

THESE ACCOUNTS
CONTAIN THE PARENT
COMPANY ACCOUNTS

ESG Global (Energy) Ltd
(Formerly Utilisoft Limited)

Annual Report and Financial Statements

Registered number 02931236

Year ended 31 December 2020

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10/04/2021

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COMPANIES HOUSE

ESG Global (Energy) Limited
(Formerly Utilisoft Limited)

Directors

A Green
M C Hirst
S Gosling

Secretary

Brodies Secretarial Services Limited

Independent Auditors

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

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Brisance House
Euxton Lane
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ESG Global (Energy) Limited
(Formerly Utilisoft Limited)

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Strategic report

The directors present their strategic report for the year ended 31 December 2020.

Principal activities and review of the business

The principal activities of the company during the period was the provision of software and managed services for participants in the energy and utility markets and the sale of pre-accredited energy supply companies.

The past 12 months have been challenging for the company, with the global Covid 19 pandemic impacting both the economy and businesses around the globe. Despite this, we have seen EBITDA grow 21.2% year on year despite seeing revenue decline due to the prior year market consolidation and volatility.

We continue to invest heavily in our market leading SaaS software platform and data analytics applications, which has allowed the roll out of the UK smart grid program to pick up pace in the year and position us well for the impending technology enablement. The Board and management teams are continually improving our software services and delivery methodologies ensuring we drive improved service levels and innovation for both our clients and their end customers.

Due to the Covid 19 pandemic, the Board took the difficult decision to close the offices and transition the workforce to work entirely from home for the majority of 2020 and delay planned recruitment within the business. The reduction in the cost base from these actions has offset the reduction in the revenue and ensured that the company continues to grow profits year on year.

We continue to invest in learning and development to ensure our development and technical teams possess the skills required to meet the market demands of technology innovation. This has allowed us to continue to take steps to further future proof the business by continuing to invest in our CRM and Billing solution into the UK market. This will ensure we remain the market leader and have continued to access new markets as the business continues to grow. Importantly we continue to successfully invest in new and existing applications within our SaaS software platform, primarily to address the accelerating UK Smart Grid roll out, Switching programme and Data Analytics market opportunities.

In January 2021, the board took the decision to rebrand the business and with this changed the company name from Utilisoft Limited to ESG Global (Energy) Limited. This branding was applied within the UK and the US sister companies to bring the global structure under one brand of ESG moving forward and strengthen the groups foothold in the global market.

Key performance indicators (KPIs)

Management monitors the following KPIs across the company to ensure the business performs in line with expectations and that issues are identified promptly and efficiency measures can be quantified. The key KPIs are as follows:

- | | | |
|------------------|---|------------------------|
| • Revenue growth | – | -1.48% (2019: +14.99%) |
| • Gross profit | – | -1.71% (2019: +14.77%) |
| • EBITDA | – | +21.2% (2019: +1.22%) |

The rate of EBITDA growth has been secured by the increase in service revenues and careful management of costs through the Covid 19 global pandemic. Despite revenue shrinkage we have successfully extended many major partnership contracts and continued to develop the bandwidth of services and benefits that we provide to our clients.

The financial performance in the period was excellent with profit of £12.94m up 18.6% on the prior year.

Strategic report *(continued)*

The net current assets of the company as at 31 December 2020 are £37,780,654 (31 December 2019 net current assets: £25,983,815). The increase was driven by the performance of the business in the year.

Market

The financial performance was further underpinned by strong independent sector market growth despite the market challenges seen in the year. We believe that we are now at the end of market exits and consolidation and we expect further growth for the independent sector in the upcoming year. This will be further strengthened by government legislation and policy and the continued development investment to widen our product offering to our customer base. We have seen big strides forward in the mass smart meter rollout in 2020 and we continue to believe this will ramp up further in 2021 and we see further market opportunities that this brings to both our customers and the business.

We continue to see a slowdown in the number of new independent energy suppliers entering the UK market this year, however, we continue to see an improvement in the potential scale of new entrants as many of our growing pipeline are large corporate entities with ambitious growth plans and new technologies.

The UK Government's target through DECC (Department of Energy and Climate Change) still remains for energy suppliers to install some 53 million smart meters by the end of 2024, following OFGEM's announcement in 2019 to extended its enforcement powers out to 2024. The continued move to a digital smart grid infrastructure is driving significant future revenues and data opportunities for the business and further strengthen our market position in both our core software platforms and services.

We believe present and future UK legislation and policies will further support the expansion and development of the independent energy market within the UK, which despite the market challenges in the year we have seen impressive growth and they now control a combined 30% market share. We are fully engaged with DECC (Department of Energy and Climate Change), Elexon, Ofgem and Ofwat initiatives to significantly improve the energy and utilities markets through technology change, such as new faster switching principles for consumers and Half Hourly settlements. In the coming year these initiatives will of course require further software development and analytics capabilities which will allow us to further develop revenue possibilities.

The Board have re-considered the risk of Brexit on the company post the December 2019 transition date and remain confident that there is minimal risk, as the company does not trade with Europe, at the most it will affect our customers rather than us directly. Any future legislative changes could affect us, but as seen in prior years, these can present as opportunities for further revenue.

Looking ahead, we believe that the growth in the energy market will be supportive of our business. We also have strong strategic leaders that will enable us to deliver future years of expansion and profitable growth. In addition, our new smart grid and analytics innovations provide the potential to internationalise our operations. The transformation of the UK energy market from "analogue to digital" is a one off event and will drive innovation along with opportunity and we firmly believe our people expertise, passion and the bond we have with our clients will continue to drive our business to be best in class and deliver mutual success. During 2020 we have commenced development on new market switching initiatives and data analytics products that will drive further revenue opportunities in the coming years.

Strategic report (*continued*)

Risk management objectives and policies

Risk management is an important element of the management process throughout the Group, of which Utilisoft Limited was a part during the financial period, and is considered on a Group basis. Internal controls have been developed to address the main business risks which are considered to be:

Strategic:

The company operates in a new market and seeks to ensure that it delivers effective solutions to its existing and potential clients.

Operational:

The company'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.

The needs of the company's clients are addressed to ensure that they are appropriate and a dedicated dispute resolution manager is employed to resolve any issues which may arise.

The company also recognises the importance of its IT infrastructure and back office systems to deliver its services. The company has the appropriate controls in place to secure its data and maximise the operational efficiency of its systems. The company also has controls in place to safeguard the IPR that it owns. The company also has established procedures to maintain its appropriate accreditations.

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

Liquidity risk

The Company manages its cash in a manner designed to ensure maximum benefit is gained whilst ensuring security of investment sources. The Group's policy on investment of surplus funds is to place deposits at institutions with strong credit ratings to manage the Company's credit risk exposure.

Currency risk

The Company have overseas trade receivables, which are paid in Euros directly into a Euro bank account. As the company has no overseas liabilities these monies are from time to time exchanged to sterling at the spot rate.

Credit risk

The Company's credit risk is primarily attributable to trade receivables and cash.

