

**ESG-Utiligroup Bidco Limited**

**Annual Report and Financial Statements**

Registered number 10708569

Year ended 31 December 2022

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22/04/2023

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COMPANIES HOUSE

**Directors**

M Bridge  
C P Durrett  
M Hirst

**Secretary**

Brodies Secretarial Services Limited

**Independent Auditors**

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

**Registered Office**

Brisance House  
Euxton Lane  
Euxton  
Chorley  
Lancashire  
PR7 6AQ

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## Strategic report

The directors present their strategic report for the year ended 31 December 2022.

### **Principal activities and review of the business**

The Company acts as the acquisition and financing vehicle used to acquire the Utiligroup companies from Northedge Capital. It has no trading or employees, only financing transactions.

The company entered in to an new debt facility on 11 March 2022 in order to settle the previous one in it's entirety. The new agreement covers the next 6 years, with a portion of capital repayable each quarter and the balance repayable at the end of the term. The company is a guarantor under the new facilities put in place.

### **Key performance indicators (KPIs)**

The company was incorporated to hold investments and the financing raised to make the investments.

The KPIs of the Company are to:

- sustain the carrying value of each investment, and
- monitor and control the interest payable on any finance raised.

The KPIs used to sustain the carry value of each investment have been included in the consolidated financial statements of, the company's ultimate parent, ESG-Utiligroup Holdings LLC.

The net assets of the company as at 31 December 2022 are £22,653,217 (2021: £29,929,792).

The Company made a loss for the Year Ended 31 December 2022 of £7,276,575 (2021: loss of £3,761,533).

### **Principal risks and uncertainties**

Risk management has been an important element of the management process throughout the ESG Group, of which ESG-Utiligroup Bidco Limited is a part, and is considered on a group basis. Internal controls have been developed to address the main business risks which are:

#### *Strategic:*

The group operates in a new market and strives to ensure that it delivers effective solutions to its existing and potential clients. It invests in new products and services and is a leader in its field.

#### *Operational:*

The group's most important assets are its employees, clients and Intellectual Property Rights (IPR):

- Employees are recruited carefully to address the needs of the business. Appropriate training is provided to support the development of employees.
- Customer account managers are employed to address the needs of the groups' client base, and they provide the feedback into the rest of the group which helps shape the development strategy of new products and services.
- The group also recognises the importance of its IT infrastructure and back office systems to deliver its services. The group has the appropriate controls in place to secure its data and maximise the operational efficiency of its systems. The group also has controls in place to safeguard the IPR that it owns. The group also has established procedures to maintain its appropriate accreditations and holds ISO 27001 & 9001 status.

Controls exist to ensure information is made available to enable management to monitor the performance of the company.

**Principal risks and uncertainties (continued)**

*Liquidity risk*

The company had a loan facility at the balance sheet date which fell due in May (details in note 11). On 11 March 2022 a new facility was entered in to in order to pay the old one down in its entirety. The new financing agreement covers the next 6 years, with a portion of the capital repayable each quarter and the balance repayable at the end of the term.

*Credit risk*

Credit risk is the risk that one party to a financial instrument will cause a financial loss for that other party by failing to discharge an obligation. Company policies are aimed at minimising such losses.

The directors were satisfied that the appropriate processes were in place to monitor the risks faced by the Company.

**Companies Act 2006 Section 172(1) Statement**

The Directors are fully aware of the matters contained in section 172(1) (a) to (f) the Companies Act 2006 ("the Act").

ESG-Utiligroup Bidco Limited is a subsidiary of ESG-Utiligroup Holdings LLC and, through various intermediate subsidiary holding companies, indirectly owns 100% of the share capital of ESG Global (Energy) Limited which is the main trading entity of the UK Group.

The company is an intermediate holding company and therefore has no employees, no suppliers or customers and as such the directors consider the interests of both the parent entities and subsidiaries with regard to performing their duties on the matters set out under Section 172.

Key board decisions approved during the year were made in line with the strategic goals or both the company and its wider group.

Approved by the Board and signed on its behalf:



M Bridge  
Director  
18/04/23

## Directors' report

The directors present their report and audited financial statements for the year ended 31 December 2022.

### Results and dividends

The loss for the financial year amounted to £7,276,575 (2021: loss of £3,761,533). The directors do not recommend payment of a dividend. At the year end the Company had net current liabilities of £91,957,288 (2021: £84,498,208) and net assets of £22,653,217 (2021: £29,929,792).

### Future developments

The directors intend the company to be continued operation of sustaining investments.

### Directors

The directors who served the company during the year and up to the date of signing the financial statements were as follows:

S Gosling (Resigned 1<sup>st</sup> March 2022)  
C P Durrett  
M Hirst  
M Bridge (Appointed 1<sup>st</sup> March 2022)

### Going concern

The directors believe that the use of the going concern basis of accounting is appropriate. The Company has received confirmation from its ultimate parent, ESG-Utiligroup Holdings LLC, that it will provide the necessary financial support to meet the Company's liabilities as and when they fall due. 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.

### Charitable and political donations

No charitable or political donations were made by the company in the year. (December 2021: 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

The auditor, RSM UK Audit LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

### Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report the information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the directors' report. It has done so in respect of financial risk management and exposure to risk and in respect the statement of how directors have paid regard to the need to foster the company's business relationships with suppliers, customers and others, and the effect of that, including on the principal decisions taken by the company during the financial year.

