

# AI SKY UK HOLDCO LIMITED

Company Number 12031110

## Annual Report and Financial Statements

For the year ended 31 December 2022



**AI SKY UK HOLDCO LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

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**AI SKY UK HOLDCO LIMITED**  
**ANNUAL REPORT**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**Company Information**

<b>Company Number</b>	12031110
<b>Registered Office</b>	1st Floor Central Square South Orchard Street Newcastle Upon Tyne United Kingdom NE1 3AZ
<b>Board of Directors and Advisers</b>	Nicola Dorothy McGuinness-Brown Anthony Carabin
<b>Independent Auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside, London SE1 2RT

# **AI SKY UK HOLDCO LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Introduction**

The Directors present their strategic report for AI Sky UK Holdco Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the year from 1 January 2022 and 31 December 2022.

The Company was formed on 4 June 2019 to acquire the existing business of Transaction Services Group Limited (“TSGL”), a United Kingdom registered business.

On 1 July 2021 AI Sky UK Midco III Limited (“UK Midco III”), an intermediate parent of the Group that controls and consolidates substantially all of the Group’s trading business, completed its merger with Megalo Parent Inc. Megalo Parent Inc consolidates the trading business of Clearent, a USA limited liability company, pursuant to the Merger Agreement. Clearent is a provider of business management software and payment services in the USA. The newly combined business was branded “Xplor Technologies”. As part of the business combination AI Sky UK Midco II Limited (“UK Midco II”), the previous immediate parent of UK Midco III, transferred 100% of its shares in UK Midco III to a subsidiary of Xplor Technologies, LLC, the newly incorporated parent company of Xplor Technologies. In exchange for this transfer, Xplor Technologies, LLC issued UK Midco II with shares equating to 49% of the shareholders’ equity in Xplor Technologies.

Immediately subsequent to the merger, the Group sold its interest in AI Sky US Bidco Inc, a subsidiary that held the Group’s US-domiciled operations, to Xplor T1, LLC. From 1 July 2021 AI Sky UK Holdco Limited ceased to consolidate AI Sky US Bidco Inc and its subsidiaries as controlled entities. The sale of AI Sky US Bidco Inc has been treated by the Group as a disposal of that subsidiary and reported in the prior period as a discontinued operation which is disclosed in Note 29.

The merger had a material impact on the Group’s balance sheet and consolidated statement of comprehensive income during 2021 with the main impacts listed below:

- The Group’s loan facilities with various institutional lenders were restructured to be held at the Xplor Technologies, LLC level. These loan facilities were replaced by related party loans which are disclosed as amounts payable to related parties on the Group balance sheet. The corresponding interest payable is disclosed as amounts payable to related parties on the Group balance sheet. Refer to Notes 19 and 16.
- As part of the sale of AI Sky US Bidco Inc., an intercompany loan was established between the Group (as lender) and XT1, LLC (as borrower) which was disclosed on the balance sheet as amounts receivable from related parties as of 31 December 2021. On 30 April 2022, the Group and XT1, LLC have agreed to set off this intercompany loan referred to in Note 19 plus any interest accrued thereon against the Group’s loan payable to XT1, LLC, referred to in Note 19.
- The Group provides management services to XT1, LLC for which a management fee is charged. This is disclosed as management fee income in the consolidated statement of comprehensive income. Refer to Notes 6 and 19.

The Directors are fully aware of their responsibilities to promote the success of the Company in accordance with section 172 of the Companies Act 2006 (the Act). The Directors acknowledge that every decision they make will not necessarily result in a positive outcome for all stakeholders. By considering the Company’s strategic priorities and having processes in place for decision-making, they do, however, aim to make sure that their decisions are consistent. For information about the Board’s approach to stakeholder engagement, see Consideration and engagement of our stakeholders on page 6.

#### **Principal activities**

The Group specialises in providing software and integrated payments for the Fitness & Wellbeing and Early Education markets. The solutions help fitness clubs, leisure and education centres manage their operations, attract and retain more members, and optimise their payments and revenue. That means they can focus on what they love: their business. The Group delivers this through a range of world-class software solutions operating across Australasia, the United Kingdom and Europe.

# AI SKY UK HOLDCO LIMITED

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### FOR THE YEAR ENDED 31 DECEMBER 2022

The full product offering of business management software integrated with payments and other commerce accelerating technologies, such as mobile apps and digital marketing solutions, presents a compelling and comprehensive value proposition for clients and means the business continues to hold a strong competitive advantage.

#### Review of the business

Overall, Group revenue for the year ended 31 December 2022 amounted to A\$214.7 million, representing a 19% increase compared to prior year. The Group reports a loss before income tax from continuing operations of A\$179.3 million. The loss before income tax is impacted by the following:

- A\$13.7 million of acquisition, integration and restructuring costs associated with the Xplor Technologies merger in the prior year;
- A\$115.4 million of impairment charge on goodwill as a result of declining market conditions impacting key assumptions used to calculate discount rates;
- A\$12.6 million of loss on disposal of a software product to focus investment in another product serving the same addressable market following a strategic review of the Group's Fitness & Wellbeing software portfolio;
- A\$4.2 million of additional amortization expense on trade names as a result of the Group's global rebranding initiative in 2022 which resulted in shortened useful lives of certain trade names;
- increased employee costs to support the growth of the business.

Net assets at 31 December 2022 and 2021 are A\$620.5 million and A\$830.2 million, respectively.

The increase in revenue during the year reflects the gradual recovery of a large portion of our client base in all markets from the impact of COVID-19 pandemic which resulted to trading restrictions enforced in Australasia, the United Kingdom and Europe from late March 2020 through the first half of 2021.

The Group remains focused in undertaking numerous cost management actions, including ceasing certain capital expenditure projects and continuing the integration of recently acquired businesses. Many of the cost management actions create a run rate benefit and will improve profitability as volumes recover.

We continue to expand into new regions where we have identified opportunities, often with established clients who have a market presence. During the year, we started to establish our business in Japan and continental Europe.

The Group has continued to invest in the development and expansion of its flagship products, and colleagues capability across its functions to establish a sound platform for growth. These ongoing investments will ensure the Group is in a strong position to continue winning market share as markets recover from the impact of COVID and other economic uncertainties caused by volatile market conditions.

Revenue is a key performance indicator ("KPI") that is regularly monitored by the Group. Financial performance controls include the preparation and review of detailed monthly management reports for Xplor Technologies LLC and its subsidiaries, where the Group is a part of. The monthly management reports which include measures of revenue by vertical, and profitability are reviewed by the Board on a monthly basis.

