounting Policies**

##### **Basis of Presentation**

The Company's consolidated financial statements are presented in accordance with accounting principles generally accepted in the United States of America.

##### **Noncontrolling Interests**

Noncontrolling interests represent the ownership interests in the consolidated entities that are owned by minority members and are reported as equity in the accompanying consolidated statements of financial position. Net loss allocated to both the Company and the noncontrolling interests are included in the consolidated statements of operations but excluded from the consolidated statements of comprehensive loss.

##### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates. Estimates are used in the following areas: allowance for doubtful accounts, accrued expenses, deferred costs, revenue recognition, accounting for acquisitions, unit-based compensation expense, and contingent consideration.

**ESG-Utligroup Holdings, LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

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(in thousands)

**Adoption of the New Revenue Recognition Accounting Standard**

On January 1, 2019, the Company adopted Accounting Standards Codification 606, *Revenue from Contracts with Customers* ("ASC 606"), utilizing the modified retrospective method. The cumulative effect of initially applying ASC 606 was recorded as an adjustment to the opening balance of accumulated deficit as of the date of adoption. Using the modified retrospective method, the Company reviewed all material revenue streams and applied ASC 606 to all open contracts as of the date of adoption. Comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods.

The impact of applying ASC 606 relates to the following:

ASC 606 requires the Company to capitalize incremental costs to acquire new contracts, which consist of sales commissions and upfront implementation costs. Previously, these costs were expensed as incurred.

The cumulative effect of the impact of adoption on the consolidated statements of financial position as of January 1, 2019 is as follows:

	December 31, 2018	Adjustments Due to Adoption	January 1 2019
<b>Assets</b>			
Deferred commissions	\$ -	\$ 711	\$ 711
Deferred upfront costs	-	741	741
<b>Liabilities</b>			
Deferred revenue	\$ 4,012	\$ 398	\$ 4,410
<b>Members' capital</b>			
Accumulated deficit	\$ (61,348)	\$ 1,054	\$ (60,294)

**Impact of New Revenue Standard on Consolidated Financial Statement Line Items**

The impact of adoption on our consolidated statements of financial position, statements of operations and cash flows were as follows:

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**December 31, 2019 and 2018**

(in thousands)

	As Reported	Balances Without Adoption	Effect of Change Higher/(Lower)
<b>Assets</b>			
Deferred commissions	\$ 1,035	\$ -	\$ 1,035
Deferred upfront costs	938	-	938
<b>Liabilities</b>			
Deferred revenue	\$ 5,236	\$ 5,207	\$ 29
<b>Members' Capital</b>			
Accumulated deficit	\$ (79,701)	\$ (81,575)	\$ 1,874
Noncontrolling interest	4,878	4,808	70
<b>Revenues</b>			
Net revenues	\$ 95,628	\$ 95,260	\$ 368
<b>Operating Expenses</b>			
Selling, general and administrative	\$ 62,346	\$ 62,868	\$ (522)
Loss before income taxes	(19,623)	(20,513)	890
Net loss	(20,382)	(21,272)	890
Comprehensive loss	(19,822)	(20,712)	890

The adoption resulted in offsetting shifts in cash flows through net loss within cash flows from operating activities for deferred costs and deferred revenue, consistent with the effects on our consolidated statements of operations as noted in the table above. The adoption had no impact on our overall cash flows from operating, investing or financing activities.

**Revenue and Cost Recognition**

**Overview**

The Company is a provider to the retail energy sector for SaaS solutions including data and transaction management, billing and customer information systems, wholesale energy services, and sales and pricing. The Company also provides comprehensive support for the business process needs of start-up retail suppliers, established global suppliers of natural gas and electricity, and to everyone in between. The Company is an enabler of new energy suppliers, metering service providers and other market roles.

The Company does not deliver a software product for installation on the customer's in-house systems. Rather, it makes the software available to the customer through a hosting arrangement. The Company installs and runs the software application on its own or other dedicated servers, giving customers access to the application via the internet or a dedicated line. The customer does not have the contractual right to take possession of the software at any time during the hosting period.

**Revenue Recognition Policy**

Revenue is recognized when a customer obtains control of promised goods or services, in an amount that reflects the consideration expected to be received in exchange for those goods or services. To determine revenue recognition for arrangements that are within the scope of the new

## **ESG-Utiligroup Holdings, LLC and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2019 and 2018**

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*(in thousands)*

revenue recognition accounting standard, the following five steps are performed: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the performance obligations are satisfied. The five-step model is only applied to contracts when it is probable that the Company will collect the consideration it is entitled to in exchange for the goods or services transferred.