Credit risk with respect to trade receivables is due to the Company trading with a limited number of companies who are generally large utility companies or financial institutions though there are a number of small new entrants who are a greater risk. The Company has reviewed these and does not expect in the normal course of events that these debts are at significant risk apart from the ones already provided for.

The Company is constantly concentrating on recovering certain debts which are overdue.

The directors are satisfied that the appropriate processes are in place to monitor the risks facing the group.

Covid-19 Virus

During the year, the Covid 19 Virus impacted businesses globally. The directors believe the business has been well insulated and the business impact has been low compared to other sectors. The business operates on a core recurring revenue stream from gas and electric meter points that remains unaffected by the virus and the only reasonable impact the business has been the slippage in the government backed smart meter roll out and impacts on a handful of small B2B suppliers. The company and wider group have seen cash balances improve across the year and debtors have reached all-time lows through careful management. We moved to remote working companywide in March 2020 to ensure that our employees welfare is prioritised and we minimise the risk of exposure and transmission of the virus.

Strategic report (continued)

Carbon reporting

Utility	Scope	Consumption	Conversion rate	Tonnes of CO ₂
Electricity	2	300,838 kWh	0.23104	69.51
Business mileage - cars	3	37,000 miles	0.29920	11.07
			CO ₂ per FTE	0.25

Scope 2 relates to the indirect emissions relating to the consumption of purchased electricity for day to day operations.

Scope 3 relates to other direct emissions.

Measurement basis

Electricity - amount charged by our electricity provider over the period 01 January 2020 to 31 December 2020.

Mileage – amount claimed under travel and expense policy over the period 01 January 2020 to 31 December 2020

Energy efficiency and consumption improvements

The company has installed electric vehicle charge points as we are committed to reducing our CO₂ footprint year on year and this is provided free to employees to encourage electric vehicle ownership and use.

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") and have considered them as follows:

(a) *the likely consequences of any decision in the long term,*

See Future Developments section of Directors' Report.

(b) *the interests of the company's employees,*

See Employee Involvement section of Directors' Report.

(c) *the need to foster the company's business relationships with suppliers, customers and others,*

We act responsibly and fairly with how we engage with our suppliers and customers and aim to co-operate with parties in an efficient manner.

(d) *the impact of the company's operations on the community and the environment.*

See Market and Carbon Reporting sections above.

(e) *the desirability of the company maintaining a reputation for high standards of business conduct, and*

See Risk Management section above.

(f) *the need to act fairly as between members of the company.*

It is the Board's intention to act fairly between all stakeholders of the business, and take considerations into account when making decisions, as can be seen throughout this report in the Employee Involvement, Carbon Reporting, Market and Risk Management sections.

Approved by the Board on 26 March 2021 and signed on its behalf by:



S Gosling

Director

Directors' report

The directors present their report and audited financial statements for ESG Global (Energy) Limited (formerly Utilisoft Limited) for the year ended 31 December 2020.

Results and dividends

The profit before taxation amounted to £15,053,893 (31 December 2019: £12,417,905). Profit for the financial period after taxation amounted to £12,941,901 (31 December 2019: £10,915,541). The directors do not recommend payment of a dividend (31 December 2019: £nil).

Future developments

We have seen a continued strategic investment within the business throughout the period in response to the expanding market and the movement to a "digital utility" market creating numerous opportunities for growth and innovation. We believe present and future UK legislation and policies will further support the expansion of our business. We are fully engaged with DECC (Department of Energy and Climate Change), Elexon, Ofgem and Ofwat initiatives to significantly improve the energy and utilities markets through technology change, such as new faster switching principles for consumers and Half Hourly settlements. In the coming years these initiatives will of course require further software development and analytics capabilities which will allow us to further develop revenue possibilities.

Risk management objectives and policies

These have been disclosed on pages 1 to 3 of the strategic report.

Research and development

The company continues to invest in research and development principally in respect of the development of software solutions to manage the industry process, dataflow and automation of core processes for energy market participants. During the current year, the company has recognised grant income of £242,770 (2019: £480,348) under the Research and Development Expenditure Credit in respect of expenditure on qualifying development projects.

Going concern

The directors believe that the use of the going concern basis of accounting is appropriate. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered new external risks in the year, namely the Covid-19 virus, and are taking the necessary actions to insulate the business. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Directors

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

A Green
M C Hirst
S Gosling
P Galati (resigned 14 August 2020)

Directors' report (*continued*)

Employee involvement

Continued people development is at the core of our business philosophy. We have continued to invest in our people with further revisions to our training and mentoring academy to ensure the future talent within the business is cultivated with care. We have also invested in further office space and have moved into a new purpose built office, enabling us to provide a suitable vibrant and creative workplace for our teams to work.

The Company recognises and seeks to encourage the involvement of its employees, with the aim being the recruitment, motivation and retention of quality employees throughout the Company. This includes regular Q&A sessions with senior management and new focus groups and committees, with particular focus on inclusiveness, wellbeing and diversity.

Due to the global pandemic, the Board took the difficult decision in March 2020 to move all staff to remote working to protect staff welfare.

The Company's employment policies, including the commitment to equal opportunity, are designed to attract, retain and motivate employees regardless of sex, race, religion or disability. Equality of treatment includes full and fair assessment of applications and extends to training and continuing career development.

The Company is committed to ensuring and communicating the requirements for a safe and healthy working environment for all employees, consistent with health and safety legislation and, wherever practicable, gives full consideration to applications for employment from disabled persons.

Charitable and political donations

Charitable cash donations of £17,540 were made in the year ending 31 December 2020 (31 December 2019: £4,495). In addition, staff gave their time and contributed to two sporting events completed by employees. No political donations were made by the Company in either period.

Strategic report

The company has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the company's strategic report 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 risk management objectives and 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.

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.

On behalf of the Board



S Gosling
Director
26 March 2021

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 GLOBAL (ENERGY) LIMITED FORMERLY UTILISOFT LIMITED

Opinion

We have audited the financial statements of ESG Global (Energy) Limited (the 'company') (formerly Utilisoft Limited) for the year ended 31 December 2020 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 2020 and of its profit 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.

ESG Global (Energy) Limited (Formerly Utilisoft 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 7, 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.

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.

ESG Global (Energy) Limited
(Formerly Utilisoft Limited)

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 and revenue recognition in relation to deferred income as the areas 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, challenging *judgments and estimates, cut off testing on revenue and substantive testing on a sample of deferred income* transactions in the year.