On behalf of the Board

M Bridge - Director



18/04/23

### **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 ESG-UTILIGROUP BIDCO LIMITED

#### Opinion

We have audited the financial statements of ESG-Utiligroup Bidco Limited (the 'company') for the year ended 31 December 2022 which comprise the profit and loss account and other comprehensive income, the balance sheet, the statement of changes in equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including 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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

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

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

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

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

#### Other information

The 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 contained within the annual report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESG-UTILIGROUP BIDCO LIMITED**

### **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.

### **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 5, 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.

### **The extent to which the audit was considered capable of detecting irregularities, including fraud**

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

### INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ESG-UTILIGROUP BIDCO LIMITED

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory framework that the company operates in and how the company is complying with the legal and regulatory framework;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102 and compliance with the Companies Act 2006. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures.

The audit engagement team identified the risk of management override of controls as the area which the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments, and evaluating the business rationale in relation to any significant, unusual transactions and transactions entered into outside the normal course of business and challenging judgments and estimates.

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.

*Alastair Nuttall*

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

18/04/23

**Profit and loss account and other comprehensive income  
for the year ended 31 December 2022**

		<b>Year ended 31 December 2022</b>	<b>Year ended 31 December 2021</b>
	<i>Note</i>	<b>£</b>	<b>£</b>
Administrative expenses		(164,367)	(2,409)
<b>Operating loss</b>	3	(164,367)	(2,409)
Interest payable and similar expenses	6	(7,112,208)	(3,759,124)
<b>Loss before taxation</b>		(7,276,575)	(3,761,533)
Tax charge for the year	7	-	-
<b>Loss for the financial year</b>		(7,276,575)	(3,761,533)

There were no other comprehensive income or expense in the year.

**Balance sheet****As at year end 31 December 2022**

		<b>As at 31 December 2022</b>	<b>As at 31 December 2021</b>
	<i>Note</i>	<b>£</b>	<b>£</b>
<b>Fixed assets</b>			
Investments	8	114,428,000	114,428,000
		<u>114,428,000</u>	<u>114,428,000</u>
<b>Current assets</b>			
Debtors	9	182,505	-
		<u>182,505</u>	<u>-</u>
<b>Creditors: amounts falling due within one year</b>	10	(91,957,288)	(84,498,208)
<b>Net current liabilities</b>		<u>(91,774,783)</u>	<u>(84,498,208)</u>
<b>Total assets less current liabilities</b>		22,653,217	29,929,792
<b>Creditors: amounts falling due after more than one year</b>	11	-	-
<b>Net assets</b>		<u>22,653,217</u>	<u>29,929,792</u>
<b>Capital and reserves</b>			
Called up share capital	12	2,000	2,000
Share premium account	13	47,749,704	47,749,704
Capital contribution	13	1,308,768	1,308,768
Profit and loss account	13	(26,407,255)	(19,130,680)
<b>Total Shareholders' funds</b>		<u>22,653,217</u>	<u>29,929,792</u>

The financial statements on pages 9 to 19 were approved by the Board of Directors and are signed on their behalf:



M Bridge  
Director  
Registered number 10708569  
18/04/23

**Statement of changes in equity  
for the year ended 31 December 2022**

	<i>Called up share capital</i>	<i>Share Premium</i>	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£	£
<b>At 1 January 2021</b>	<b>2,000</b>	<b>47,749,704</b>	<b>1,308,768</b>	<b>(15,369,147)</b>	<b>33,691,32</b>
Loss for the financial year	-	-	-	(3,761,533)	(3,761,533)
<b>At 31 December 2021</b>	<b>2,000</b>	<b>47,749,704</b>	<b>1,308,768</b>	<b>(19,130,680)</b>	<b>29,929,792</b>
Loss for the financial year	-	-	-	(7,276,575)	(7,276,575)
<b>At 31 December 2022</b>	<b>2,000</b>	<b>47,749,704</b>	<b>1,308,768</b>	<b>(26,407,255)</b>	<b>22,653,217</b>

## Notes to the financial statements

### For the year ended 31 December 2022

ESG-Utiligroup Bidco Limited (Company number 10708569) is a private company limited by shares registered, incorporated and domiciled in England and Wales. The registered office and principal place of business is: Brisanice House, Euxton Lane, Euxton, Chorley, Lancashire, PR7 6AQ.

#### 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 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 the FRS) and has applied for the exemptions available under the FRS 102 in respect of the following disclosures:

- Section 7- 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:

- Section 11 - 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, other than where new policies have been adopted.

- Section 33 – 'Related Party Disclosures' – compensation of key management personnel.

##### *Going concern*

The directors believe that the use of the going concern basis of accounting is appropriate. The Company has received confirmation from its ultimate parent, ESG-Utiligroup Holdings LLC, that it will provide the necessary financial support to meet the Company's liabilities as and when they fall due. 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 2022**

**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 impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

***Basic financial instruments***

***Debtors / creditors***

Group debtors are recognised initially at transaction price less attributable transaction costs. Trade and other creditors are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses in the case of trade debtors. If the arrangement constitutes a financing transaction, for example if payment is deferred beyond normal business terms, then it is measured at the present value of future payments discounted at a market rate of instrument for a similar debt instrument.

***Interest-bearing borrowings classified as basic financial instruments***

Interest-bearing borrowings are recognised initially at the present value of future payments discounted at a market rate of interest. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

***Taxation***

Tax on the profit or loss for the period comprises current and deferred tax. Tax is recognised in the profit and loss account except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on timing differences which arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. The following timing differences are not provided for: differences between accumulated depreciation and tax allowances for the cost of a fixed asset if and when all conditions for retaining the tax allowances have been met; and differences relating to investments in subsidiaries, to the extent that it is not probable that they will reverse in the foreseeable future and the reporting entity is able to control the reversal of the timing difference. Deferred tax is not recognised on permanent differences arising because certain types of income or expense are non-taxable or are disallowable for tax or because certain tax charges or allowances are greater or smaller than the corresponding income or expense.