At contract inception, the Company assesses the goods or services promised within each contract and determine those that are performance obligations and assess whether each promised good or service is distinct. Revenue is recognized as the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. The payment terms for services are stated within each contract and agreed upon with the customer. Revenue for these services is recognized over time.

Revenue is measured as the amount of consideration expected to be received in exchange for transferring services to a customer. The Company uses the output method to recognize revenue over time for each distinct monthly service period. Sales, value add, and other taxes collected on behalf of third parties are excluded from revenue.

The Company estimates the collectability of contracts upon execution. The Company's contracts with customers generally do not include a significant financing component as payment from customers does not occur either significantly before or significantly after performance.

#### **Performance Obligations**

The Company's service agreements will typically have multiple components to its revenue stream, such as an up-front fee to cover the set-up and an ongoing periodic charge to cover hosting. An up-front fee can take the form of either a payment for initial set-up services or a license fee received at the inception of an arrangement. On-going periodic charges are recognized as services are rendered. It is also possible that additional services may be made available under the arrangement, such as hardware, training, consulting, enhancements, and support.

Operational services provided by the Company are a series of distinct performance obligations. Implementation fees are considered 'setup activities' and are not distinct performance obligations. Any change management, professional services, and other supplemental services are distinct performance obligations within the context of the contract and are separate performance obligations. Professional services the Company provides typically have value on a stand-alone basis because such services are sold separately by the Company and its competitors (i.e. without hosted services). Support services are considered a stand-ready obligation and are therefore bundled with the operational service it supports. Each of the performance obligations described above are satisfied over the time of the services being rendered to the customer.

If the Company promises specified upgrades, enhancements, or other deliverables in a manner that is deemed to represent a substantive commitment, the obligation is treated as a separate performance obligation.

The Company regularly assesses its ability to collect the related receivables and if it is determined that collection is no longer probable, ratable revenue recognition ceases at that time. Revenue is only recognized as the payments are considered collectible. The Company estimates collectability of contracts upon execution.

## **ESG-Utiligroup Holdings, LLC and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2019 and 2018**

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(in thousands)

#### **Deferred Costs**

Deferred costs consist of costs to obtain customer contracts, such as commissions paid to sales personnel. It also consists of costs to fulfill customer contracts, such as customer implementation costs that are not separate performance obligations. These costs are deferred and amortized over the life of the contract with the customer. Amortization expense is included in selling, general, and administrative expenses in the accompanying consolidated statements of operations.

#### **Capitalized Software Development Costs**

Software development costs are capitalized in accordance with ASC 985, *Costs of Software to be Sold, Leased, or Marketed*, once technological feasibility has been established. Subsequent costs should be capitalized until the software reaches general availability. Software development costs are amortized over their useful life, which is generally between 3-7 years. Capitalized software development costs, net of accumulated amortization, of \$3,555 and \$0 at December 31, 2019 and 2018, respectively, are included as a component of other assets, net in the accompanying consolidated statements of financial position. These costs are amortized on a straight-line basis over the assigned estimated useful life and is included in selling, general, and administrative expenses in the accompanying consolidated statements of financial position.

#### **Foreign Currency Translation**

Assets and liabilities of the Company's subsidiaries whose primary operations are outside of the United States of America are translated to U.S. Dollars at current exchange rates while the results of operations are translated at the period average exchange rates. Unrealized gains or losses resulting from translating foreign currency financial statements are recorded in currency translation adjustment, a component of accumulated other comprehensive income within members' capital.

#### **Cash and Cash Equivalents**

The Company considers all highly liquid investments with original maturity dates of three months or less, when purchased, to be cash equivalents.

#### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts receivable as of the end of the year. Bad debts are written off against the allowance when identified. Bad debt expense for the years ended December 31, 2019 and 2018 was \$47 and \$926, respectively. The allowance for doubtful accounts as of December 31, 2019 and 2018 was \$261 and \$1,235, respectively.