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

Use of our report

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

RSM UK Audit LLP

Alastair John Richard Nuttall ACA (Senior Statutory Auditor)

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

Chartered Accountants

Bluebell House

Brian Johnson Way

Preston

Lancashire, PR2 5PE

Date 26 March 2021

ESG Global (Energy) Limited
(Formerly Utilisoft Limited)

Profit and loss account and other comprehensive income

for the year ended 31 December 2020

		<i>Year ended 31 December 2020</i>	<i>Year ended 31 December 2019</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Turnover	2	36,232,236	37,145,985
Cost of sales		(463,425)	(385,228)
Gross profit		35,768,811	36,760,757
Administrative expenses		(21,317,293)	(24,814,428)
Other operating income	6	607,192	480,348
Operating profit	3	15,058,710	12,426,677
Interest receivable and similar income		1,047	2,736
Interest payable and similar expenses		(5,864)	(11,508)
Profit before taxation		15,053,893	12,417,905
Tax on profit	7	(2,111,992)	(1,502,364)
Profit for the financial year		12,941,901	10,915,541
Other comprehensive income		-	-
Total comprehensive income for the year		12,941,901	10,915,541

All amounts relate to continuing activities.

ESG Global (Energy) Limited
(Formerly Utilisoft Limited)

Balance sheet

as at 31 December 2020

		<i>As at 31 December 2020</i>	<i>As at 31 December 2019</i>
	<i>Note</i>	<i>£</i>	<i>£</i>
Non-Current assets			
Tangible assets	9	3,467,264	2,286,052
		3,467,264	2,286,052
Current assets			
Stocks	11	58,884	46,551
Debtors	12	31,129,867	24,840,499
Cash at bank and in hand		10,528,531	5,658,508
		41,717,282	30,545,558
Creditors: amounts falling due within one year	13	(3,936,629)	(4,561,743)
Net current assets		37,780,653	25,983,815
Total assets less current liabilities		41,247,917	28,269,867
Provision for liabilities	10	(51,642)	(15,493)
Net assets		41,196,275	28,254,374
Capital and reserves			
Called up share capital	17	5,000	5,000
Profit and loss account	18	41,191,275	28,249,374
Total Shareholders' funds		41,196,275	28,254,374

The notes on pages 14 to 26 are an integral part of these financial statements.

The financial statements on pages 11 to 26 were approved by the Board of Directors on 26 March 2021 and are signed on their behalf by:



S Gosling
Director
Registered number 02931236

Statement of changes in equity

for the year ended 31 December 2020

	<i>Called up share capital</i> £	<i>Profit and loss account</i> £	<i>Shareholders' funds</i> £
At 1 January 2019	5,000	17,333,833	17,338,833
Total comprehensive income for the year	-	10,915,541	10,915,541
As at 31 December 2019 and 1 January 2020	<u>5,000</u>	<u>28,249,374</u>	<u>28,254,374</u>
Total comprehensive income for the year	-	12,941,901	12,941,901
At 31 December 2020	<u>5,000</u>	<u>41,191,275</u>	<u>41,196,275</u>

Notes to the financial statements

for the year ended 31 December 2020

On 04 January 2021, Utilisoft Limited changed its name, by resolution, to ESG Global (Energy) Limited.

ESG Global (Energy) Limited (formerly Utilisoft Limited) (Company number 02931236) 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.

The principal activities of the company during the period was the provision of software and managed services for participants in the energy and utility markets and the sale of pre-accredited energy supply companies.

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 and transactions between wholly owned group subsidiaries.

Going concern

The directors believe that the use of the going concern basis of accounting is appropriate. The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. The directors have considered new external risks in the year, namely the Covid-19 virus, and are taking the necessary actions to insulate the business. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements.

Revenue

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts and other sales related taxes.

The supply of managed services are invoiced and the income is recognised when the contractual terms are met.

Statement of changes in equity (*continued*)

for the year ended 31 December 2020

1. Accounting policies (*continued*)

Grant income

Grant income represents amounts received under the Coronavirus Job Retention Scheme. These are measured at the fair value of the consideration received or receivable and recognised in line with the related costs under the accrual model.

Group financial statements

Under the provision of section 401 of the Companies Act 2006, the Company is exempt from preparing group financial statements as it is consolidated within the financial statements of its parent undertaking and controlling party, ESG-Utiligroup Holdings, LLC.

Investments

Fixed asset investments

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

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

Financial instruments

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

Recognition and measurement of financial instruments

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

Classification of financial instruments

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

Financial assets and liabilities at amortised cost

Trade, group and other debtors

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

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

Statement of changes in equity (*continued*)

for the year ended 31 December 2020

1. Accounting policies (*continued*)

Financial assets and liabilities at amortised cost (*continued*)

Trade creditors, group and other creditors

Trade, group and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost, being transaction price less any amounts settled and the cumulative amortisation (using the effective interest method) of any difference between the amount at initial recognition and the maturity amount. The effective interest rate is the rate that discounts estimated future cash payments to the carrying amount of the financial liability.

Equity

Equity instruments

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

Derecognition of financial assets and liabilities

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

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

Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any recognised impairment loss. Cost comprises purchase price and other directly attributable costs. Depreciation is charged so as to write off the cost of assets to their residual values over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold improvements	—	over the lease term
Fixtures and fittings	—	5 years
Equipment	—	3 years

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit and loss account.

The asset residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Statement of changes in equity (continued)

for the year ended 31 December 2020

1. Accounting policies (continued)

Research and development

Expenditure undertaken by the Company on research activities is recognised in the profit and loss account as incurred.

Expenditure on development costs which relates to the application of research to the development of new products or processes are now also recognised in the profit and loss account as incurred.

The company makes an annual claim under the Research and Development Expenditure Credit scheme.

Stock

Stocks are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the stocks to their present location and condition.

At each reporting date, an assessment is made for impairment. Any excess of the carrying amount of stocks over its estimated selling price less costs to complete and sell is recognised as an impairment loss in profit and loss. Reversals of impairment losses are also recognised in profit and loss.

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.

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 year, 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 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.

Leasing commitments

Rentals payable under operating leases are charged to profit and loss on a straight line basis over the term of the lease. Rent free periods or other incentives received for entering into an operating lease are accounted for as a reduction to the expense and are recognised on a straight line basis over the lease term.

Employee benefits policy

Termination benefits are recognised immediately as an expense when the company is committed to terminate the employment of an employee or to provide termination benefits.

Statement of changes in equity (*continued*)

for the year ended 31 December 2020

1. Accounting policies (*continued*)

Critical accounting judgements and key source of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of the accounting policies and the reported amounts of assets and liabilities, revenue and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are reasonable under the circumstances. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

i) Useful economic lives of tangible assets

The annual depreciation charge for tangible fixed assets is sensitive to changes in the estimated useful economic lives and residual values of assets. The useful economic lives and residual values are assessed annually. They are amended when necessary to reflect current estimates, based on technological advancements, future investments, economic utilisation and the physical condition of the assets. See note 9 for the carrying amount of tangible fixed assets and note 1 for the useful economic lives for each class of asset.

ii) Taxation

Management estimation is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with an assessment of the effect of future tax planning strategies.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to third parties and is attributable to one continuing activity, as stated in the directors' report.

All turnover is generated for operations solely within the UK.