Deferred tax is provided in respect of the additional tax that will be paid or avoided on differences between the amount at which an asset (other than goodwill) or liability is recognised in a business combination and the corresponding amount that can be deducted or assessed for tax. Goodwill is adjusted by the amount of such deferred tax.



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

**For the year ended 31 December 2022**

**1. Accounting policies (continued)**

Deferred tax is measured at the tax rate that is expected to apply to the reversal of the related difference, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax balances are not discounted.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

***Foreign currencies***

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

***Interest-bearing loans and borrowings***

All interest-bearing loans and borrowings which are basic financial instruments are initially recognised at the present value of cash payable to the bank (including interest). After initial recognition they are measured at amortised cost using the effective interest rate method, less impairment. The effective interest rate amortisation is included in interest payable in the profit and loss account.

***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 period. However, the nature of estimation means that actual outcomes could differ from those estimates. Details regarding judgements which have the most significant effect on the amounts recognised in the financial statements are as follows:

***Carrying value of investment***

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.

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

**For the year ended 31 December 2022**

**2. Turnover**

The company has not traded in the year (2021: No trade).

**3. Operating loss**

All audit and non-audit costs paid to the company's auditors in the current period was borne by ESG Global (Energy) Limited and no recharge was made. Total costs for the period were £85,000 (2021: £74,000), with £2,000 (2021: 1,000) attributing to ESG-Utiligroup Bidco Limited. Non-audit (Taxation) fees were £59,640 for the period (2021: £20,075)

**4. Particulars of employees**

The company had no employees and therefore no employee costs during the year. (2021: no employees).

**5. Directors' remuneration**

The Directors remuneration is in relation to their services to the ESG-Utiligroup Group as a whole. These costs were borne by ESG Global (Energy) Limited, a fellow group undertaking and no other 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 employees.

**6. Interest payable and similar expenses**

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
	<i>£</i>	<i>£</i>
Bank loans and overdrafts	581,596	3,153,941
Group loans – intercompany interest	2,669,383	504,377
Foreign exchange (gain)/loss	3,787,412	(83,914)
Amortisation of loan arrangement fees	73,817	184,720
	<u>7,112,208</u>	<u>3,759,124</u>

Notes to the financial statements (continued)

For the year ended 31 December 2022

7. Tax on loss

- (a) Total tax expense recognised in the profit and loss account, other comprehensive income and equity:

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
	<i>£</i>	<i>£</i>
<b>Current tax:</b>		
UK corporation tax at 19%	-	-
Adjustment in respect of prior periods	-	-
Total current tax	-	-
<b>Deferred tax:</b>		
Origination and reversal of timing differences	-	-
Total deferred tax	-	-
Total tax	-	-

All tax is recognised within the profit and loss account for the current year and prior year.

	<i>Year ended 31 December 2022</i>	<i>Year ended 31 December 2021</i>
	<i>£</i>	<i>£</i>
Loss before taxation	(7,276,575)	(3,761,533)
Loss before taxation multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 December 2021: 19%)	(1,382,549)	(714,691)
<b>Effects of:</b>		
Expenses not deductible for tax purposes	-	-
Group Relief surrendered	1,382,549	714,691
Total tax charge	-	-

- (c) Factors that may affect future tax charges

In the budget on 3 March 2021, the UK Government announced an increase in the main UK corporation tax rate from 19% to 25% with effect from 1 April 2023. The change in rate was substantively enacted on 24 May 21 and therefore deferred tax has been calculated at 25%.

Notes to the financial statements (continued)

For the year ended 31 December 2022

8. Investments

*Subsidiary  
undertakings*  
£

Cost and net book value:

At 1 January 2022 and 31 December 2022

**114,428,000**

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 Limited	England	Ordinary shares	100%	Holding company
Utiligroup Acquisitions Limited *	England	Ordinary shares	100%	Holding company
Utiligroup Holdings Limited*	England	Ordinary shares	100%	Holding company
ESG Global (Energy) Limited*	England	Ordinary shares	100%	Managed Data Services
Utiliserve Limited*	England	Ordinary shares	100%	Non Trading
Draig Technology Ltd*	England	Ordinary shares	100%	Non Trading
Aprose Solutions Limited*	England	Ordinary shares	100%	Software
Accelero Digital Solutions Limited*	England	Ordinary shares	100%	Non Trading
KWR Technologies Limited*	England	Ordinary shares	100%	Non Trading

\* Denotes held through a subsidiary

All subsidiaries are registered at Brisance House, Euxton Lane, Euxton, Chorley, Lancashire, PR7 6AQ.

9. Debtors

	<b>31 December 2022</b>	<b>31 December 2021</b>
	£	£
Prepayments	182,505	-
	<b>182,505</b>	<b>-</b>

Notes to the financial statements (continued)

For the year ended 31 December 2022

10. Creditors: amounts falling due within one year

	31 December 2022	31 December 2021
	£	£
Loans (note 11)	61,028,252	42,770,530
Corporation tax payable	-	-
Amounts owed to group undertakings	30,929,036	41,727,678
	<u>91,957,288</u>	<u>84,498,208</u>

11. Loans

Loans repayable, included within creditors, are analysed as follows:

	31 December 2022	31 December 2021
	£	£
Bank loan wholly repayable within 5 years	-	42,844,285
Group loan notes	61,028,252	-
	<u>61,028,252</u>	<u>42,844,285</u>

The company has a charge over its assets, dated 11 March 2022, in relation to group borrowings.

The company had a loan facility at the balance sheet date which fell due in May 2022. On 11 March 2022 a new facility was entered in to in order to pay the old one down in its entirety. The new financing agreement covers the next 6 years, with a portion of the capital repayable each quarter and the balance repayable at the end of the term.