#### **Unbilled Accounts Receivable**

Revenues from subscription services and monthly usage fees that are earned by the Company, but not yet billed to customers, are reported within unbilled accounts receivable, net in the accompanying consolidated statements of financial position.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2019 and 2018

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(in thousands)

#### **Concentration of Credit Risk**

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents balance in bank accounts, which at times may exceed federally insured limits. Certain amounts on deposit during the years ended December 31, 2019 and 2018 exceeded the \$250,000 federally insured limit. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on its cash and cash equivalents.

There was no significant concentration of credit or sales to any one customer as of December 31, 2019 and 2018. During the year ended December 31, 2019 and 2018, approximately 49%, 50% and 1% of the Company's consolidated revenue was concentrated with sales to customers within the U.S., U.K. and other geographies, respectively.

#### **Accounting for Acquisitions**

The Company recognizes the assets acquired, the liabilities assumed, and any noncontrolling interests in acquirees as of the acquisition date, measured at their fair values as of that date with some exceptions as allowed under the applicable guidance. Acquisition related costs are expensed as incurred. The results of operations for all acquisitions are included in the consolidated statements of operations since their acquisition dates.

#### **Property and Equipment**

*Additions to property and equipment are recorded at cost. Expenditures for additions, renewals, and betterments of property are capitalized and depreciated over the estimated useful life. Expenditures for repairs and maintenance are expensed as incurred. The Company provides for depreciation and amortization of assets recorded using the straight-line method over estimated useful lives as follows:*

Furniture and fixtures	5 - 10 years
Equipment	3 - 10 years
Leasehold improvements	Lesser of asset life or lease term

#### **Income Taxes**

The Company accounts for income taxes in accordance with Accounting Standards Codification ("ASC") 740, *Income Taxes*, which requires the use of the asset and liability method. Under the asset and liability method, deferred tax assets and liabilities are recognized and income or expense is recorded, for the estimated future tax consequences attributable to differences between the consolidated financial statements carrying value of existing assets and liabilities and their respective tax bases. Deferred tax assets, representing future tax benefits, are recognized to the extent that their realization is more likely than not to occur. The Company's international operations are subject to income taxes in accordance with local jurisdictional tax regulations.



## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2019 and 2018

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(in thousands)

The Company follows the provisions of the accounting standard for uncertainty in income taxes which prescribes a comprehensive model for how a company should recognize, measure, present and disclose in its consolidated financial statements uncertain tax positions that a company has taken or expects to take on a tax return. The consolidated financial statements reflect expected future tax consequences of such positions presuming the taxing authorities' full knowledge of the position and all relevant facts, but without considering time values.

#### **Advertising Costs**

Costs related to advertising are expensed as incurred. Advertising expense for the years ended December 31, 2019 and 2018 was \$413 and \$545, respectively.

#### **Long-Lived Assets**

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. Long-lived assets consist primarily of property, equipment, and intangible assets. No impairment losses were recorded during the years ended December 31, 2019 and 2018.

#### **Debt Issuance Costs**

Loan origination fees and related expenses are capitalized and amortized over the term of the long-term debt under the effective interest method of accounting. Amortization expense recorded during 2019 and 2018 was \$757 and \$704. As of December 31, 2019 and 2018, \$1,656 and \$2,392 has been recorded as a reduction to the Company's long-term debt balance, respectively.

#### **Fair Value Measurements**

ASC 820, *Fair Value Measurements*, establishes a hierarchy that prioritizes fair value measurements based on the types of inputs used for the various valuation techniques (market approach, income approach and cost approach). The levels of the hierarchy are described as follows:

- |         |   |
|---------|---|
| Level 1 | Observable inputs such as quoted prices in active markets for identical assets or liabilities.  |
| Level 2 | Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly; these include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active. |
| Level 3 | Unobservable inputs that reflect the reporting entity's own assumptions.  |

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and liabilities and their placement within the fair value hierarchy. There were no changes in the valuation techniques used during the years ended December 31, 2019 and 2018.

As of December 31, 2019 and 2018, the Company maintained a money market account of approximately \$243 and \$250, respectively. The Company determined this to be a Level 1 financial instrument based on the availability of quoted prices for similar financial instruments.

## **ESG-Utiligroup Holdings, LLC and Subsidiaries**

### **Notes to Consolidated Financial Statements**

#### **December 31, 2019 and 2018**

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(in thousands)

The Company determined the fair value of the contingent consideration based upon a probability weighted assessment with respect to the likelihood of achieving the defined criteria. The measurement is based upon significant inputs not observable in the market and therefore the estimate has been classified as Level 3 in the fair value hierarchy. Changes in the fair value of the Company's contingent consideration are recorded as income or expense within earnings. As of December 31, 2019 and 2018, the fair value of contingent consideration in the amount of \$2,000 and \$4,000, respectively, has been recorded within the consolidated statements of financial position as accrued expenses (current) and other liabilities (noncurrent).