	<b>GROUP</b> <b>Year Ended</b> <b>31 December 2022</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December 2021</b>
Revenue (AU\$000)	214,740	180,326

#### Environmental, social and governance risks and policy

As the Group expands through both organic and acquisitive growth the Board recognises the need to establish a clear set of values and approaches with regard to environmental and social matters. These values contribute to how management make decisions that can impact all stakeholders.

The Group seeks to comply with applicable local laws (including labour laws) in the countries in which we either are based or in which we otherwise do business, support the payment of competitive wages and benefits to employees, provide a safe and healthy workplace in conformance with national and local law, and consistent with applicable law, respect the rights of employees to decide whether to join a union and engage in collective bargaining. We also respect the human rights of those affected by our business activities, including ensuring that we do not do business with

# AI SKY UK HOLDCO LIMITED

## STRATEGIC REPORT

### FOR THE YEAR ENDED 31 DECEMBER 2022

organisations that utilise child or forced labour, or that have discriminatory policies. The Group has a zero-tolerance approach to bribery, facilitation payments and corruption of any form.

The Group is currently considered a low risk sector for Environmental and Social risks, with higher Governance risks in the areas of data security and governance. A summary of key environment, social and governance risks and associated management actions is summarised below.

#### *Environmental*

Due to the nature of the Group's business, environmental impact due to emissions, energy and waste management are limited. However, the Group recognises climate change as one of the biggest challenges of our time and we are conscious of our environmental responsibilities. All information in the Group is typically stored electronically. We continuously improve our various digital services solutions, which allows individuals to sign up, manage their account online and pay online. Likewise our customer correspondence is increasingly digital, with email and text messages our preferred channels for communication. These processes have been introduced to reduce the Group's administrative burden, increase efficiency and reduce our carbon footprint. We have initiatives in place to further increase the use of these processes in the future. There are opportunities for cost savings and further reputational enhancement through defining policy more broadly and as the Group carries out the operational integration of acquisitions.

#### *Streamlined energy and carbon reporting (SECR)*

The section below presents the energy usage and associated carbon dioxide emissions for the Group's operations that are based in the UK. The Group has taken the exemption available from including overseas subsidiaries. This section has been prepared in compliance with the SECR Framework as implemented in the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. Below is the first SECR information presented by the Group. The energy and carbon consumptions for the year ended 31 December 2021 were provided for comparison.

#### Methodologies

The Group has followed the March 2019 HM Government Environmental Reporting Guidelines. The Group has also used the Greenhouse Gas Protocol Corporate Standard and has used the 2021 and 2022 UK Government GHG Conversion Factors for Company Reporting. Energy totals are reported in kilowatt-hours (kWh) and carbon totals are reported in tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e). The chosen intensity ratio is total gross emissions in metric tonnes CO<sub>2</sub>e per full-time equivalent employee (FTE).

The Group has reported location-based emissions and market-based emissions for scope 2. The Scope 2 (market-based) emission calculations have been carried out in line with the GHG Protocol's Scope 2 Guidance.

#### Energy SECR Summary

Reporting Parameter	Units	Year Ended 31 December 2022	Year Ended 31 December 2021
Energy consumption from combustion of Gas (Scope 1)	KWh	—	—
Energy consumption from purchased Electricity (Scope 2)	KWh	89,664.70	77,486.80
Energy consumption from combustion of fuel for transport purposes (Scope 1)	KWh	—	—
Energy consumption from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel (Scope 3)	KWh	64,620.20	30,588.40
<b>Total gross emissions</b>	<b>KWh</b>	<b>154,284.90</b>	<b>108,075.20</b>

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#### Carbon SECR Summary

Reporting Area	Reporting Parameter	Units	Year Ended 31 December 2022	Year Ended 31 December 2021
Scope 1	Emissions from combustion of gas	tCO <sub>2</sub> e	—	—
	Emissions from combustion of fuel for transport purposes	tCO <sub>2</sub> e	—	—
	Refrigerants	tCO <sub>2</sub> e	—	—
	<b>Total Scope 1 Emissions</b>	<b>tCO<sub>2</sub>e</b>	<b>—</b>	<b>—</b>
Scope 2	Emissions from purchased electricity (location-based)	tCO <sub>2</sub> e	17.30	16.50
	Emissions from purchased electricity (market-based)	tCO <sub>2</sub> e	32.70	27.20
Scope 3	Emissions from business travel in rental cars or employee-owned vehicles where company is responsible for purchasing the fuel	tCO <sub>2</sub> e	15.90	7.50
Summary	<b>Total Scope 1 &amp; 2 emissions (location-based)</b>	<b>tCO<sub>2</sub>e</b>	<b>17.30</b>	<b>16.50</b>
	<b>Total Scope 1 &amp; 2 emissions (market-based)</b>	<b>tCO<sub>2</sub>e</b>	<b>32.70</b>	<b>27.20</b>
	<b>Total gross emissions (Scope 1, Scope 2, location-based, Scope 3)</b>	<b>tCO<sub>2</sub>e</b>	<b>33.30</b>	<b>24.00</b>
	<b>Total gross emissions (Scope 1, Scope 2, market-based, Scope 3)</b>	<b>tCO<sub>2</sub>e</b>	<b>48.70</b>	<b>34.70</b>
			<b>Year Ended 31 December 2022</b>	<b>Year Ended 31 December 2021</b>
		Units		
Intensity ratio (Scope 1, Scope 2, location-based, Scope 3)		tCO <sub>2</sub> e/FTE	0.127	0.108
Intensity ratio (Scope 1, Scope 2, market-based, Scope 3)		tCO <sub>2</sub> e/FTE	0.185	0.156

The prior year was significantly affected by the UK Government's Covid-19 lockdown measures such as the implementation of travel restrictions which may have caused the Group's energy consumption in the offices in the UK to be lower than a typical year without restrictions. The easing of Covid-19 travel restrictions and increase in FTEs have resulted to the increase in office energy use and business travel emissions for the year ended 31 December 2022.

#### Energy efficiencies

The Group continues to focus on reducing energy consumption and carbon emissions. During the period, the Group has introduced several best practice measures to help reduce energy consumption and drive down carbon emissions. At the main hub in the UK, the Group has ensured that all light fittings are LED with presence sensors for control, installed presence sensors for HVAC and lighting in meeting rooms, installed double glazing, added supplementary blinds to help with solar gain and reduce the pressure of the air conditioning system, reduced printer numbers and added follow me printing. The Group has selected an office in the UK based on its proximity to public transports and has not provided parking on-site in order to encourage employees to use public transports.