12. Called up share capital

	31 December 2022		31 December 2021
	No.	£	No.
Authorised:			£
Ordinary shares of £1 each	<u>2,000</u>	2,000	<u>2,000</u>
	31 December 2022		31 December 2021
	No.	£	No.
Allotted, called up and fully paid			£
Ordinary shares of £1 each	<u>2,000</u>	2,000	<u>2,000</u>

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

**For the year ended 31 December 2022**

On 15<sup>th</sup> May 2018, 5,491 Bonus Ordinary shares with a nominal value of £926 each were issued from the capital contribution reserve and immediately cancelled, resulting in an increase of the profit and loss account reserve.

On 15<sup>th</sup> May 2018, 2 R1 redeemable shares with a nominal value of £1 each and a redeemable value of \$500,000 each were issued from the capital contribution reserve. These were redeemed on the 25<sup>th</sup> May 2018.

Each share has full rights in the company with respect to voting, dividends and distributions.

**13. Reconciliation of shareholders' funds and movements on reserves**

	<i>Called up share capital</i>	<i>Share Premium</i>	<i>Capital Contribution</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£	£	£
At 1 January 2022	2,000	47,749,704	1,308,768	(19,130,680)	29,929,792
Movement in year	-	-	-	(3,500,232)	(3,500,232)
At 31 December 2022	<u>2,000</u>	<u>47,749,704</u>	<u>1,308,768</u>	<u>(22,630,912)</u>	<u>26,429,560</u>

***Profit and loss account***

Cumulative profit and loss net of distributions to owners.

***Share premium***

Consideration received for shares issued above their nominal value net of transaction costs.

***Capital Contribution Reserve***

The nominal value of promissory notes repurchased.

**14. 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.

**15. Ultimate parent undertaking**

The company is a wholly owned subsidiary of ESG-Utiligroup Intermediate Limited, 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, 2022 and 2021**

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Index**  
**December 31, 2022 and 2021**

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## **Report of Independent Auditors**

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

### ***Opinion***

We have audited the accompanying consolidated financial statements of ESG-Utiligroup Holdings, LLC and its subsidiaries (the "Company"), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of operations, comprehensive loss, changes in members' capital (deficit) and cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Emphasis of Matter***

As discussed in Notes 3 and 5 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2022. Our opinion is not modified with respect to this matter.

### ***Responsibilities of Management 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, and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date the financial statements are available to be issued.



### ***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts  
March 31, 2023

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statements of Financial Position**  
**December 31, 2022 and 2021**

<i>(in thousands)</i>	2022	2021
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 19,042	\$ 21,871
Accounts receivable, net	10,898	12,920
Unbilled accounts receivable	4,075	4,132
Prepaid expenses and other current assets	4,293	3,520
Income tax receivable	787	534
Total current assets	<u>39,095</u>	<u>42,977</u>
Noncurrent assets		
Property and equipment, net	5,509	7,169
Goodwill, net	78,993	105,488
Intangible assets, net	5,918	12,916
Deferred costs, net	2,887	3,102
Operating lease right-of-use assets, net	3,960	-
Other assets, net	4,945	8,084
Total noncurrent assets	<u>102,212</u>	<u>136,759</u>
Total assets	<u>\$ 141,307</u>	<u>\$ 179,736</u>
<b>Liabilities and Members' Capital</b>		
Current liabilities		
Accounts payable	\$ 697	\$ 1,530
Accrued expenses	4,928	4,722
Term loan, current portion (Note 14)	1,450	13,860
Deferred revenue, current portion	2,759	4,495
Operating lease liabilities, current portion	920	-
Total current liabilities	<u>10,754</u>	<u>24,607</u>
Noncurrent liabilities		
Term loan, net of current portion (Note 14)	137,719	139,410
Deferred revenue, net of current portion	1,751	1,208
Deferred tax liabilities	11	328
Operating lease liabilities, net of current portion	3,092	-
Other liabilities	-	177
Total noncurrent liabilities	<u>142,573</u>	<u>141,123</u>
Total liabilities	<u>153,327</u>	<u>165,730</u>
Commitments and contingencies (Note 9)		
Members' capital		
Contributed capital	108,451	108,407
Accumulated deficit	(119,291)	(102,002)
Accumulated other comprehensive (loss) income	(4,292)	3,548
Total members' (deficit) capital - ESG-Utiligroup Holdings, LLC	<u>(15,132)</u>	<u>9,953</u>
Noncontrolling interests in consolidated subsidiaries	<u>3,112</u>	<u>4,053</u>
Total members' (deficit) capital	<u>(12,020)</u>	<u>14,006</u>
Total liabilities and members' capital	<u>\$ 141,307</u>	<u>\$ 179,736</u>

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, 2022 and 2021**

<i>(in thousands)</i>	2022	2021
<b>Revenues</b>		
Subscription	\$ 79,006	\$ 90,335
Services	6,925	8,405
Total revenues	<u>85,931</u>	<u>98,740</u>
<b>Operating expenses</b>		
Selling, general and administrative expenses	64,314	66,061
Amortization expense	25,752	28,969
Depreciation expense	3,255	3,554
Total operating expenses	<u>93,321</u>	<u>98,584</u>
(Loss) income from operations	<u>(7,390)</u>	<u>156</u>
<b>Other expense (income)</b>		
Interest expense, net	11,723	12,116
Rental income	(513)	(404)
Foreign currency transaction (gains) losses, net	(189)	136
Total other expenses, net	<u>11,021</u>	<u>11,848</u>
Loss before income taxes	(18,411)	(11,692)
Benefit from (provision for) income taxes	253	(2,395)
Net loss	(18,158)	(14,087)
Net loss attributable to noncontrolling interests	(657)	(510)
Net loss attributable to ESG-Utiligroup Holdings, LLC	<u>\$ (17,501)</u>	<u>\$ (13,577)</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, 2022 and 2021**