#### **Comprehensive Loss**

Comprehensive loss includes all changes in equity during a period, except those resulting from investments by and distributions to members. Other comprehensive income refers to revenues, expenses, gains, and losses that are excluded from net loss. For the Company, other comprehensive income consists of cumulative translation adjustments resulting from the translation of the Company's U.K. operations from its Great British Pound functional currency to the U.S. Dollar reporting currency.

#### **Foreign Currency Transaction Gains and Losses**

The Company has transactions in currencies other than its functional currency. Transaction gains and losses relating to the recurring measurement and settlement of such transactions are recorded in other expenses (income) within the consolidated statements of operations.

#### **Goodwill and Intangible Assets**

In January 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-02 *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which provides an accounting alternative for private companies related to the subsequent accounting for goodwill. The Company applies ASU No. 2014-02 and, as such, the Company amortizes goodwill on a straight-line basis over a period of 10 years (Note 5). Also pursuant to the accounting alternative, the Company will test its goodwill for impairment at the entity level only upon the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying amount. During the years ended December 31, 2019 and 2018, there were no events or circumstances identified by the Company which would be indicative of potential goodwill impairment.

In December 2014, the FASB issued ASU No. 2014-18 *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination*, which provides nonpublic entities with an option to not recognize separately from goodwill (1) customer-related intangible assets unless they are capable of being sold or licensed independently from the other assets of the business and (2) noncompetition agreements. The Company adopted the provisions of this standard effective April 13, 2017. Intangible assets are subject to impairment testing only upon the occurrence of a triggering event as defined in the related accounting guidance. During the years ended December 31, 2019 and 2018, there were no intangible asset impairments recorded.

## ESG-Utilligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2019 and 2018

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(in thousands)

Intangible assets consist of costs recognized in accounting for business combination transactions and are amortized on a straight-line basis over their useful lives as follows:

Developed technology	3 - 7 years
Customer relationships	7 years
Trademarks and tradenames	3 years
Noncompete agreements	3 years

#### Equity-Based Compensation

In March 2016, the FASB issued ASU 2016-09: *Compensation—Stock Compensation: Improvements to Employee Share-Based Payment Accounting*, which simplified the accounting for share-based payment transactions specifically related to the tax effects associated with stock-based compensation, allowing for an accounting policy election to determine how forfeitures are recorded and a change in the presentation requirements in the consolidated statement of cash flows. The Company adopted the provisions of this standard effective January 1, 2017. The impact of this was not material to the consolidated financial statements for the years ended December 31, 2019 and 2018.

#### Recent Accounting Pronouncements

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard is intended to improve financial reporting about leasing transactions. Amongst other changes, the standard will require both operating and capital leases to be recognized on the consolidated statements of financial position and require incremental disclosures around the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for the Company for its annual reporting periods beginning after December 15, 2020. The Company is currently evaluating the impact that the adoption of the standard will have on its consolidated financial statements.

#### Subsequent Events

The United States of America as well as several other countries have declared emergencies in March 2020 due to the COVID-19 (coronavirus) global pandemic. The 2019 consolidated financial statements were prepared based on management's best estimates about facts and circumstances that existed at December 31, 2019. If economic conditions worsen as a result of the global pandemic, the Company may be adversely impacted, and actual results could differ from those estimates. At this time, management cannot reasonably determine the extent to which the disruption may impact the Company's financial position, results of operations or cash flows in 2020.

In response to the global pandemic, the United States Congress and the United Kingdom Parliament enacted laws in late March 2020 which include provisions of relief for citizens and businesses. The Company does not expect the enacted laws to materially impact its total overall tax expense as any tax differences resulting from the enacted laws will be temporary. The Company will reflect the changes to its deferred tax assets and liabilities footnote in its 2020 consolidated financial statements.

The Company has evaluated subsequent events through April 3, 2020, which is the date the consolidated financial statements were issued.