Turnover analysed by category was as follows:

	<i>31 December 2020</i>	<i>31 December 2019</i>
	<i>£</i>	<i>£</i>
Licence and managed services	32,152,795	32,115,730
Professional services	4,079,441	5,030,255
	<u>36,232,236</u>	<u>37,145,985</u>

Statement of changes in equity (continued)

for the year ended 31 December 2020

3. Operating profit

Operating profit is stated after charging / (crediting):

		31 December 2020	31 December 2019
	<i>Note</i>	£	£
Depreciation of owned fixed assets	8	1,381,989	1,133,905
Operating lease rentals – buildings		601,338	497,819
Research and development expenditure credit claim		(242,770)	(480,348)
Auditors' remuneration:			
Statutory Audit Services		68,000	68,000
Tax and related services		16,325	16,950

4. Staff costs

		31 December 2020	31 December 2019
		£	£
Wages and salaries		13,305,848	15,424,921
Social security costs		1,325,066	1,558,324
Other pension costs		565,373	698,399
		15,196,287	17,681,644

The average monthly number of employees during the year was made up as follows:

	31 December 2020	31 December 2019
	<i>No.</i>	<i>No.</i>
Administration	322	397

Statement of changes in equity (continued)

for the year ended 31 December 2020

5. Directors' emoluments

	31 December 2020	31 December 2019
	£	£
Total emoluments (excluding pension contributions)	589,026	653,437
Pension contributions	17,063	17,063
Other benefits	2,502	4,158
Total	<u>608,591</u>	<u>675,017</u>
Emoluments of the highest paid director		
Total emoluments (excluding pension contributions)	212,124	239,687
Pension contributions	9,188	9,188
Other benefits	700	1,529
Total	<u>222,012</u>	<u>250,404</u>

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

Other than the directors disclosed on within these financials, the company has 318 employees as at 31 December 2020 (period ended 31 December 2019: 315).

The number of directors to whom retirement benefits are accruing under the money purchases schemes was 2 (2019: 2).

6. Other operating income

	31 December 2020	31 December 2019
	£	£
Research and development expenditure credit claim	242,770	480,348
Grant income	364,421	-
	<u>607,191</u>	<u>480,348</u>

7. Tax on profit

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

	31 December 2020	31 December 2019
	£	£
Current tax:		
UK corporation tax at 19% (31 December 2019: 19%)	2,075,843	1,586,128
Adjustments in respect of prior periods	-	(155,090)
Total current tax	<u>2,075,843</u>	<u>1,431,038</u>

Statement of changes in equity (continued)

for the year ended 31 December 2020

7. Tax on profit (continued)

Deferred tax:

Origination and reversal of timing differences	34,326	59,174
Effect of decreased tax rate on opening balance	-	-
Adjustments in respect of prior periods	1,823	12,152
Total deferred tax	36,149	71,326
Total tax	2,111,992	1,502,364

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

(b) Factors affecting total tax for the year

The tax assessed for the year differs from (2019: differs from) the standard rate of corporation tax in the UK of 19% (31 December 2019: 19%). The differences are explained below:

	31 December 2020 £	31 December 2019 £
Profit before taxation	15,049,658	12,417,905
Profit before taxation multiplied by standard rate of corporation tax in the UK of 19% (31 December 2019: 19%)	2,859,435	2,359,402
<i>Effects of:</i>		
Expenses not deductible for tax purposes	20,770	27,771
Effect of change in tax rate	1,823	(6,962)
Group relief claimed	(817,790)	(827,548)
Capital allowances in excess of depreciation	1,628	1,372
Adjustments in respect of prior periods	-	(155,090)
Adjustments to tax charge in respect of prior periods – deferred tax	-	12,152
R&D expenditure credits	46,126	91,266
Unexplained difference	-	1
Total tax expense included in the profit and loss account	2,111,992	1,502,364

(c) Deferred tax

	£
At 1 January 2020 (note 10)	(15,493)
Provided during the year	(34,326)
Adjustment in respect of prior years	(1,823)
At 31 December 2020 (note 10)	(51,642)

Statement of changes in equity (continued)

for the year ended 31 December 2020

7. Tax on profit (continued)

(d) Factors that may affect future tax charges

The rate of UK corporation tax that was enacted at the balance sheet date was 19%. The UK government has previously announced that the UK corporation tax rate will increase to 25% (effective 1 April 2023), these reductions were announced as part of the Budget on 03 March 2021.

Deferred tax assets and liabilities on all timing differences have been calculated at 19% being the rate of UK corporation tax enacted at the balance sheet date/at which they are expected to reverse. The impact of the above changes will reduce the company's future current tax charge and deferred tax liability accordingly, the impact of which is not considered to be material.

8. Investment

	<i>Subsidiary undertakings £</i>
Cost and net book value:	
At 1 January 2020	-
Additions	-
Disposal	-
As at 31 December 2020	-

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>
Draig Technology Ltd	England	Ordinary shares	100%	Dormant

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

Statement of changes in equity (continued)

for the year ended 31 December 2020

9. Tangible assets

	<i>Leasehold improvements</i>	<i>Fixtures and fittings</i>	<i>Equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2020	73,870	1,092,111	4,487,160	5,653,141
Additions	-	59,190	2,504,011	2,563,201
At 31 December 2020	<u>73,870</u>	<u>1,151,301</u>	<u>6,991,171</u>	<u>8,216,342</u>
Accumulated depreciation				
At 1 January 2020	28,899	381,339	2,956,852	3,367,090
Charge for the year	8,855	205,631	1,167,502	1,381,988
At 31 December 2020	<u>37,754</u>	<u>586,970</u>	<u>4,124,354</u>	<u>4,749,078</u>
Net book value:				
At 31 December 2020	<u>36,116</u>	<u>564,331</u>	<u>2,866,817</u>	<u>3,467,264</u>
At 31 December 2019	<u>44,971</u>	<u>710,772</u>	<u>1,530,308</u>	<u>2,286,051</u>

10. Deferred Tax Asset/ Provision

Deferred taxation provided in the financial statements are as follows:

	<i>31 December 2020</i>	<i>31 December 2019</i>
	£	£
Fixed asset timing differences	(68,644)	(15,493)
Other timing differences	17,002	-
	<u>(51,642)</u>	<u>(15,493)</u>

There are no unrecognised deferred tax assets or liabilities.

	£
At 1 January 2020	(15,493)
Provided during the year	(34,326)
Adjusted in respect of prior years	(1,823)
At 31 December 2020	<u>(51,642)</u>

ESG Global (Energy) Limited
(Formerly Utilisoft Limited)

Statement of changes in equity (continued)

for the year ended 31 December 2020

11. Stocks

	31 December 2020	31 December 2019
	£	£
Companies held for resale	58,884	46,551

Companies held for resale represent costs incurred in achieving accredited energy supplier status for Limited companies held for sale.

12. Debtors

	31 December 2020	31 December 2019
	£	£
Trade debtors	4,597,164	6,702,065
Amounts owed by group undertakings	25,040,229	16,993,939
Prepayments and accrued income	1,492,474	1,144,495
	31,129,867	24,840,499

Amounts owed by group undertakings are unsecured, interest free and repayable on demand.