<i>(in thousands)</i>	2022	2021
Net loss	\$ (18,158)	\$ (14,087)
Other comprehensive loss		
Foreign currency translation adjustments	<u>(8,124)</u>	<u>(426)</u>
Comprehensive loss	(26,282)	(14,513)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	<u>(941)</u>	<u>(525)</u>
Comprehensive loss attributable to ESG-Utiligroup Holdings, LLC	<u>\$ (25,341)</u>	<u>\$ (13,988)</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 (Deficit)**  
**Years Ended December 31, 2022 and 2021**

<i>(in thousands, except per unit amounts)</i>	Class A-1 Preferred Units	Class A-2 Preferred Units	Contributed Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interest	Total Members' Capital (Deficit)
<b>Balances at December 31, 2020</b>	50,105,067	22,203,458	\$ 108,407	\$ (88,709)	\$ 3,959	\$ 4,578	\$ 28,235
Unit-based compensation expense	-	-	-	284	-	-	284
Other comprehensive loss	-	-	-	-	(411)	(15)	(426)
Net loss	-	-	-	(13,577)	-	(510)	(14,087)
<b>Balances at December 31, 2021</b>	50,105,067	22,203,458	108,407	(102,002)	3,548	4,053	14,006
Unit-based compensation expense	-	-	-	212	-	-	212
Issuance of Class A-2 Preferred Units	-	18,326	44	-	-	-	44
Other comprehensive loss	-	-	-	-	(7,840)	(284)	(8,124)
Net loss	-	-	-	(17,501)	-	(657)	(18,158)
<b>Balances at December 31, 2022</b>	<u>50,105,067</u>	<u>22,221,784</u>	<u>\$ 108,451</u>	<u>\$ (119,291)</u>	<u>\$ (4,292)</u>	<u>\$ 3,112</u>	<u>\$ (12,020)</u>

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, 2022 and 2021**

<i>(in thousands)</i>	2022	2021
<b>Cash flows from operating activities</b>		
Net loss	\$ (18,158)	\$ (14,087)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	29,007	32,523
Bad debt expense	1,413	2,589
Unit-based compensation expense	212	284
Loss on disposal of equipment	4	36
Noncash interest expense	1,023	684
Amortization of operating lease right-of-use assets	1,008	-
Deferred taxes	(291)	(735)
Changes in operating assets and liabilities		
(Increase) decrease in		
Billed and unbilled accounts receivable	(149)	(5,603)
Prepaid expenses and other current assets	(932)	140
Income tax receivable	(307)	(637)
Deferred costs, net	104	(415)
Other assets, net	2,860	(822)
Increase (decrease) in		
Accounts payable and accrued expenses	(556)	338
Operating lease liabilities	(994)	-
Other liabilities	(177)	(363)
Deferred revenue	(784)	105
Net cash provided by operating activities	<u>13,283</u>	<u>14,037</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	<u>(2,146)</u>	<u>(3,664)</u>
Net cash used in investing activities	<u>(2,146)</u>	<u>(3,664)</u>
<b>Cash flows from financing activities</b>		
Payments on financing costs	(5,503)	-
Borrowings of long-term debt	145,000	-
Issuance of preferred units	44	-
Payments on term loan	<u>(152,928)</u>	<u>(9,240)</u>
Net cash used in financing activities	<u>(13,387)</u>	<u>(9,240)</u>
Effect of foreign exchange rates on cash and cash equivalents	<u>(579)</u>	<u>(408)</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,829)</u>	<u>725</u>
<b>Cash and cash equivalents</b>		
Beginning of year	<u>21,871</u>	<u>21,146</u>
Ending of year	<u>\$ 19,042</u>	<u>\$ 21,871</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	\$ 9,919	\$ 11,394
Cash paid for taxes	789	2,891
Noncash investing and financing activity	75,000	-

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, 2022 and 2021

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*(in thousands, except per unit amounts)*

#### 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.

#### 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 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, leases, and unit-based compensation expense.

##### **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.



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

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

#### **December 31, 2022 and 2021**

---

*(in thousands, except per unit amounts)*

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 within the scope of ASC 606, *Revenue from Contracts with Customers* ("ASC 606"), 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, determines those that are performance obligations and assesses 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. Substantially all of the revenue of the Company is recognized over time.

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 master 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 over time 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.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2022 and 2021

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(in thousands, except per unit amounts)

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.

#### **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.

The following table includes the opening and closing balances of deferred costs at December 31, 2022 and 2021, respectively:

	2022	2021
Deferred commissions, net	\$ 1,742	\$ 1,986
Deferred upfront costs, net	1,145	1,116
Total deferred costs, net	<u>\$ 2,887</u>	<u>\$ 3,102</u>

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

Software development costs are capitalized in accordance with ASC 350, *Intangibles — Goodwill and Other*, during the application development stage until the project is ready for its intended use. Costs incurred during the preliminary project stage and postimplementation-operation stage are expensed as incurred. 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 \$6,249 and \$7,728 at December 31, 2022 and 2021, 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 estimated useful life and are included in selling, general, and administrative expenses in the accompanying consolidated statements of operations. The current portion of these costs is included in prepaid expenses and other current assets in the accompanying consolidated statements of financial position.

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

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

#### **December 31, 2022 and 2021**

---

*(in thousands, except per unit amounts)*

#### **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 (loss) income within members' capital. Foreign currency transaction gains and losses related to long-term-investment nature intercompany loans are accounted for as translation adjustments. The amount recorded as a translation adjustment for long-term-investment nature intercompany loans was \$6,191 for the year ended December 31, 2022.