**ESG-Uttiligroup Holdings, LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
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(in thousands)

**4. Property and Equipment**

Property and equipment consist of the following at December 31, 2019 and 2018:

	2019	2018
Furniture and fixtures	\$ 2,173	\$ 1,126
Equipment	10,493	8,115
Leasehold improvements	1,421	990
	<u>14,087</u>	<u>10,231</u>
Less: Accumulated depreciation	<u>(7,278)</u>	<u>(4,570)</u>
	<u>\$ 6,809</u>	<u>\$ 5,661</u>

Depreciation expense for the years ended December 31, 2019 and 2018 was \$2,813 and \$2,012, respectively.

**5. Goodwill**

The following is a summary of the Company's goodwill balance as of December 31, 2019 and 2018:

	2019	2018
Beginning balance	\$ 161,940	\$ 171,767
Additions	-	14,439
Amortization	(20,416)	(19,482)
Currency translation adjustment	3,242	(4,784)
	<u>\$ 144,766</u>	<u>\$ 161,940</u>

The estimated goodwill amortization expense for each of the five succeeding fiscal years and thereafter is as follows:

2020	\$ 20,416
2021	20,416
2022	20,416
2023	20,416
2024	20,416
Thereafter	<u>42,686</u>
	<u>\$ 144,766</u>

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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(in thousands)

**6. Intangible Assets**

Intangible assets as of December 31, 2019 and 2018 consisted of the following:

2019				
	Cost	Accumulated Amortization	Currency Translation Adjustments	Net Book Value
Trademarks and tradenames	\$ 13,725	\$ (13,521)	\$ 206	\$ 410
Customer relationships	18,290	(9,700)	-	8,590
Developed technology	54,321	(31,326)	1,048	24,043
Noncompete agreements	6,780	(6,780)	-	-
	<u>\$ 93,116</u>	<u>\$ (61,327)</u>	<u>\$ 1,254</u>	<u>\$ 33,043</u>

  

2018				
	Cost	Accumulated Amortization	Currency Translation Adjustments	Net Book Value
Trademarks and tradenames	\$ 13,725	\$ (10,955)	\$ (109)	\$ 2,661
Customer relationships	18,290	(7,087)	-	11,203
Developed technology	54,321	(19,705)	(1,202)	33,414
Noncompete agreements	6,780	(6,196)	-	584
	<u>\$ 93,116</u>	<u>\$ (43,943)</u>	<u>\$ (1,311)</u>	<u>\$ 47,862</u>

Amortization expense related to intangible assets for the years ended December 31, 2019 and 2018 was \$15,380 and \$19,302, respectively.

The estimated amortization expense for each of the five succeeding fiscal years and thereafter is approximately as follows:

2020	\$ 12,338
2021	7,988
2022	6,326
2023	4,299
2024	1,717
Thereafter	375
	<u>\$ 33,043</u>

**7. Other Assets**

Included in other assets at December 31, 2019 are capitalized software development costs and asset acquisitions, net of accumulated amortization.

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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(in thousands)

Expected future yearly amortization of capitalized software costs at December 31, 2019 are as follows:

2020	\$	691
2021		794
2022		794
2023		866
2024		794
Thereafter		1,545
	\$	<u>5,484</u>

Amortization expense related to capitalized software costs and software assets for the years ended December 31, 2019 and 2018 was \$143 and \$0, respectively.

**Acquisition of Software Assets**

On June 10, 2019, the Company acquired certain assets from a third party for \$2,000 in total cash consideration paid. The acquired assets allow the Company to expand its service offerings to be able to provide a more diversified suite of solutions to its customers. Substantially all the fair value of assets acquired is concentrated within developed software; as such, the Company has accounted for this transaction as an asset acquisition. Costs are amortized on a straight-line basis over the assigned estimated useful life and is included in selling, general, and administrative expenses in the accompanying consolidated statements of operations.

**8. Commitments and Contingencies**

**Operating Leases**

The Company leases its facilities under non-cancellable operating leases that extend through 2029. These leases include fixed rental agreements as well as agreements with rent escalation clauses. The effects of variable rent disbursements have been expensed on a straight-line basis over the life of the leases.

Rent expense for the years ended December 31, 2019 and 2018 was \$1,721 and \$1,530, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations, respectively. As of December 31, 2019 and 2018, there was \$269 and \$93, respectively, of deferred rent included in accrued expenses in the consolidated statements of financial position.