#### Social

Ensuring the health and safety of colleagues at all times is an important area of social risk management. During the period, management has continued the process of analysing health and safety regulation across all markets in which it participates, with the objective of defining a single Group-wide policy.

The Group continues to promote an inclusive and diverse work environment with initiatives to develop LGBTQI+ inclusion, disability inclusion and cultural diversity. During the period the Group appointed a senior leadership position to oversee the further development of inclusion and diversity, and has established Group-wide policy and objectives.

# **AI SKY UK HOLDCO LIMITED**

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### **FOR THE YEAR ENDED 31 DECEMBER 2022**

It is important to ensure that clients uphold the same standards as the Group. As part of onboarding a client the Group will follow a "Know Your Customer" approach to client due diligence. This process verifies the nature of the client's business and includes a background check of the client and controlling parties against credit records and sanctions listings.

#### *Governance*

Data security and customer privacy are important areas of risk management for the Group. Breaches in data security or misuse of customer data could cause severe reputational impact or fines from regulatory authorities. The Group has installed leadership roles of General Counsel, Chief Information Security Office and Enterprise Risk Director together with dedicated resource to establish processes across compliance, legal, security and risk and to ensure the ongoing security of data and compliance with privacy laws.

The Group continues to be acquisitive. As part of undertaking due diligence, management evaluates environmental, public health, safety, and social issues associated with the acquisition target. After an acquisition takes place, the Group utilises established governance structures to oversee the areas of audit, risk management, and potential conflicts of interest, and implements policies that align the interests of owners and management.

#### **Consideration and engagement of our stakeholders**

The Board recognises its responsibility to consider the needs and concerns of our stakeholders as part of its discussion and decision-making processes and seeks to deliver value for all stakeholders.

The Group has a broad range of stakeholders who are taken into consideration by the Company during the course of its operations. Our core stakeholder groups are set out below together with points of engagement with each stakeholder group throughout the period.

#### *Clients*

Our clients are the primary beneficiary of the unique value proposition delivered through the combination of our software, payments and services platforms. We regularly engage our clients to understand their business needs and incorporate these into the ongoing development and continuous enhancement of our solutions.

#### *Our Clients' Customers*

Our solutions also serve the needs of our clients' customers, such as the members of a Fitness & Wellbeing location or the caregiver of a child participating in early education. Dependent on the solution being provided to our client, we often engage directly with a client's customers through our software or our contact centres. We also collect various forms of customer data on behalf of our clients, for which we always comply with relevant regulatory requirements for collecting and holding this data.

#### *Colleagues*

Our colleagues and their engagement within the organisation is critically important to the success of the Group. The large number of our colleagues represent the business externally on a daily basis, whether engaging through client support or engaging with our clients' customers through customer service. Furthermore a large number of our colleagues participate in the research and development of the Group's intellectual property, which again directly and indirectly benefits all stakeholders of the Group. The Group recognises the importance of high colleague engagement and colleagues having the skills and knowledge to represent the organisation externally. The Group maintains regular communication with colleagues through various communication platforms, keeping colleagues informed of business performance and strategic objectives. Management actively encourages feedback and engagement in communications and also carries out surveys to seek feedback on engagement. The Group also invests in training and development of colleagues. The Group provides a share ownership scheme to certain officers and senior management as disclosed in Note 20.

#### *Shareholders*

We engage with our shareholders through both routine and structured management reporting and also on a continuous basis to keep them informed of material developments in the Group. During this period we have also engaged with our shareholders in relation to assessing and executing each acquisition opportunities.

# **AI SKY UK HOLDCO LIMITED**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### *Suppliers*

We engage with our suppliers on an ongoing basis to ensure continuity of optimal supply and in the negotiation of commercial terms. Many of our suppliers worked with us during the COVID-19 pandemic to allow an extension of payment terms. Terms with suppliers have now returned to normal.

#### *Communities*

We are mindful of our social responsibility to the community. We continuously engage with the community that interacts with our business, through actively seeking their feedback on satisfaction with our service delivered to them. We also encourage all colleagues to spend a workday each period giving back to the community through working for a charity or community service.

#### *Regulators & Governments*

We engage with regulators and government organisations in a number of areas in the business, including taxation, statutory reporting, subsidies and the maintenance of operating licences in various markets. We have dedicated staff across finance and compliance functions who are responsible for ensuring ongoing compliance with regulatory and government requirements.

#### **Future developments**

#### *Outlook and Strategic Focus*

The Group has incurred significant losses since its inception in 2019. For the years ended 31 December 2022 and 2021, the Group reported net losses of A\$161.8 million and A\$56.7 million, respectively. The Group is exposed to general economic conditions including currency fluctuations, inflation, rising interest rates and health and social events or conditions that affect overall level of consumer and business spending. The Group closely monitor inflation and rising interest rates which could continually to adversely affect the Group's business and financial performance as a result of higher costs and/or lower consumer spending. A continued inflation or a rise in interest rate could result in an adverse effect on the Group's future financial results and the recoverability of certain assets. During the year ended 31 December 2022, the Group has recognised an impairment charge of A\$115.4 million on its goodwill reflecting declining market conditions which impacted management's key assumptions used to calculate discount rates.

The Group expects to continue investing in product development, sales and marketing and customer support for its products. Following the merger with Megalo Parent Inc. the Group is working with its sister and parent companies in the wider Xplor Technologies Group to optimize its investment in technology, particularly in respect of its payment platform, and broaden the distribution of products across multiple regions.

#### **Principal risks and uncertainties facing the business**

The Directors acknowledge the importance of dedicating resource to ensure sufficient planning is made to improve operating margins within the Group. Other principal risks and their mitigation are described to be:

#### ***Market risk***

Competition within the market creates pricing pressures and potential margin erosion. This risk is managed through continuously improving our software products to strengthen the value proposition for our clients and delivering operational efficiencies through developing more automated and digitalised solutions.

#### ***Investment risk***

Failure to invest in infrastructure to meet increasing demands of business growth is an inherent risk of a growing business. Management monitors infrastructure performance and regularly reviews requirements to ensure sufficient resources are available to meet service level commitments and adequately accommodate forecast growth in business demands.

#### ***Employee risk***

The correct level, mix and retention of staff is required to execute and achieve business strategies and goals. Management ensure key personnel are committed and personal development plans are in place which are specific to their job, measurable on performance and provide challenges which motivate and identify training needs.

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Our staff have adapted well to working from home, with many employees now working on this basis either part or full time. Due to the regionally distributed nature of our business, our teams were already familiar with online collaboration tools as part of their way of working, so productivity has not been impacted materially. The health and well-being of all colleagues has remained of utmost importance through the aftermath of the pandemic. Maintaining frequent communication with our staff while working remotely has been priority.