13. Creditors: amounts falling due within one year

	31 December 2020	31 December 2019
	£	£
Trade creditors	327,878	291,843
Corporation tax payable	23,933	590,773
Other taxation and social security	1,356,672	1,595,560
Accruals	864,372	618,318
Deferred income	1,363,774	1,465,249
	3,936,629	4,561,743

Included within other creditors is £89,484 relating to outstanding contributions payable to the pension scheme (2019: £120,284).

There is a £80,000 secured deposit with Lloyds bank against the Lloyds credit card, of which the creditor is included in Trade creditors.

14. Commitments under operating leases

Future minimum rentals payable under non-cancellable operating leases are as follows:

	31 December 2020	31 December 2019
	Land and buildings £	£
Within one year	594,167	592,155
In two to five years	2,260,638	2,368,622
Over five years	1,529,417	2,040,868
	4,384,222	5,001,645

Statement of changes in equity (*continued*)

for the year ended 31 December 2020

15. Share based payment transactions

The profit interest units are those operated by the ultimate parent company, they were granted on a discretionary basis to existing or new executives pursuant to executive investment agreement approved by the board. These grants of options are accounted for under section 26 of FRS 102- Share Based Payments.

The exercise price is the fair value of the award at the date of grant. The cost is recognised on a straight-line basis over the vesting period of the underlying award. The fair value of the 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 estimate.

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

- Exercise price – Each award contains a distribution threshold, as defined in the award, which establishes a price level at which the share will begin to participate in the event of a liquidity event.
- Term – Management estimates the term to be 3 years for shares granted in 2017 and 2 years for shares granted in 2019.
- Volatility – Management has determined the volatility for awards based on analysis of reported data for a group of peer guideline companies over a period that matches the term assumption for these units. Management has determined the volatility for awards to be 35% for shares granted in 2017.
- Risk Free Rate – A risk-free rate for a security with a 5 year maturity was used based on an interpolation of the US Treasury bond rates for securities with 5 year maturities for shares granted in 2017 and the shares granted in 2019.
- 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.

A reconciliation of option movements over the period to 31 December 2020 and year to 31 December 2019 is shown below:

	31 December 2020		31 December 2019	
	<i>Number</i>	<i>Weighted average exercise price</i>	<i>Number</i>	<i>Weighted average exercise price</i>
Outstanding at 1 January	3,999,273	0.11	3,999,273	0.11
Granted during the period	-	-	474,347	0.23
Forfeited in the period	-	-	-	-
Exercised in the period	-	-	(558,928)	0.18
Outstanding at 31 December	3,999,273	0.11	3,999,273	0.11
Exercisable at 31 December	-	-	-	-

The total charge for the year relating to employee share based payment plans was £107,387 (2019 - £128,578) all of which related to equity settled share based payment transactions.

Statement of changes in equity (continued)

for the year ended 31 December 2020

16. 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.

17. Called up share capital

	31 December 2020 £	31 December 2019 £
Authorised:		
250,000 (2018: 250,000) Ordinary 'A' shares of £0.01	250,000	250,000
250,000 (2018: 250,000) Ordinary 'B' shares of £0.01	250,000	250,000
	500,000	500,000
	31 December 2020 £	31 December 2019 £
Allotted, called up and fully paid:		
250,000 (2018: 250,000) Ordinary 'A' shares of £0.01	2,500	2,500
250,000 (2018: 250,000) Ordinary 'B' shares of £0.01	2,500	2,500
	5,000	5,000

A and B class shares have equal voting rights of 1 vote per share.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

18. Reserves

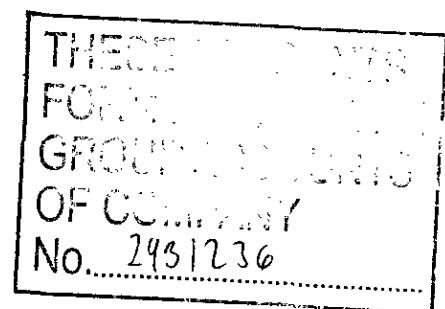
Profit and loss reserve - cumulative profit and loss net of distribution to owners.

19. Ultimate parent company

The company is a wholly owned subsidiary of Utiligroup Holdings 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-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, 2020 and 2019**



ESG-Utiligroup Holdings, LLC and Subsidiaries

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December 31, 2020 and 2019

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Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of ESG-Utiligroup Holdings, LLC and its subsidiaries, which comprise the consolidated statements of financial position as of December 31, 2020 and 2019, and the related consolidated statements of operations, of comprehensive loss, of changes in members' capital, and of cash flows for the years then ended.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

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

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



Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ESG-Utiligroup Holdings, LLC and its subsidiaries as of December 31, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

PriceWaterhouseCoopers LLP

Boston, Massachusetts
March 30, 2021

ESG-Utiligroup Holdings, LLC and Subsidiaries
Consolidated Statements of Financial Position
December 31, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Assets		
Current assets		
Cash and cash equivalents	\$ 21,146	\$ 8,684
Accounts receivable, net	10,075	13,527
Unbilled accounts receivable, net	3,987	3,648
Prepaid expenses and other current assets	3,684	3,115
Total current assets	38,892	28,974
Property and equipment, net	7,145	6,809
Goodwill, net	126,980	144,766
Intangible assets, net	21,128	33,043
Deferred costs, net	2,696	1,973
Other assets, net	7,317	5,484
Total assets	<u>\$ 204,158</u>	<u>\$ 221,049</u>
Liabilities and Members' Capital		
Current liabilities		
Accounts payable	\$ 1,332	\$ 903
Accrued expenses	4,796	6,948
Term loan, current portion	9,205	8,525
Deferred revenue, current portion	4,067	2,604
Income tax payable	33	814
Total current liabilities	19,433	19,794
Long-term liabilities		
Term loan, net of current portion	153,240	160,318
Deferred revenue, net of current portion	1,579	2,632
Deferred tax liabilities	1,131	1,722
Other liabilities	540	311
Total long-term liabilities	156,490	164,983
Total liabilities	175,923	184,777
Commitments and contingencies (Note 8)		
Members' capital		
Contributed capital	108,407	108,407
Accumulated deficit	(88,709)	(79,701)
Accumulated other comprehensive income	3,959	2,688
Total members' capital - ESG-Utiligroup Holdings, LLC	23,657	31,394
Noncontrolling interest in consolidated subsidiaries	4,578	4,878
Total members' capital	28,235	36,272
Total liabilities and members' capital	<u>\$ 204,158</u>	<u>\$ 221,049</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, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Revenues		
Subscription	\$ 85,562	\$ 85,768
Services	9,129	9,860
Total revenues	<u>94,691</u>	<u>95,628</u>
Operating expenses		
Selling, general and administrative	54,792	62,346
Amortization expense	32,318	35,832
Depreciation expense	3,198	2,813
Loss on disposal of equipment	15	290
Total operating expenses	<u>90,323</u>	<u>101,281</u>
Income (loss) from operations	<u>4,368</u>	<u>(5,653)</u>
Other expense (income)		
Interest expense, net	12,741	14,610
Rental income	(288)	(72)
Foreign currency transaction gains, net	(550)	(568)
Total other expenses, net	<u>11,903</u>	<u>13,970</u>
Loss before income taxes	<u>(7,535)</u>	<u>(19,623)</u>
Provision for income taxes	<u>(2,067)</u>	<u>(759)</u>
Net loss	<u>(9,602)</u>	<u>(20,382)</u>
Net loss attributable to noncontrolling interests	<u>(348)</u>	<u>(738)</u>
Net loss attributable to ESG-Utiligroup Holdings, LLC	<u>\$ (9,254)</u>	<u>\$ (19,644)</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, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Net loss	\$ (9,602)	\$ (20,382)
Other comprehensive income		
Foreign currency translation adjustments	<u>1,319</u>	<u>560</u>
Comprehensive loss	(8,283)	(19,822)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	<u>(300)</u>	<u>(718)</u>
Comprehensive loss attributable to ESG-Utiligroup Holdings, LLC	<u>\$ (7,983)</u>	<u>\$ (19,104)</u>