Future minimum rent payments under operating leases for the next five years ending December 31 are as follows:

2020	\$	1,725
2021		1,784
2022		1,822
2023		1,695
2024		1,212
Thereafter		4,571
	\$	<u>12,809</u>

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**Litigation**

From time to time, the Company may be exposed to litigation relating to services and operations. The Company is not currently engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material effect on the Company's financial condition or results of operations.

**Cyber Event**

In March 2018, the Company was subject to a Cyber Event (the "Event") which resulted in no data loss but temporarily impacted the networks within certain of the Company's U.S. operations.

For the year ended December 31, 2018, the Company recorded \$627 of expenses related to the Event, partially offset by \$123 of insurance proceeds for costs the Company was reimbursed for. These expenses are included in selling, general and administrative expenses in the consolidated statement of operations. Additionally, the Company recorded \$3,287 of customer discounts related to the Event in 2018. These customer discounts are included in net revenues on the consolidated statement of operations.

**9. Profit Interest Units**

The Board of Directors has approved the grant of profit interest units to existing or new executives pursuant to executive investment agreement approved by the board or a committee thereof. As of the grant date, the profit interest units include a participation threshold that are subject to adjustment in the discretion and as determined by the Board of Directors.

The Company issues profit interest units at the discretion of the Board of Directors, all of which were subject to time-based vesting provisions for the years ended December 31, 2019 and 2018, respectively. Vesting for these awards may be subject to acceleration upon a qualified sale of the Company and the achievement of a specified return on investment for the Company's members.

Profit interest unit activity for the years ended December 31, 2019 and 2018 was as follows:

	Number of Shares	Weighted Average Fair Value Per Unit	Aggregate Intrinsic Value
<b>Outstanding as of December 31, 2017</b>	8,753,230		
Granted	1,348,883	\$ 0.19	
Exercised	-		
Forfeited	(795,728)	0.11	
<b>Outstanding as of December 31, 2018</b>	9,306,385		
Granted	474,347	0.23	
Exercised	-		
Forfeited	(1,120,327)	0.18	
<b>Outstanding as of December 31, 2019</b>	8,660,405		
<b>Vested as of December 31, 2019</b>	4,501,954	\$ 0.15	
<b>Nonvested expected vest as of December 31, 2019</b>	4,158,451	\$ 0.16	\$ 665

## ESG-Utligroup Holdings, LLC and Subsidiaries

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The Company measures the cost of employee services received in exchange for an award of profit interest units based on the fair value of the award on the grant date. That cost is recognized on a straight-line basis over the vesting period of the underlying award. The fair value of profit interest unit awards was determined using a Black-Scholes pricing model. The assumptions used in calculating the fair value of profit interest unit awards represent management's best estimates. As with all estimates, these involve inherent uncertainties and the application of management judgment.

The following are the weighted averages of the variables used to estimate the profit interest units' fair value:

- *Exercise Price* – Each award contains a distribution threshold, as defined in the award, which establishes a price level at which the share will begin to participate in the event of a liquidity event.
- *Term* – Management estimates the term to be 2 years and 3 years for shares granted during 2019 and 2018, respectively.
- *Volatility* – Management has determined the volatility for awards based on analysis of reported data for a group of peer guideline companies over a period that matches the term assumption for these units. Management has determined the volatility for awards to be 35% for shares granted during 2019 and 2018.
- *Risk-Free Rate* – A risk-free rate for a security with a 5 year maturity was used based on an interpolation of the U.S. Treasury bond rates for securities with 5 year maturities for shares granted during 2019 and 2018.
- *Dividend Rate* – The Company does not anticipate paying regular dividends, other than dividends to members for tax obligations, in the foreseeable future; therefore the expected dividend yield is expected to be zero for shares granted in 2019 and 2018.

Based on the above factors the Company determined the weighted average fair value of its profit interest units granted during 2019 and 2018 to be \$0.23 and \$0.19, respectively.

The Company has determined the fair value of the time based profit interest units at the grant date to be \$1,632 and \$1,524 as of December 31, 2019 and 2018, respectively, and is recognizing the expense over the vesting period. The grant date fair value of the 537,040 performance-based awards issued in 2016 was determined to be \$61 and expense recognition will begin once management determines that it is probable that the performance criteria will be met. The Company recognized \$275 and \$274 of unit-based compensation expense associated with grants during 2019 and 2018, respectively. As of December 31, 2019, unrecognized compensation expense was \$560 and will be recognized over a weighted average period of approximately 2 years. During 2019 and 2018, 1,120,327 and 795,728 profit interest units with a remaining unrecognized compensation expense of \$206 and \$79, respectively, were forfeited. The Company has elected to account for forfeitures as they occur.