#### ***Regulatory risk***

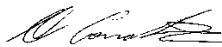
An increasingly complex regulatory and legislative environment increases cost and reduces flexibility. It is common to see reforms of regulation and legislation in our existing markets, such as Brexit in Europe. Similarly, as we expand into new markets, the Group becomes subject to new regulation and legislation. The Group maintains adequate resources to monitor compliance against existing, new and changing regulations and laws.

#### ***Cyber risk***

The Group continually monitors cyber risk. An adverse cyber related event where systems or data are compromised could negatively affect our market reputation or expose us to penalties, liabilities or legal claims. The Group has a Chief Information Security Officer who is responsible for protecting the business against cyber risk through multiple methods that defend against an intrusion of systems and ensure the protection of all data that the Group collects and holds. This active management of cyber risk is also supplemented with cyber related insurance policies. Lockdowns through COVID-19 have required colleagues to transition to work from home on a continuous basis. Our technology environment was already set up to enable this from both an accessibility, productivity and cyber risk perspective, so changes or disruption from a cyber risk perspective have been minimal.

Further risks are described in the Directors Report on pages 9-12.

Approved by the Board and signed on its behalf by:



Anthony Carabin  
27 September 2023

# **AI SKY UK HOLDCO LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

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

#### **General information**

The Company was incorporated on 4 June 2019 in England and Wales. On incorporation 1 ordinary share was issued at par for cash. A total of 825,911,072 ordinary shares were issued as at 31 December 2022. There are no new ordinary shares issued during the year ended 31 December 2022.

AI Sky UK Holdco Limited is domiciled in England and Wales and is a limited Company limited by shares.

The Group has established operations in the United Kingdom, Europe, Australia, New Zealand and North America.

The immediate parent company of the Company is AI Sky UK Midco III Limited, a Jersey incorporated company. The ultimate parent undertakings of the Group are New Clearent Holdings, LLC (which owns 51.22% of Xplor Technologies, LLC) and AI Sky (Cayman) Limited (which owns 48.78% of Xplor Technologies, LLC). New Clearent Holdings, LLC and AI Sky (Cayman) Limited are owned by various investment funds managed by Advent International Corporation. The ultimate controlling party is Advent International Corporation, an SEC Registered investment adviser.

There were no acquisitions within the Group during the year:

#### **Principal activities**

The principal activity of the Company during the year was that of a non-trading holding Company. The principal activity of the Group is the provision of business management software, integrated payment processing and services solutions to the Fitness & Wellbeing and Early Education markets.

#### **Disclosure in the Strategic Report**

As permitted by section 414C (11) certain matters which are required to be disclosed in the Directors' Report have been omitted as they are in the Strategic Report on pages 2 to 8. These matters relate to the future developments, review of business and principal risks and uncertainties of the Company and engagement with suppliers, customers and others in a business relationship with the Company.

#### **Results and dividends**

The Group loss after tax for the year ended 31 December 2022 amounted to Australian A\$161.8 million (year ended 31 December 2021: A\$56.7 million). No dividends were paid or proposed for the year (year ended 31 December 2021: nil).

#### **Research and development**

Ongoing investment and innovation in technology has placed the Group at the forefront of business management software and integrated payment processing, which has allowed the Group to drive an increased market share in the health and fitness and early education markets in Australasia, the United Kingdom and Europe. The Group's research and development programmes provide continuous improvement in the value proposition and features offered to our clients, and also underpins expansion of our products across our established markets.

#### **Charitable and political contributions**

During the year ended 31 December 2022 the Group or Company made no political donations (31 December 2021: nil). The Group or Company did not make any charitable donations (31 December 2021: nil).

#### **Events after reporting date**

On 31 July 2023, AI Sky UK Bidco Limited ("UK Bidco"), a subsidiary of the Company, entered into a Securities Purchase Agreement with Fit Cloud Technology, Ltd, a company incorporated in the United Kingdom ("Membr"), pursuant to which, among other things, UK Bidco acquired all of Membr's outstanding issued share capital. Membr provides cloud-based software and payment services for the management and operations of gyms and fitness centres. The total purchase price was £48 million, with £40 million cash payment at closing and £8 million of contingent earn out to be paid based on the performance of the business through 31 December 2025. The purchase price is subject to post-closing working capital adjustments and included £0.9 million held in escrow as security for post-closing purchase price adjustments and post-closing indemnification obligations of the previous owner. The transaction was funded

# **AI SKY UK HOLDCO LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

through cash on the balance sheet of UK Bidco, following an equity raise through the issuance of equity in July 2023. A total of 8,050,000 shares was issued by the Group on 31 July 2023.

#### **BIS audit exemption**

For the Group's UK subsidiaries, Transaction Services Group Limited, AI Sky Aus Finance Limited, AI Sky NZ Finance Limited, AI Sky CDN Finance Limited, AI Sky UK Bidco Limited, TSG Holdings (UK) Limited, Transserv UK Limited, Harlands Group Ltd, Harlands Finance Limited, Harlands Services Ltd, Xplor Software (UK) Limited (previously Legend Club Management Systems (UK) Limited), Legend Leisure Services Limited, Club Machine Holdings Limited, Brightline Limited, Debit Finance Collections PLC and Myxplor UK Ltd advantage has been taken of the audit exemption available for companies conferred by section 479A of the Companies Act 2006 on the grounds that;

- for the year ended 31 December 2022 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies, and
- no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

The Directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2022 and of its profit and loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

#### **Directors**

The Directors of the Company who were in office during the year and up to the date of signing the financial statements, unless otherwise stated, were:

Nicola Dorothy McGuinness-Brown (appointed on 31 May 2023)  
Thomas Alexander Lorenzo Weisman (resigned on 19 May 2022)  
Nathan John Best (appointed on 10 November 2022 and resigned on 31 May 2023)  
Anthony Carabin (appointed on 10 November 2022)  
Floris Petrus de Kort (resigned on 18 November 2022)  
Jeffrey David Paduch (resigned on 18 November 2022)

The Company maintained Directors' and Officers' Liability Insurance cover throughout throughout the year up to the date of signing of these financial statements for Directors of the Company and for Directors of subsidiaries in the Group.