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

ESG-Utligroup Holdings, LLC and Subsidiaries
Consolidated Statements of Changes in Members' Capital
Years Ended December 31, 2020 and 2019

<i>(in thousands, except per unit amounts)</i>	Class A-1 Preferred Units	Class A-2 Preferred Units	Accumulated Deficit	Contributed Capital	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Members' Capital
Balance at December 31, 2018	50,105,067	22,203,458	\$ (61,348)	\$ 108,407	\$ 2,148	\$ 5,558	\$ 54,765
Adoption of new accounting standard (Note 3)	-	-	1,016	-	-	38	1,054
Unit-based compensation expense	-	-	275	-	-	-	275
Other comprehensive income	-	-	-	-	540	20	560
Net loss	-	-	(19,644)	-	-	(738)	(20,382)
Balance at December 31, 2019	50,105,067	22,203,458	(79,701)	108,407	2,688	4,878	36,272
Unit-based compensation expense	-	-	246	-	-	-	246
Other comprehensive income	-	-	-	-	1,271	48	1,319
Net loss	-	-	(9,254)	-	-	(348)	(9,602)
Balance at December 31, 2020	50,105,067	22,203,458	\$ (88,709)	\$ 108,407	\$ 3,959	\$ 4,578	\$ 28,235

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, 2020 and 2019

<i>(in thousands)</i>	2020	2019
Cash flows from operating activities		
Net loss	\$ (9,602)	\$ (20,382)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	35,515	38,609
Bad debt expense	413	47
Unit-based compensation expense	246	275
Loss on disposal of equipment	15	273
Noncash interest expense	705	757
Deferred taxes	(675)	(2,207)
Changes in operating assets and liabilities		
(Increase) decrease in		
Billed and unbilled accounts receivable	2,983	243
Prepaid expenses and other current assets	(520)	660
Income tax payable	(737)	550
Deferred costs, net	(698)	(522)
Other assets, net	(1,761)	(3,299)
Increase (decrease) in		
Accounts payable and accrued expenses	169	992
Other liabilities	229	(1,833)
Deferred revenue	262	95
Net cash provided by operating activities	<u>26,544</u>	<u>14,258</u>
Cash flows from investing activities		
Purchases of property and equipment	(3,353)	(4,131)
Acquisition of software assets	-	(2,000)
Net cash used in investing activities	<u>(3,353)</u>	<u>(6,131)</u>
Cash flows from financing activities		
Contingent consideration payments	(2,000)	(2,000)
Payments on term loan	(8,995)	(8,989)
Net cash used in financing activities	<u>(10,995)</u>	<u>(10,989)</u>
Effect of foreign exchange rates on cash and cash equivalents	266	622
Net increase (decrease) in cash and cash equivalents	<u>12,462</u>	<u>(2,240)</u>
Cash and cash equivalents		
Beginning of year	<u>8,684</u>	<u>10,924</u>
Ending of year	<u>\$ 21,146</u>	<u>\$ 8,684</u>
Supplemental disclosures of cash flow information		
Cash paid for interest	\$ 14,190	\$ 13,782
Cash paid for taxes	3,116	962

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, 2020 and 2019

(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, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the fiscal year. Actual results could differ from those estimates. Estimates are used in the following areas: allowance for doubtful accounts, accrued expenses, deferred costs, revenue recognition, accounting for acquisitions, unit-based compensation expense, and contingent consideration.

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-Utilligroup Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(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.

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

Performance Obligations

The Company's service agreements will typically have multiple components to its revenue stream, such as an up-front fee to cover the set-up and an ongoing periodic charge to cover hosting. An up-front fee can take the form of either a payment for initial set-up services or a license fee received at the inception of an arrangement. On-going periodic charges are recognized 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.

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).

ESG-Utiligroup Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

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(in thousands, except per unit amounts)

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, 2020 and 2019, respectively:

	2020	2019
Deferred commissions, net	\$ 1,672	\$ 1,035
Deferred upfront costs, net	1,024	938
Total deferred costs, net	<u>\$ 2,696</u>	<u>\$ 1,973</u>

Capitalized Software Development Costs

Software development costs are capitalized in accordance with ASC 985, *Costs of Software to be Sold, Leased, or Marketed*, once technological feasibility has been established. Subsequent costs are capitalized until the software reaches general availability. Software development costs are amortized over their useful life, which is generally between 3 - 7 years. Capitalized software development costs, net of accumulated amortization, of \$5,398 and \$3,555 at December 31, 2020 and 2019, respectively, are included as a component of other assets, net in the accompanying consolidated statements of financial position. These costs are amortized on a straight-line basis over the assigned estimated useful life and are included in selling, general, and administrative expenses in the accompanying consolidated statements of financial position.

Foreign Currency Translation

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

ESG-Utiligroup Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(in thousands, except per unit amounts)

Cash and Cash Equivalents

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

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts receivable as of the end of the year. Bad debts are written off against the allowance when identified. Bad debt expense for the years ended December 31, 2020 and 2019 was \$413 and \$47, respectively. The allowance for doubtful accounts as of December 31, 2020 and 2019 was \$577 and \$261, 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 balance in bank accounts, which at times may exceed federally insured limits. Certain amounts on deposit during the years ended December 31, 2020 and 2019 exceeded the \$250,000 federally insured limit. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on its cash and cash equivalents.

There was no significant concentration of credit or sales to any one customer as of December 31, 2020 and 2019. During the years ended December 31, 2020 and 2019, approximately 49%, 50% and 1% of the Company's consolidated revenue was concentrated with sales to customers within the U.S., U.K. and other geographies, respectively.

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

ESG-Utiligroup Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(in thousands, except per unit amounts)

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.