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(in thousands)

**10. Related Party Transactions**

During the years ended December 31, 2019 and 2018, the Company also made payments of totaling \$5 and \$130 to a related party for consulting and management services provided.

**11. Employee Benefits**

The Company has defined contribution benefit plans covering substantially all full-time employees. For the years ended December 31, 2019 and 2018, the Company made contributions to the plans totaling \$1,257 and \$892, respectively.

**12. Income Taxes**

The income tax provision (benefit) for the years ended December 31, 2019 and 2018 is as follows:

	2019	2018
<b>Current</b>		
Federal	\$ -	\$ -
State	34	(125)
Foreign	1,943	1,879
Total current	1,977	1,754
<b>Deferred</b>		
Federal	-	-
State	-	-
Foreign	(1,218)	(2,227)
Total deferred	(1,218)	(2,227)
Total provision (benefit) from income taxes	\$ 759	\$ (473)

The income tax (benefit) provision differs from the amount of income tax determined by applying the statutory U.S. Federal income tax rate to pre-tax loss as a result of goodwill amortization, nondeductible transaction expenses and changes in the valuation allowance. In jurisdictions where the Company operates its businesses, management analyzes the ability to utilize its deferred tax assets arising from losses in its business. As of December 31, 2019 and 2018, the Company has recorded a valuation allowance in the United States, based on their determination that it is more likely than not that the deferred tax assets will not be utilized.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities as of December 31, 2019 and 2018 are as follows:

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	2019	2018
<b>Deferred tax assets</b>		
Accruals and reserves	\$ 339	\$ 76
Deferred revenue	116	146
Unit-based compensation expense	96	69
Interest expense	2,102	1,401
Net operating loss carryforwards	2,296	2,128
U.S. intangibles	10,893	8,754
Other state deferred	86	60
Foreign deferred taxes	24	71
Total deferred tax assets	<u>15,952</u>	<u>12,705</u>
<b>Deferred tax liabilities</b>		
Depreciation	(1,469)	(666)
Other	(315)	-
Foreign intangibles	(1,746)	(2,723)
Total deferred tax liabilities	<u>(3,530)</u>	<u>(3,389)</u>
Valuation allowance	<u>(14,144)</u>	<u>(11,968)</u>
Net deferred tax liabilities	<u>\$ (1,722)</u>	<u>\$ (2,652)</u>

As of December 31, 2017, the Company had federal and state net operating loss carryforwards which begin to expire in 2037. Net operating losses generated after 2017 will have an unlimited carryforward.

The Tax Cuts and Jobs Act was enacted on December 22, 2017 changing existing U.S. tax law impacting businesses, including a one-time deemed repatriation of cumulative undistributed foreign earnings and a permanent reduction in the U.S. Federal statutory rate from 34% to 21%, effective January 1, 2018. Under U.S. GAAP, changes in tax rate and tax law are accounted for in the period of enactment and deferred tax assets and liabilities are remeasured at the enacted tax rate. In 2017, the remeasurement of U.S. net deferred tax assets as a result of the rate change was offset by a change in the valuation allowance, except for the impact on currency transaction adjustments \$749, which has been recorded in earnings in the consolidated statements of operations. The Company estimates the net cumulative undistributed foreign earnings to be a cumulative loss and therefore recorded no additional income tax expense related to the one-time deemed repatriation toll charge. In 2018, the Company has asserted permanent reinvestment of its foreign earnings, and accordingly has reversed the tax effect on currency translation adjustment of \$1,201 through the deferred provision.

Tax years 2019, 2018, and 2017 for Federal taxes and certain U.S. state jurisdictions remain open for examination.

The Company performed an analysis of its tax positions and determined that no material uncertain tax positions exist as of December 31, 2019 and 2018.

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**13. Members' Capital**

The Amended and Restated Limited Liability Company Agreement (the "LLC Agreement") provides for the issuance of an unlimited number of preferred units, common units and profit interest units.

The rights and preferences of the preferred units are as follows:

**Preferred Yield**

Holders of Class A-1 and Class A-2 preferred units are entitled to a preferred yield. The preferred yield is calculated at a rate of 10% per annum, compounded on the last day of each calendar quarter, on the preferred unreturned capital of the preferred units plus the preferred unpaid yield from all prior quarters. The preferred yield totaled \$43,288 and \$28,063 as of December 31, 2019 and 2018, respectively.