#### **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. The Company maintains its cash balances in bank deposit accounts which, at times, may exceed coverage provided by the Federal Deposit Insurance Corporation (FDIC) and the Financial Services Compensation Scheme (FSCS). The Company has not experienced any losses in such accounts. The Company believes it is not exposed to any significant risk on bank deposits.

#### **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, 2022 and 2021 was \$1,413 and \$2,589, respectively. The allowance for doubtful accounts as of December 31, 2022 and 2021 was \$1,365 and \$3,618, 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.

#### **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 at commercial banks, some of which are located in the United States and typically exceed limits insured by the Federal Deposit Insurance Corporation. Foreign cash and cash equivalent balances are held in the United Kingdom and typically exceed limits insured by the Financial Services Compensation Scheme. 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, 2022 and 2021. During the years ended December 31, 2022 and 2021, approximately 51%, 48%, and 1% and 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.

## ESG-Uttiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2022 and 2021

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(in thousands, except per unit amounts)

#### 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

#### 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, 2022 and 2021.

#### Leases

The Company rents office space under various noncancellable operating leases and operating lease expense is recognized on a straight-line basis. The Company determines if an arrangement is or contains a lease at inception and performs the initial classification and measurement of its right-of-use assets and lease liabilities based on the present value of the lease payments as of the lease commencement date. A contract is or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The lease term includes renewal or termination options that the Company is reasonably certain to exercise. Generally, the rate implicit in the Company's leases is not readily determinable and therefore the Company uses the risk-free rate to classify, recognize, and measure lease liabilities and right-of-use assets.

The Company has elected to combine lease and nonlease components for all contracts containing a lease. Leases with a term of twelve months or less are not recorded on the Company's consolidated statements of financial position.

#### 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.

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.

## ESG-Uttiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2022 and 2021

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(in thousands, except per unit amounts)

#### **Advertising Costs**

Costs related to advertising are expensed as incurred. Advertising expense for the years ended December 31, 2022 and 2021 was \$113 and \$135, respectively.

#### **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 2022 and 2021 was \$1,023 and \$684, respectively. As of December 31, 2022 and 2021, \$4,744 and \$245 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, 2022 and 2021.

As of December 31, 2022 and 2021, the Company maintained a money market account of approximately \$245. The Company determined this to be a Level 1 financial instrument based on the availability of quoted prices for similar financial instruments.

#### **Comprehensive Loss**

Comprehensive loss includes all changes in equity during a period, except those resulting from investments by and distributions to members. Other comprehensive (loss) income refers to revenues, expenses, gains, and losses that are excluded from net loss. For the Company, other comprehensive (loss) 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 expense (income) within the consolidated statements of operations.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

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#### 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 6).

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, 2022 and 2021, there were no intangible asset impairments recorded.

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

The Company accounts for equity-based compensation in accordance with relevant authoritative guidance, which requires all equity-based compensation to be recognized in the consolidated statements of operations as an expense, based on their fair values, over the requisite service period on a straight-line basis. The Company accounts for forfeitures as they occur.

#### Recent Accounting Pronouncements & Adoptions

In August 2018, the FASB issued ASU 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40)*. ASU 2018-15 requires certain entities with cloud computing arrangements to follow the internal-use software guidance in ASC 350-40 to determine which development costs to capitalize as other assets or expense as incurred. The Company adopted ASU 2018-15 on January 1, 2021 and applied the changes prospectively.

On January 1, 2022, the Company adopted ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, including all supplemental and / or clarifying ASUs. The standard now requires a single-step quantitative impairment test that shall be used to identify goodwill impairment and measure the amount of a goodwill impairment loss to be recognized (if any). As a result of its qualitative assessment, still allowed by this ASU to be performed to determine if the quantitative impairment test is necessary, if the Company concludes that it is more-likely-than-not that the fair value of a reporting unit is less than its carrying amount, then the quantitative impairment test will be performed. Otherwise, no further testing is performed. During the years ended December 31, 2022 and 2021, there were no events or circumstances identified by the Company which would be indicative of potential goodwill impairment.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

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The Company adopted ASU 2016-02, *Leases* ("Topic 842"), on January 1, 2022 using the modified retrospective method. Prior period amounts are not adjusted and continue to be reported in accordance with ASC 840, *Leases* ("Topic 840"). The Company classified a lease at the lease commencement date, when control of the underlying asset is transferred from the lessor to the lessee, and records a right-of-use asset and a lease liability on the Consolidated Balance Sheets for all leases with an initial lease term of greater than 12 months.

Lease liabilities are recognized at the lease commencement date based on the present value of the lease payments over the lease term using the risk-free rate. Right-of-use assets are further adjusted for initial direct costs, prepaid rent, or incentives received. The Company recognizes rent expense for its leases using the straight-line method over the lease term.

Effective January 1, 2022, the Company adopted ASC 842 using the required modified retrospective approach. As a result, prior periods are presented in accordance with the previous guidance under ASU 840.

As a result of adoption, the Company recorded lease liabilities and their corresponding right-of-use assets based on the present value of lease payments over the remaining lease term. The risk-free rate at adoption was used to calculate the present value of the Company's future leases payments, in accordance with a policy election allowable for private companies. The adoption of ASC 842 resulted in the recognition of lease liabilities of \$5,418 and right-of-use assets of \$5,361 as of January 1, 2022.

The adoption of Topic 842 did not have a material impact on the Company's consolidated statements of operations, comprehensive loss, and changes in members' capital. The Company elected the package of practical expedients in transition which does not require reassessment of prior conclusions related to lease identification, classification, or initial direct costs.

#### Subsequent Events

The Company has evaluated subsequent events and disclosed those that occurred after the consolidated balance sheet date and through March 31, 2023, which is the date the consolidated financial statements were available to be issued and noted no additional items requiring adjustment of the financial statements or additional disclosures.