Advertising Costs

Costs related to advertising are expensed as incurred. Advertising expense for the years ended December 31, 2020 and 2019 was \$149 and \$413, respectively.

Long-Lived Assets

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. Long-lived assets consist primarily of property, equipment, and intangible assets. No impairment losses were recorded during the years ended December 31, 2020 and 2019.

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 2020 and 2019 was \$705 and \$757. As of December 31, 2020 and 2019, \$954 and \$1,656 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. |

ESG-Utiligroup Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

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(in thousands, except per unit amounts)

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, 2020 and 2019.

As of December 31, 2020 and 2019, the Company maintained a money market account of approximately \$245 and \$243, respectively. The Company determined this to be a Level 1 financial instrument based on the availability of quoted prices for similar financial instruments.

The Company determined the fair value of the contingent consideration based upon a probability weighted assessment with respect to the likelihood of achieving the defined criteria. The measurement is based upon significant inputs not observable in the market and therefore the estimate has been classified as Level 3 in the fair value hierarchy. Changes in the fair value of the Company's contingent consideration are recorded as income or expense within earnings. As of December 31, 2019, the fair value of contingent consideration in the amount of \$2,000 has been recorded within the consolidated statements of financial position as accrued expenses (current). At December 31, 2020, there was no contingent consideration recorded within the consolidated statements of financial position.

Comprehensive Loss

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

Foreign Currency Transaction Gains and Losses

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

Goodwill and Intangible Assets

In January 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-02 *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which provides an accounting alternative for private companies related to the subsequent accounting for goodwill. The Company applies ASU No. 2014-02 and, as such, the Company amortizes goodwill on a straight-line basis over a period of 10 years (Note 5). Also pursuant to the accounting alternative, the Company will test its goodwill for impairment at the entity level only upon the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying amount. During the years ended December 31, 2020 and 2019, 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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(in thousands, except per unit amounts)

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, 2020 and 2019, 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

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard is intended to improve financial reporting about leasing transactions. Amongst other changes, the standard will require both operating and capital leases to be recognized on the consolidated statements of financial position and require incremental disclosures around the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for the Company for its annual reporting periods beginning after December 15, 2021. The Company is currently evaluating the impact that the adoption of the standard will have on its consolidated financial statements.

Subsequent Events

The Company has evaluated subsequent events through March 30, 2021, which is the date the consolidated financial statements were issued.

ESG-Utiligroup Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements
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(in thousands, except per unit amounts)

4. Property and Equipment

Property and equipment consist of the following at December 31, 2020 and 2019:

	2020	2019
Furniture and fixtures	\$ 2,310	\$ 2,173
Equipment	14,142	10,493
Leasehold improvements	1,436	1,421
	<u>17,888</u>	<u>14,087</u>
Less: Accumulated depreciation	(10,743)	(7,278)
	<u>\$ 7,145</u>	<u>\$ 6,809</u>

Depreciation expense for the years ended December 31, 2020 and 2019 was \$3,198 and \$2,813, respectively.

5. Goodwill

The following is a summary of the Company's goodwill balance as of December 31, 2020 and 2019:

	2020	2019
Beginning balance	\$ 144,766	\$ 161,940
Additions	-	-
Amortization	(20,099)	(20,416)
Currency translation adjustment	2,313	3,242
	<u>\$ 126,980</u>	<u>\$ 144,766</u>

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

2021	\$ 20,099
2022	20,099
2023	20,099
2024	20,099
2025	20,099
Thereafter	<u>26,485</u>
	<u>\$ 126,980</u>

ESG-Utiligroup Holdings, LLC and Subsidiaries
Notes to Consolidated Financial Statements
December 31, 2020 and 2019

(in thousands, except per unit amounts)

6. Intangible Assets

Intangible assets as of December 31, 2020 and 2019 consisted of the following:

2020				
	Cost	Accumulated Amortization	Currency Translation Adjustments	Net Book Value
Trademarks and tradenames	\$ 13,725	\$ (13,725)	\$ -	\$ -
Customer relationships	18,290	(12,313)	-	5,977
Developed technology	54,321	(40,434)	1,264	15,151
Noncompete agreements	6,780	(6,780)	-	-
	<u>\$ 93,116</u>	<u>\$ (73,252)</u>	<u>\$ 1,264</u>	<u>\$ 21,128</u>
2019				
	Cost	Accumulated Amortization	Currency Translation Adjustments	Net Book Value
Trademarks and tradenames	\$ 13,725	\$ (13,521)	\$ 206	\$ 410
Customer relationships	18,290	(9,700)	-	8,590
Developed technology	54,321	(31,326)	1,048	24,043
Noncompete agreements	6,780	(6,780)	-	-
	<u>\$ 93,116</u>	<u>\$ (61,327)</u>	<u>\$ 1,254</u>	<u>\$ 33,043</u>

Amortization expense related to intangible assets for the years ended December 31, 2020 and 2019 was \$12,218 and \$15,380, respectively.

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

2021	\$ 8,106
2022	6,444
2023	4,417
2024	1,774
2025	387
	<u>\$ 21,128</u>

ESG-Utiligroup Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

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(in thousands, except per unit amounts)

7. Other Assets

Included in other assets at December 31, 2020 are capitalized software development costs and asset acquisitions, net of accumulated amortization, as well as noncurrent portions of prepaid expenses.

Expected future yearly amortization of other assets at December 31, 2020 are as follows:

2021	\$	1,065
2022		1,329
2023		1,176
2024		1,104
2025		1,104
Thereafter		1,539
	\$	<u>7,317</u>

Amortization expense related to capitalized software costs and software assets for the years ended December 31, 2020 and 2019 was \$618 and \$143, respectively.

Acquisition of Software Assets

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

8. Commitments and Contingencies

Operating Leases

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

Rent expense for the years ended December 31, 2020 and 2019 was \$1,847 and \$1,721, respectively, and is included in selling, general and administrative expenses in the consolidated statements of operations, respectively. As of December 31, 2020 and 2019, there was \$224 and \$269, respectively, of deferred rent included in accrued expenses in the consolidated statements of financial position.

ESG-Utiligroup Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

(in thousands, except per unit amounts)

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

2021	\$	1,899
2022		1,936
2023		1,811
2024		1,328
2025		1,257
Thereafter		3,027
	\$	<u>11,258</u>

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.