#### **Employees**

During the year, the policy of providing employees with information about the Group's financial performance and strategy has been continued through internal media methods. Employees are encouraged to present their suggestions and views on the Group's performance, and management also carries out engagement surveys allowing employees to provide feedback in an anonymised way. Regular meetings are held between local management and employees to allow a free flow of information and ideas, including contributing to the formation of Group strategy. Departments within the Group hold regular team meetings for the purpose of sharing information and ideas and gathering views which are considered when making decisions which are likely to affect their interests. The Group provides a share ownership scheme to certain officers and senior management as disclosed in Note 20. Additionally, all employees were able to access to Xplor Group bonus plan approved by the Board.

The Group gives full and fair consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a disabled person. Where existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to disabled employees wherever appropriate.

The Group actively encourages and celebrates the diversity of its workforce and ensures that all employees are offered equal opportunity.

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### **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **Financial instruments**

The Group uses a variety of financial instruments including cash, equity investments and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to provide working capital for the Group's operations. The Directors are of the view that the main risk arising from the Group's financial instruments is liquidity risk. Credit risk is low. The Directors set and review policies for managing each of these risks and they are summarised below. Due to the restructuring of loan facilities (as detailed on page 2 of the Strategic Report) there are no bank covenants to comply with.

#### **Exchange rate risk**

Exchange rate fluctuation represents significant risk as the Group's operations are spread over multiple jurisdictions and trade is conducted in the home currency of each jurisdiction. The primary risk is that of translation risk where foreign based operations are translated to the functional and presentation currency for the Group's financial reports (United States and Australian Dollars). As a natural hedge to partially offset this risk, external debt is held in currencies proportionate to the currencies of earnings.

The Directors do not consider that the potential downside associated with this risk at this stage in the Group's development (or in the immediate future) is of sufficient size to require further hedging.

#### **Interest rate risk**

The Group finances its operations through shareholders' funds and related party loans. Interest rates on related party loans in various currencies are monitored regularly. The Directors do not consider that the potential downside associated with this risk at this stage in the Group's development (or in the immediate future) is of sufficient size to require further hedging.

#### **Liquidity risk**

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The funding for significant new ventures is secured before commitments are made. The cash position is reviewed daily and cash flows are monitored weekly and monthly. This position is also managed by the mix of external financing from the banks too.

As of 31 December 2022, the Group's cash and cash equivalents totalled A\$16.8 million, which increased by A\$6.3 million from prior year as a result of cash inflows from its operating activities. The Group's cash flow forecasts, combines with existing cash and cash equivalents and available intercompany borrowings, indicate sufficient liquidity to fund the Group's operations for at least the next twelve months.

#### **Credit risk**

The Group has low credit risk on revenue as a larger proportion of the fees due are deducted from amounts due to customers. The Group does carry a level of credit risk on payment processing for clients in relation to amounts collected that represent a prepayment for subscription services. This risk is diminished due to the high frequency of transactions and because services are continuously delivered to customers, as a result it is considered a low risk. All potential areas of financial risk are monitored by management. Any preventative or corrective measures are taken as necessary.

#### **Independent auditors**

During the year, PricewaterhouseCoopers LLP were re-appointed in office as auditors of the Company, and a resolution to reappoint will be considered at a forthcoming Board meeting.

#### **Corporate governance**

The Company's statement on corporate governance can be found in the "Environmental, social and governance risks and policy" section of the Strategic Report on pages 3 to 6 of these financial statements. This section forms part of this Directors' Report and is incorporated into it by reference.

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

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

# **AI SKY UK HOLDCO LIMITED**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and the Company financial statements in accordance with UK-adopted international accounting standards.

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group 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 UK-adopted international accounting standards 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 Group and Company will continue in business.

The Directors are responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

#### **Directors' confirmations**

In the case of each Director in office at the date the Directors' Report is approved:

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

#### **Going concern**

The Directors have undertaken a review of the going concern status of the Group by considering the anticipated level of future trading activity and the associated cash flows for a period of 12 months from the date of authorisation of these financial statements for issue. This review focused primarily on the liquidity requirements of the Group and the wider Xplor Technologies business.

The Directors have a reasonable expectation that the Group has adequate resources and cash flow to continue in operational existence for the foreseeable future. Xplor TI LLC has confirmed that it will provide financial support to the Group, as required for the period of at least one year from the date of these consolidated financial statements. Based on this and having undertaken the necessary procedures to satisfy themselves that Xplor TI LLC has the necessary financial resources to provide such support, the Directors are satisfied that the financial statements should be prepared on a going concern basis.

On behalf of the Board



Anthony Carabin  
Director  
27 September 2023

# Independent auditors' report to the members of AI Sky UK Holdco Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, AI Sky UK Holdco Limited's group financial statements and company financial statements (the "financial statements"):

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022 and of the group's loss and the group's cash flows for the year then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2022; the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Changes in Equity and the Consolidated Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and 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.

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.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the group's and the company's ability to continue as a going concern.

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

## Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic report and Directors' report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### Strategic report and Directors' report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' report.

## Responsibilities for the financial statements and the audit

### Responsibilities of the directors for the financial statements

As explained more fully in the Statement of directors' responsibilities in respect of the financial statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to GDPR and other data regulations, payment services and the Financial Conduct Authority's regulations, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as income and sales tax regulations and the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase reported revenue or reduce reported expenditure, and application of management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Enquiries of the management, staff in tax and compliance functions, and the legal counsel to identify any instances of non-compliance with laws and regulations, including consideration of known or suspected instances of fraud;
- Evaluation of management's controls designed to prevent and detect irregularities;
- Auditing the risk of management override of controls, including through testing journal entries and other adjustments for appropriateness and evaluating the business rationale of significant transactions outside the normal course of business. In particular any journal entries posted with unusual account combinations;
- Reading key correspondence with regulatory authorities;
- Reviewing minutes of meetings of those charged with governance;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations; and
- Reviewing corporate tax calculations and VAT filings for compliance with applicable laws and regulations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- ~~adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us;~~ or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Simon Bailey (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
27 September 2023