**Liquidation and Distributions**

Distributions shall be made to holders of the preferred units, common units and profit interest units in accordance with the LLC Agreement.

**14. Debt**

Long-term debt consists of the following at December 31, 2019 and 2018:

	2019	2018
U.S. term loans	\$ 107,143	\$ 112,858
U.K. term loans	63,356	64,461
Less: Debt issuance costs, net	<u>(1,656)</u>	<u>(2,392)</u>
	168,843	174,927
Less: Current portion	<u>(8,525)</u>	<u>(8,701)</u>
	<u>\$ 160,318</u>	<u>\$ 166,226</u>

Principal maturities on outstanding borrowings are as follows at December 31, 2019:

2020	\$ 8,525
2021	8,525
2022	<u>143,268</u>
	<u>\$ 160,318</u>

**2018 Amendment to Credit Agreement**

In April 2016, the Company entered into a Credit Agreement ("Agreement") with a syndicate of lenders. In May 2018, the Agreement was amended ("Amended Agreement") primarily to increase availability.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

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The Amended Agreement consists of aggregate term loan capacity of \$187,375, and a revolving line-of-credit facility of \$1,500. Interest rates for borrowing under the Restated Agreement are based upon several factors including the Company's availability, LIBOR rates and applicable base rates, as defined in the Amended Agreement.

The Amended Agreement is secured by substantially all of the Company's assets including the capital stock of the domestic subsidiaries and 65% of the capital stock of the foreign subsidiaries, and requires the Company to comply with a fixed charge coverage ratio, net leverage ratio, adjusted EBITDA thresholds, and a minimum liquidity amount. The Company was in compliance with financial covenants for the fiscal years ended December 31, 2019 and 2018.

The term loans and revolving line-of-credit bear interest at the rate of LIBOR plus the applicable margin, as defined in the agreement (6% as of December 31, 2019 and 2018). The Company deferred \$362 of financing costs in connection with the Amended Agreement, and the amortization of deferred financing costs was recorded as interest expense in the accompanying consolidated statements of operations.

#### 15. Acquisitions

##### Aprose Acquisition

On May 22, 2018, pursuant to a Share Purchase Agreement ("SPA") and through a series of transactions (the "Aprose Acquisition"), the Company, through its wholly owned subsidiary ESG Utiligroup Bidco Limited, acquired all of the net assets, operations, and outstanding units of Aprose Solutions Limited ("Aprose"), a leading provider of innovative SaaS solutions to the utilities industry in the United Kingdom.

The total consideration for the transaction was as follows:

Cash consideration paid	\$	20,784
Rollover equity, at fair value		<u>1,767</u>
Total consideration	\$	<u>22,551</u>

The Aprose Acquisition has been accounted for using the acquisition method of accounting, which requires that assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date.

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*(in thousands)*

The estimated fair values of assets acquired and liabilities assumed, including goodwill, at May 22, 2018, are as follows:

Accounts receivable and other current assets	\$	1,004
Property and equipment		66
Intangible assets		6,834
Goodwill		15,702
Total assets acquired		<u>23,606</u>
Accounts payable and accrued expenses		(874)
Deferred revenue		(181)
Deferred taxes		-
Total liabilities assumed		<u>(1,055)</u>
Fair value of assets acquired less liabilities assumed	\$	<u>22,551</u>

The fair value of accounts receivable and other current assets and accounts payable and accrued expenses were determined to approximate stated or carrying values due to their nature and frequent settlement. The estimated fair value of deferred revenue was calculated as the estimated cost of the Company to fulfill the contractual obligations acquired under various customer contracts plus a normal profit margin. The fair value of property and equipment approximates carrying value based upon its nature and remaining utility. The amounts assigned to identifiable intangible assets acquired, which comprised of developed technology, were based on their respective fair values determined using the with and without method as of the acquisition date.

Goodwill is primarily attributable to the value of customer relationships, the assembled workforce, and synergies. The value of customer relationships has not been separately identified and is included in goodwill in accordance with the Company's accounting policy (Note 3). Goodwill attributed to the Aproz Acquisition is not deductible for income tax purposes.

Direct acquisition costs incurred by the Company totaled \$688. These costs have been recorded within selling, general and administrative expenses in the consolidated statements of operations.