9. Profit Interest Units

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

The Company issues profit interest units at the discretion of the Board of Directors, all of which were subject to time-based vesting provisions for the years ended December 31, 2020 and 2019, 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, 2020 and 2019 was as follows:

	Number of Shares	Weighted Average Fair Value Per Unit	Aggregate Intrinsic Value
Outstanding as of December 31, 2018	9,306,385	\$ 0.15	
Granted	474,347	0.23	
Exercised	-	-	
Forfeited	<u>(1,120,327)</u>	0.18	
Outstanding as of December 31, 2019	8,660,405	0.15	
Granted	-	-	
Exercised	-	-	
Forfeited	<u>-</u>	-	
Outstanding as of December 31, 2020	8,660,405	0.15	
Vested as of December 31, 2020	<u>6,045,567</u>	\$ 0.15	
Non-vested as of December 31, 2020	<u>2,614,838</u>	\$ 0.16	\$ 418

ESG-Utiligroup Holdings, LLC and Subsidiaries

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December 31, 2020 and 2019

(in thousands, except per unit amounts)

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 2 years for shares granted during 2019.
- *Volatility* – Management has determined the volatility for awards based on analysis of reported data for a group of peer guideline companies over a period that matches the term assumption for these units. Management has determined the volatility for awards to be 35% for shares granted during 2019.
- *Risk-Free Rate* – A risk-free rate for a security with a 5 year maturity was used based on an interpolation of the U.S. Treasury bond rates for securities with 5 year maturities for shares granted during 2019.
- *Dividend Rate* – The Company does not anticipate paying regular dividends, other than dividends to members for tax obligations, in the foreseeable future; therefore the expected dividend yield is expected to be zero for shares granted in 2019.

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

The Company has determined the fair value of the time-based profit interest units granted during 2019 to be \$109 and is recognizing the expense over the vesting period. No profit interest units were issued during 2020. The grant date fair value of the 537,040 performance-based awards issued in 2016 was determined to be \$61 and expense recognition will begin once management determines that it is probable that the performance criteria will be met. The Company recognized a total of \$246 and \$275 of unit-based compensation expense during 2020 and 2019, respectively. As of December 31, 2020, unrecognized compensation expense was \$325 and will be recognized over a weighted average period of approximately 2 years. During 2019, 1,120,327 profit interest units with a remaining unrecognized compensation expense of \$206, respectively, were forfeited. The Company has elected to account for forfeitures as they occur.

10. Related Party Transactions

During the years ended December 31, 2020 and 2019, the Company also made payments of totaling \$63 and \$5 to a related party for consulting and management services provided.

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11. Employee Benefits

The Company has defined contribution benefit plans covering substantially all full-time employees. For the years ended December 31, 2020 and 2019, the Company made contributions to the plans totaling \$1,075 and \$1,257, respectively.

12. Income Taxes

The income tax provision (benefit) for the years ended December 31, 2020 and 2019 is as follows:

	2020	2019
Current		
Federal	\$ -	\$ -
State	36	34
Foreign	2,706	1,943
Total current	<u>2,742</u>	<u>1,977</u>
Deferred		
Federal	-	-
State	-	-
Foreign	(675)	(1,218)
Total deferred	<u>(675)</u>	<u>(1,218)</u>
Total provision for income taxes	<u>\$ 2,067</u>	<u>\$ 759</u>

The income tax provision differs from the amount of income tax determined by applying the statutory U.S. Federal income tax rate to pre-tax loss as a result of goodwill amortization, nondeductible transaction expenses and changes in the valuation allowance. In jurisdictions where the Company operates its businesses, management analyzes the ability to utilize its deferred tax assets arising from losses in its business. As of December 31, 2020 and 2019, 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.

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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, 2020 and 2019 are as follows:

	2020	2019
Deferred tax assets		
Accruals and reserves	\$ 493	\$ 339
Interest expense	849	2,102
Net operating loss carryforwards	3,724	2,296
U.S. intangibles	14,568	10,893
Foreign deferred taxes	23	24
Other	204	298
Total deferred tax assets	<u>19,861</u>	<u>15,952</u>
Deferred tax liabilities		
Depreciation	(1,708)	(1,469)
Deferred costs	(527)	(315)
Foreign intangibles	(1,060)	(1,746)
Foreign deferred taxes	(94)	-
Total deferred tax liabilities	<u>(3,389)</u>	<u>(3,530)</u>
Valuation allowance	<u>(17,603)</u>	<u>(14,144)</u>
Net deferred tax liabilities	<u>\$ (1,131)</u>	<u>\$ (1,722)</u>

As of December 31, 2020, the Company has U.S. federal net operating loss ("NOL") carryforwards of \$14,561 and U.S. state NOL carryforwards of \$118,177. Of this amount, \$3,601 of federal and \$14,103 of state NOLs can be carried forward indefinitely. Federal NOLs begin to expire in 2036 and state NOLs begin to expire in 2028.

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

In the United States of America, the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") was signed into law on March 27, 2020 and amended some of the tax provisions introduced by the Tax Cuts and Jobs Act. Specifically, the CARES Act favorably adjusted the business

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interest limitation for net operating loss in tax years 2020, 2019, and 2018. The Consolidated Appropriations Act ("CAA") was signed into law on December 27, 2020 and largely extended and expanded many of the provisions introduced by the CARES Act, and also included dozens of extensions for expiring tax deductions, credits, and incentives that were scheduled to expire on December 31, 2020. The tax effects of the various provisions from the CARES Act and the CAA have been accounted for; however, neither tax law change had a material impact to the Company's consolidated financial statements.

In the United Kingdom, the Coronavirus Act 2020 received royal assent on March 25, 2020 and was followed by primary and secondary legislation to aid businesses and provide relief through the COVID-19 pandemic. The Coronavirus Job Retention Scheme ("CJRS") was made available to businesses to provide grants to employers to assist in payment of staff wages and employment costs each month. The tax effects and various provisions of the United Kingdom legislation have been accounted for and did not have a material impact to the Company's consolidated financial statements.

Tax years 2020, 2019, and 2018 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, 2020 and 2019.

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 \$60,103 and \$43,288 as of December 31, 2020 and 2019, 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, 2020 and 2019:

	2020	2019
U.S. term loans	\$ 101,429	\$ 107,143
U.K. term loans	61,970	63,356
Less: Debt issuance costs, net	(954)	(1,656)
	162,445	168,843
Less: Current portion	(9,205)	(8,525)
	<u>\$ 153,240</u>	<u>\$ 160,318</u>

Principal maturities on outstanding borrowings are as follows at December 31, 2020:

2021	\$ 9,205
2022	144,035
	<u>\$ 153,240</u>

Credit Agreement

In April 2016, the Company entered into a Credit Agreement ("Agreement") with a syndicate of lenders. Since the original Agreement, multiple amendments have been executed primarily to increase availability and broaden the syndicate of lenders. In May 2018, the Agreement was again amended ("Amended Agreement") primarily to increase availability.

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

The Amended Agreement is secured by substantially all of the Company's assets including the capital stock of the domestic subsidiaries and 65% of the capital stock of the foreign subsidiaries, and requires the Company to comply with a fixed charge coverage ratio, net leverage ratio, adjusted EBITDA thresholds, and a minimum liquidity amount. The Company was in compliance with financial covenants for the fiscal years ended December 31, 2020 and 2019.

The term loans and revolving line-of-credit bear interest at the rate of LIBOR plus the applicable margin, as defined in the agreement (6% as of December 31, 2020 and 2019). The Company deferred \$362 of financing costs in connection with the Amended Agreement, and the amortization of deferred financing costs was recorded as interest expense in the accompanying consolidated statements of operations.