**AI SKY UK HOLDCO LIMITED**  
**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b>
	<b>Note</b>	<b>AUS\$000</b>	<b>AUS\$000</b>
<b>Continuing Operations</b>			
<b>Revenue</b>	5	<b>214,740</b>	<b>180,326</b>
Other income	6	11,728	5,902
Employee costs	7	(94,422)	(90,491)
Other operating costs	8	(83,204)	(85,878)
Depreciation of property and equipment	10	(2,535)	(2,528)
Loss on disposal of intangible assets and property and equipment	10, 12	(13,973)	(69)
Amortisation of intangible assets	12	(82,691)	(79,588)
Impairment of intangible assets	12	(115,397)	—
Impairment of right of use assets	11	(2,761)	—
Amortisation of right of use assets	11	(3,423)	(4,324)
<b>Operating loss</b>		<b>(171,938)</b>	<b>(76,650)</b>
Finance income	8	7,509	10,583
Finance costs	8	(49,583)	(85,081)
Foreign exchange gains	8	34,750	15,483
<b>Finance costs, net</b>		<b>(7,324)</b>	<b>(59,015)</b>
<b>Loss before income tax</b>		<b>(179,262)</b>	<b>(135,665)</b>
Income tax credit	9	17,491	29,972
<b>Loss for the period from continuing operations</b>		<b>(161,771)</b>	<b>(105,693)</b>
Profit from discontinued operations	29	—	48,946
<b>Loss for the period</b>		<b>(161,771)</b>	<b>(56,747)</b>
<b>Other comprehensive loss</b>			
<b>Items that may be subsequently reclassified to profit and loss</b>			
Currency translation differences		(48,418)	(33,808)
<b>Other comprehensive loss</b>		<b>(48,418)</b>	<b>(33,808)</b>
<b>Total comprehensive loss for the period</b>		<b>(210,189)</b>	<b>(90,555)</b>

The Notes on pages 23 to 60 are an integral part of these consolidated financial statements.

**AI SKY UK HOLDCO LIMITED**  
**CONSOLIDATED AND COMPANY BALANCE SHEETS**  
**AS AT 31 DECEMBER 2022**

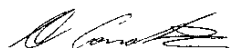
		<b>GROUP</b>	<b>GROUP</b>	<b>COMPANY</b>	<b>COMPANY</b>
		<b>31 Dec 2022</b>	<b>31 Dec 2021</b>	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>Note</b>	<b>AU\$000</b>	<b>AU\$000</b>	<b>AU\$000</b>	<b>AU\$000</b>
<b>NON-CURRENT ASSETS</b>					
Property and equipment	10	9,783	10,682	—	—
Right of use assets	11	11,262	17,870	—	—
Investments	28	—	—	1,010,735	1,010,735
Goodwill	12	828,205	951,947	—	—
Intangible assets	12	402,760	478,739	—	—
Deferred tax asset	9	—	—	—	75
Amounts receivable from related parties	19	34,400	269,884	—	—
Other long-term assets		1,498	—	—	—
		<u>1,287,908</u>	<u>1,729,122</u>	<u>1,010,735</u>	<u>1,010,810</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	13	16,786	10,512	—	—
Collection deposits	14	99,917	79,470	—	—
Trade and other receivables	15	20,893	18,973	—	—
Income tax receivable		654	—	—	—
Amounts receivable from related parties	19	281	26,209	—	90
Assets classified as held for sale		—	1,637	—	—
		<u>138,531</u>	<u>136,801</u>	<u>—</u>	<u>90</u>
<b>Total Assets</b>		<b>1,426,439</b>	<b>1,865,923</b>	<b>1,010,735</b>	<b>1,010,900</b>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liability	9	38,826	60,280	—	—
Lease liabilities	11	14,664	16,464	—	—
Other non-current liabilities	18	—	12,447	—	—
Borrowings	16	102	311	—	—
Amounts payable to related parties	19	537,929	783,575	1,963	2,061
		<u>591,521</u>	<u>873,077</u>	<u>1,963</u>	<u>2,061</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	17	53,167	40,892	—	—
Collection liabilities	14	99,988	79,470	—	—
Deferred income		10,982	10,136	—	—
Lease liabilities	11	3,330	3,396	—	—
Income tax payable		—	100	—	14
Amounts payable to related parties	19	46,923	28,626	—	—
		<u>214,390</u>	<u>162,620</u>	<u>—</u>	<u>14</u>
<b>Total Liabilities</b>		<b>805,911</b>	<b>1,035,697</b>	<b>1,963</b>	<b>2,075</b>
<b>Net Assets</b>		<b>620,528</b>	<b>830,226</b>	<b>1,008,772</b>	<b>1,008,825</b>
<b>EQUITY</b>					
Share capital and Share premium	21	1,009,066	1,009,066	1,009,066	1,009,066
Other reserves	22	(47,829)	98	(186)	(66)
Accumulated losses		(340,709)	(178,938)	(108)	(175)
<b>Total Equity</b>		<b>620,528</b>	<b>830,226</b>	<b>1,008,772</b>	<b>1,008,825</b>

**AI SKY UK HOLDCO LIMITED**  
**CONSOLIDATED AND COMPANY BALANCE SHEETS**  
**AS AT 31 DECEMBER 2022**

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the Company profit and loss account. The income for the Company for the period from 1 January 2022 to 31 December 2022 was A\$67,000 (1 January 2021 to 31 December 2021: A\$(108,000)). The Company does not present a company statement of cash flows as the Company does not hold any cash and/or does not have any cash transactions.

The Notes on pages 23 to 60 are an integral part of these consolidated financial statements.

The financial statements and related notes on pages 23 to 60 were approved by the Board of Directors on 27 September 2023 and signed on its behalf by:



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Anthony Carabin, Director

**AI SKY UK HOLDCO LIMITED**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

<b>GROUP</b>		<b>Share Capital and Share Premium</b>	<b>Other Reserves</b>	<b>Accumulated Losses</b>	<b>Total Equity</b>
	<b>Note</b>	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>
<b>For the period ended 31 December 2022:</b>					
<b>Balance at 1 January 2022</b>		<b>1,009,066</b>	<b>98</b>	<b>(178,938)</b>	<b>830,226</b>
Loss for the financial year		—	—	(161,771)	(161,771)
<i>Other comprehensive loss</i>					
Currency translation differences	22	—	(48,418)	—	(48,418)
Total other comprehensive loss		—	(48,418)	—	(48,418)
Total comprehensive loss		—	(48,418)	(161,771)	(210,189)
<i>Transactions with owners</i>					
Share based payments	20,22	—	491	—	491
Total transaction with owners		—	491	—	491
<b>Balance at 31 December 2022</b>	<b>21,22</b>	<b><u>1,009,066</u></b>	<b><u>(47,829)</u></b>	<b><u>(340,709)</u></b>	<b><u>620,528</u></b>
<b>For the period ended 31 December 2021:</b>					
<b>Balance at 1 January 2021</b>		<b>918,820</b>	<b>(13,238)</b>	<b>(167,230)</b>	<b>738,352</b>
Loss for the financial year		—	—	(56,747)	(56,747)
<i>Other comprehensive loss</i>					
Currency translation differences	22	—	(33,808)	—	(33,808)
Total other comprehensive loss		—	(33,808)	—	(33,808)
Total comprehensive loss		—	(33,808)	(56,747)	(90,555)
<i>Transactions with owners</i>					
Share capital issued	21	90,246	—	—	90,246
Capital contribution	22	—	4,247	—	4,247
Share based payments	20,22	—	8,374	—	8,374
Disposal of subsidiary		—	34,523	45,039	79,562
Total transaction with owners		<u>90,246</u>	<u>47,144</u>	<u>45,039</u>	<u>182,429</u>
<b>Balance at 31 December 2021</b>	<b>21,22</b>	<b><u>1,009,066</u></b>	<b><u>98</u></b>	<b><u>(178,938)</u></b>	<b><u>830,226</u></b>