#### 4. Property and Equipment

Property and equipment consist of the following at December 31, 2022 and 2021:

	2022	2021
Furniture and fixtures	\$ 1,984	\$ 2,238
Equipment	17,327	17,601
Leasehold improvements	1,456	1,443
	<u>20,767</u>	<u>21,282</u>
Less: Accumulated depreciation	<u>(15,258)</u>	<u>(14,113)</u>
	<u>\$ 5,509</u>	<u>\$ 7,169</u>

Depreciation expense for the years ended December 31, 2022 and 2021 was \$3,255 and \$3,554, respectively.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### December 31, 2022 and 2021

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#### 5. Leases

##### Information Prior to the Adoption of Topic 842

Prior to the adoption of Topic 842, the Company accounted for its leases under the guidance in ASC 840, *Leases* ("Topic 840"). In accordance with Topic 840, leases classified as operating leases were not included in the statement of financial position as operating lease right of use assets or operating lease liabilities as of December 31, 2021. For the year ended December 31, 2021, the Company had noncancelable operating leases for its facilities that extend through 2029. Rent expense under the Company's operating leases was \$1,038 in 2021.

The Company's portfolio at December 31, 2022 includes operating leases of assets typically associated with real estate extending through the year 2029. The Company's portfolio includes only operating leases and two subleases. The leases where the Company is the lessee generally have a term of 5 to 10 years, with one or more renewal options. The exercise of such lease renewal options is at the Company's sole discretion, and to the extent the Company is reasonably certain to exercise a renewal option, the renewal option is included in the determination of the lease term. The leases where the Company is the intermediate lessor have a term of 3 to 5 years.

Rent expense for the year ended December 31, 2022 was \$1,197 and is included in selling, general and administrative expenses in the consolidated statements of operations, respectively.

The only component of lease costs for the year ended December 31, 2022 is comprised of operating lease costs. Short-term lease costs and variable lease costs are not material to the consolidated financial statements for any periods presented.

As of December 31, 2022, the Company's leases had a weighted-average remaining lease term of 5.2 years and a weighted-average discount rate of 1.47%.

Future minimum rent payments under noncancelable operating leases for each of the five succeeding fiscal years and thereafter are as follows:

2023	\$	1,455
2024		989
2025		880
2026		670
2027		536
Thereafter		973
Total future minimum lease payments		5,503
Less: Imputed interest		(351)
Less: Future expected rental income		(1,140)
Total lease liabilities	\$	4,012



**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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Future minimum rental commitments under noncancelable operating leases as of December 31, 2021 are as follows:

2022	\$	1,677
2023		1,530
2024		1,035
2025		900
2026		721
Thereafter		1,703
Total future minimum rental commitments	\$	<u>7,566</u>

**6. Goodwill**

The following is a summary of the Company's goodwill balance as of December 31, 2022 and 2021:

	2022	2021
Beginning balance	\$ 105,488	\$ 126,980
Additions	-	-
Amortization	(19,636)	(20,067)
Currency translation adjustment	(6,859)	(1,425)
	<u>\$ 78,993</u>	<u>\$ 105,488</u>

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

2023	\$	19,636
2024		19,636
2025		19,636
2026		19,636
2027		449
	\$	<u>78,993</u>

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**7. Intangible Assets**

Intangible assets as of December 31, 2022 and 2021 consisted of the following:

2022				
	Cost	Accumulated Amortization	Currency Translation Adjustments	Net Book Value
Trademarks and tradenames	\$ 13,725	\$ (13,725)	\$ -	\$ -
Customer relationships	18,290	(17,539)	-	751
Developed technology	54,321	(49,929)	775	5,167
Noncompete agreements	6,780	(6,780)	-	-
	<u>\$ 93,116</u>	<u>\$ (87,973)</u>	<u>\$ 775</u>	<u>\$ 5,918</u>

  

2021				
	Cost	Accumulated Amortization	Currency Translation Adjustments	Net Book Value
Trademarks and tradenames	\$ 13,725	\$ (13,725)	\$ -	\$ -
Customer relationships	18,290	(14,926)	-	3,364
Developed technology	54,321	(46,426)	1,657	9,552
Noncompete agreements	6,780	(6,780)	-	-
	<u>\$ 93,116</u>	<u>\$ (81,857)</u>	<u>\$ 1,657</u>	<u>\$ 12,916</u>

Amortization expense related to intangible assets for the years ended December 31, 2022 and 2021 was \$6,116 and \$8,902, respectively.

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

2023	\$ 4,001
2024	1,573
2025	344
	<u>\$ 5,918</u>

**8. Other Assets**

Included in other assets are capitalized software development costs and asset acquisitions, net of accumulated amortization, as well as noncurrent portions of prepaid expenses. The current portion of other assets is included in prepaid expenses and other current assets on the accompanying statements of financial position.

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Expected future yearly amortization of other assets at December 31, 2022 is as follows:

2023	\$	1,395
2024		1,657
2025		1,657
2026		1,243
2027		579
Thereafter		242
	\$	<u>6,773</u>

Amortization expense related to capitalized software costs and software assets for the years ended December 31, 2022 and 2021 was \$1,395 and \$1,810, respectively, and is included in selling, general, and administrative expenses in the accompanying consolidated statements of operations.

**9. Commitments and Contingencies**

**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.

**10. Related Party Transactions**

During the years ended December 31, 2022 and 2021, the Company also made payments totaling \$78 and \$37 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, 2022 and 2021, the Company made contributions to the plans totaling \$1,200 and \$1,276, respectively.