**AI SKY UK HOLDCO LIMITED**  
**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

COMPANY		Share Capital and Share Premium	Other Reserves	Accumulated Losses	Total Equity
	Note	AU\$000	AU\$000	AU\$000	AU\$000
<b>For the period ended 31 December 2022:</b>					
<b>Balance at 1 January 2022</b>		<u>1,009,066</u>	<u>(66)</u>	<u>(175)</u>	<u>1,008,825</u>
Loss for the financial year		—	—	67	67
<i>Other comprehensive loss</i>					
Currency translation differences		—	(120)	—	(120)
<b>Total other comprehensive loss</b>		<u>—</u>	<u>(120)</u>	<u>—</u>	<u>(120)</u>
<b>Total comprehensive loss</b>		<u>—</u>	<u>(120)</u>	<u>67</u>	<u>(53)</u>
<b>Balance at 31 December 2022</b>	21,22	<u>1,009,066</u>	<u>(186)</u>	<u>(108)</u>	<u>1,008,772</u>
<b>For the period ended 31 December 2021:</b>					
<b>Balance at 1 January 2021</b>		<u>918,820</u>	<u>—</u>	<u>(67)</u>	<u>918,753</u>
Loss for the financial year		—	—	(108)	(108)
<i>Other comprehensive loss</i>					
Currency translation differences		—	(66)	—	(66)
<b>Total other comprehensive loss</b>		<u>—</u>	<u>(66)</u>	<u>—</u>	<u>(66)</u>
<b>Total comprehensive loss</b>		<u>—</u>	<u>(66)</u>	<u>(108)</u>	<u>(174)</u>
<i>Transactions with owners</i>					
Share capital issued	21	90,246	—	—	90,246
<b>Total transaction with owners</b>		<u>90,246</u>	<u>—</u>	<u>—</u>	<u>90,246</u>
<b>Balance at 31 December 2021</b>	21,22	<u>1,009,066</u>	<u>(66)</u>	<u>(175)</u>	<u>1,008,825</u>

The Notes on pages 23 to 60 are an integral part of these consolidated financial statements.

**AI SKY UK HOLDCO LIMITED**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

		<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b>
	<b>Note</b>	<b>AUS000</b>	<b>AUS000</b>
<b>Cash flows from operating activities</b>			
Cash receipts from customers		213,395	183,031
Cash receipts from other income		11,728	5,902
Interest income	8	825	12
Cash payments to suppliers and employees		(169,897)	(166,938)
Acquisition and integration costs		(8,598)	(13,749)
Income tax paid		—	(3,375)
<b>Net cash flows generated from operating activities</b>		<b>47,453</b>	<b>4,883</b>
<b>Cash flows from investing activities</b>			
Acquisition of property and equipment	10	(2,410)	(8,889)
Proceeds from sale of assets held for sale		1,637	—
Acquisition of other long-term assets and other intangibles		(195)	(982)
Expenditure for software development	12	(25,369)	(32,702)
Acquisition of subsidiaries, net of cash acquired	23	—	(15,555)
<b>Net cash flows used in investing activities</b>		<b>(26,337)</b>	<b>(58,128)</b>
<b>Cash flows from financing activities</b>			
Repayments on borrowings		(203)	(35,432)
Payment for lease liabilities		(3,980)	(2,938)
Interest paid		(8,300)	(23,476)
Settlement of vendor liabilities		(2,467)	—
Redeemable preference shares (repaid) / issued		—	(13,568)
Receipt of cash held on behalf of fellow group companies		—	83,514
Repayment of cash held on behalf of fellow group companies		—	(3,366)
Proceeds from borrowings (net of funding costs)		—	27,157
<b>Net cash flows (used in)/ generated from financing activities</b>		<b>(14,950)</b>	<b>31,891</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6,166</b>	<b>(21,354)</b>
Opening cash and cash equivalents brought forward		10,512	32,145
Exchange rate changes on cash and cash equivalents		108	(279)
<b>Cash and cash equivalents at the end of the year</b>		<b>16,786</b>	<b>10,512</b>

The Notes on pages 23 to 60 are an integral part of these consolidated financial statements.

# **AI SKY UK HOLDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **General information**

The Company was formed on 4 June 2019 to acquire the existing business of Transaction Services Group Limited ("TSGL"), a United Kingdom registered business with established operations in the United Kingdom, Continental Europe, Australia, New Zealand and the North America. This acquisition completed on 15 October 2019.

The Group specialise in providing business management software and the outsourced management of recurring payment services. Collectively the software and services are described by the Group as revenue management solutions that help clients to onboard, manage, retain and maximise revenue from their customers. The solutions are organised in support of the sales channels or 'go to-market' product verticals (Fitness & Wellbeing and Education) which operate across Australasia, North America, the United Kingdom, Europe, and Japan.

The principal activity of the Company is that of a holding company for the Group and it has no operating activities. The Company is a private limited company, limited by shares, incorporated in England, United Kingdom. The address of its registered office is 1st Floor Central Square South, Orchard Street, Newcastle Upon Tyne, United Kingdom, NE1 3AZ. For commentary on the Group's performance and financial position during the reported period, refer to the Strategic Report.

The principal accounting policies applied in the preparation of these financial statements are set out below.

#### **Ultimate Parent Company**

The ultimate parent companies of AI Sky UK Holdco Limited are New Clearent Holdings, LLC (which owns 51.22% of Xplor Technologies, LLC) and AI Sky (Cayman) Limited (which owns 48.78% of Xplor Technologies, LLC). New Clearent Holdings, LLC and AI Sky (Cayman) Limited are owned by various investment funds managed by Advent International Corporation. The ultimate controlling party is Advent International Corporation, an SEC Registered investment adviser incorporated in the United States.

There is no company above this Company that files publicly available financial statements that consolidate these financial statements. The Company's immediate parent undertaking is AI Sky UK Midco III Limited.