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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**12. Income Taxes**

The income tax provision for the years ended December 31, 2022 and 2021 is as follows:

	2022	2021
<b>Current</b>		
Federal	\$ -	\$ -
State	123	905
Foreign	160	2,225
Total current	<u>283</u>	<u>3,130</u>
<b>Deferred</b>		
Federal	-	-
State	-	-
Foreign	(536)	(735)
Total deferred	<u>(536)</u>	<u>(735)</u>
Total (benefit from) provision for income taxes	<u>\$ (253)</u>	<u>\$ 2,395</u>

The income tax provision differs from the amount of income tax determined by applying the statutory income tax rate to pre-tax loss because of goodwill amortization and applying the valuation allowance and state income tax expense. 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, 2022 and 2021, the Company has recorded a valuation allowance in the U.S., 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, 2022 and 2021 are as follows:

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	2022	2021
<b>Deferred tax assets</b>		
Accruals and reserves	\$ 748	\$ 457
Interest expense	3,673	1,335
Net operating loss carryforwards	3,881	4,155
U.S. intangibles	15,145	15,319
Foreign deferred taxes	31	37
Other	337	317
Total deferred tax assets	23,815	21,620
<b>Deferred tax liabilities</b>		
Depreciation	(1,792)	(1,955)
Deferred costs	(517)	(530)
Foreign intangibles	-	(329)
Foreign deferred taxes	(42)	(36)
Total deferred tax liabilities	(2,351)	(2,850)
Valuation allowance	(21,475)	(19,098)
Net deferred tax liabilities	\$ (11)	\$ (328)

As of December 31, 2022, the Company has U.S. federal net operating loss ("NOL") carryforwards of \$14,273 and U.S. state NOL carryforwards of \$10,767. Of this amount, \$12,885 of federal and \$328 of state NOLs can be carried forward indefinitely. Federal NOLs begin to expire in 2036 and state NOLs begin to expire in 2028.

Tax years 2022, 2021, and 2020 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, 2022 and 2021.

**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 \$99,103 and \$78,641 as of December 31, 2022 and 2021, respectively.

**Liquidation and Distributions**

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

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**14. Debt**

Long-term debt consists of the following at December 31, 2022 and 2021:

	2022	2021
U.S. term loans	\$ 143,913	\$ 95,543
U.K. term loans	-	57,972
Less: Debt issuance costs, net	<u>(4,744)</u>	<u>(245)</u>
	139,169	153,270
Less: Current portion	<u>(1,450)</u>	<u>(13,860)</u>
	<u>\$ 137,719</u>	<u>\$ 139,410</u>

Principal maturities on outstanding borrowings at December 31, 2022 are as follows:

2023	\$ 1,450
2024	1,450
2025	1,450
2026	1,450
2027	1,450
Thereafter	<u>131,919</u>
	<u>\$ 139,169</u>

**Credit Agreement**

In March 2022, the Company extinguished and paid off all existing debt related to its April 2016 credit agreement ("Original Agreement") with a syndicate of lenders by entering into a new debt arrangement ("2022 Agreement") with a new lender.

The 2022 Agreement consists of term loans with an aggregate principal amount of \$145,000, a revolving line of credit with capacity of \$20,000, and a delayed draw term loan facility with capacity of \$75,000, and includes certain financial and nonfinancial covenants. The term loans and delayed draw term loan facility have a maturity date of March 11, 2028. The revolving line of credit has a maturity date of September 11, 2027. The current portion of term debt as of December 31, 2022 on the accompanying consolidated statement of financial position represents upcoming short-term principal repayments for the 2022 Agreement. As of December 31, 2022, the interest rate on the term loan was based on SOFR (4.50%).

Debt issuance costs incurred relating to the credit agreement were \$5,503 for the period ended December 31, 2022.

**15. 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.

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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, 2022 and 2021, 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, 2022 and 2021 was as follows:

	Number of Units	Weighted Average Fair Value Per Unit	Aggregate Intrinsic Value
<b>Outstanding as of December 31, 2020</b>	8,374,823	\$ 0.15	
Granted	1,560,000	0.30	
Exercised	-	-	
Forfeited	(287,930)	0.12	
<b>Outstanding as of December 31, 2021</b>	9,646,893	0.22	
Granted	1,417,000	0.35	
Exercised	-	-	
Forfeited	(363,363)	0.23	
<b>Outstanding as of December 31, 2022</b>	10,700,530	\$ 0.25	
<b>Vested as of December 31, 2022</b>	8,385,118	0.17	
<b>Nonvested as of December 31, 2022</b>	2,315,412	\$ 0.21	\$ 486

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 key assumptions 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 4 years for shares granted during 2022 and 5 years for shares granted during 2021.
- **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 34% and 35% for shares granted during 2022 and 2021, respectively.

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

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- *Risk-Free Rate* – A risk-free rate for a security with a commensurate maturity as the term of the award was used based on an interpolation of the U.S. Treasury bond rates for securities for shares granted during 2022 and 2021.
- *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 2022 and 2021.

Based on the above factors the Company determined the weighted average fair value of its profit interest units granted during 2022 to be \$0.35.

The Company has determined the fair value of the time-based profit interest units granted during 2022 and 2021 to be \$496 and \$457 and is recognizing the expense over the vesting period, respectively. The grant date fair value of the 537,040 performance-based awards issued in 2016, of which 268,520 remain outstanding, 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 a total of \$212 and \$284 of unit-based compensation expense during 2022 and 2021, respectively. The total fair value of shares vested during the period was \$245 and \$317 during 2022 and 2021, respectively. As of December 31, 2022, unrecognized compensation expense was \$719 and will be recognized over a weighted average period of approximately 4 years. During 2022, 363,363 profit interest units with a remaining unrecognized compensation expense of \$85 were forfeited. The Company has elected to account for forfeitures as they occur.