#### **BIS audit exemption**

For the Group's UK subsidiaries, Transaction Services Group Limited, AI Sky Aus Finance Limited, AI Sky NZ Finance Limited, AI Sky CDN Finance Limited, AI Sky UK Bidco Limited, TSG Holdings (UK) Limited, Transserv UK Limited, Harlands Group Ltd, Harlands Finance Limited, Harlands Services Ltd, Xplor Software (UK Limited) (previously Legend Club Management Systems (UK) Limited), Legend Leisure Services Limited, Club Machine Holdings Limited, Brightline Limited, Debit Finance Collections PLC and Myxplor UK Ltd advantage has been taken of the audit exemption available for companies conferred by section 479A of the Companies Act 2006 on the grounds that;

- for the year ended 31 December 2022 the Company was entitled to the exemption from a statutory audit under section 479A of the Companies Act 2006 relating to subsidiary companies, and
- no notice has been deposited under section 476 of the Companies Act 2006 in relation to the financial statements for the financial year.

The Directors acknowledge their responsibilities for:

- ensuring that the Company keeps adequate accounting records which comply with section 386 of the Companies Act 2006, and
- preparing financial statements which give a true and fair view of the state of the affairs of the Company at 31 December 2022 and of its profit and loss for the year then ended in accordance with the requirement of section 394 of the Companies Act 2006, and which otherwise comply with the requirements of the Companies Act 2006 relating to financial statements so far as applicable to the Company.

#### **Restatement of comparatives**

The income tax receivable and income tax payable of the consolidated balance sheet as of 31 December 2021 were restated to correct the classification of certain withholding tax payables which are not considered material. These are now classified as part of trade and other payables.

# **AI SKY UK HOLDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

#### **1 Summary of significant accounting policies**

##### **(a) Basis of preparation**

###### **International Financial Reporting Standards**

The consolidated financial statements of the Group have been prepared in accordance with UK-adopted International Accounting Standards and with the requirements of the Companies Act 2006. The financial statements have been prepared on a historical cost basis except for contingent consideration measured at fair value.

The preparation of financial statements in conformity with UK-adopted International Accounting Standards and in conformity with the requirements of the Companies Act 2006 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Refer to Note 3 for details.

The Group and Company has applied all accounting policies consistently, other than where new policies have been adopted.

###### **Amendments to published standards**

The following new standards and amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2022, and have been applied in preparing these financial statements:

- Property, Plant and Equipment: Proceeds before Intended Use - Amendments to IAS 6;
- Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37;
- Annual Improvements to IFRS Standards 2018-2020; and
- Reference to the Conceptual Framework - Amendments to IFRS 3.

*The application of these amendments did not have a material impact on the financial statements and is not expected to have a material impact on future periods.*

###### **New Standards and interpretations not yet adopted**

Certain new accounting standards, amendments to accounting standards and interpretations have been published that are not mandatory for 31 December 2022 reporting periods and have not been early adopted by the Group. These standards, amendments or interpretations are not expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

###### **Going concern**

The Directors have undertaken a review of the going concern status of the Group by considering the anticipated level of future trading activity and the associated cash flows for a period of 12 months from the date of authorisation of these financial statements for issue. This review focused primarily on the liquidity requirements of the Group and the wider Xplor Technologies business.

The Directors have a reasonable expectation that the Group has adequate resources and cash flow to continue in operational existence for the foreseeable future. Xplor T1 LLC (a parent company of the merged Xplor Technologies group) has confirmed that it will provide financial support to the Group, as required, for the period of at least one year from the date of these consolidated financial statements. Based on this and having undertaken the necessary procedures to satisfy themselves that Xplor T1 LLC has the necessary financial resources to provide such support, the Directors consider the going concern assumption is appropriate.

###### **Entities reporting**

The Consolidated Financial Statements for the Group are for the economic entity comprising AI Sky UK Holdco Limited and its subsidiaries.

##### **(b) Basis of consolidation**

###### **Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of the Company as at 31 December 2022 and 2021 and the results of its subsidiaries for the periods ending on those dates. Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those

# **AI SKY UK HOLDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The acquisition method of accounting is used to account for the business combinations by the Group. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date, that if known, would have affected the amounts recognised as of that date.

#### **Transactions eliminated on consolidation**

Intragroup balances and any unrealised gains or losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

#### **(c) Foreign currency**

##### **Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Australian dollars, which is the Group's presentation currency. On 1 July 2021, the Company changed its functional currency from AUD to USD. The Group's presentation currency remains in Australian dollars.

##### **Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income within finance costs - net. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to Australian dollars at foreign exchange rates ruling at the dates the fair values were determined.

##### **Financial statements of foreign operations**

The revenues from foreign operations are translated to Australian dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions. This would normally be the average foreign exchange rate for the reporting period, or such shorter period for an entity or business acquired or disposed of during the period. All resulting exchange differences are recognised in other comprehensive income. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

#### **(d) Revenue**

All revenue is measured net of discounts, refunds, rebates and sales tax and excludes amounts collected on behalf of third parties. Payments and Software revenues are derived from separately identifiable short and long term processing and software contracts. Payment terms are typically less than 30 days after the delivery of the product or services rendered. Generally, the Group's contracts with customers do not contain a significant financing component.

##### **Payments revenue**

Payments revenue relates to contractual fees and commissions earned by facilitating the collection of client monies in the form of billing transactions from the client's customers and distribution back to the client. Payments revenues are generated by services priced as a percentage of transaction value or a specified fee per transaction depending on the level of value added service provided. Fees earned on billing transactions are recognised on completion of the billing transaction.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

In respect of its Payments revenues, the Group follows the guidance on principal versus agent considerations in IFRS 15 to determine the appropriateness of recognising revenue based on the gross transaction fees and commissions billed to a client or the net commissions receivable by evaluating the facts and circumstances of the contractual arrangements in place. Where the Group's Payments revenue is recognised gross of transaction fees, these are charged to the Group by third party banks or card acquiring partners and recognised as an expense, on the basis that the Group contracts separately and directly with both the client and third party banks or card acquiring partners and is primarily responsible for fulfilling the promise to provide the billing transaction to its clients, assumes the risk of loss and has pricing discretion with its clients.

#### **Software revenue**

The Group provides a majority of its software offerings only as SaaS where the customer has no license to use the software on premise, only via a Group-hosted service. For certain products, the Group does provide an on-premise license. There are selected on-premise arrangements where the Group combines the on-premise software license with the related updates and maintenance to recognize revenue over time. This is because these updates are integral to the customer's ability to derive substantive benefit from the software license. These updates incorporate regulatory updates that are necessary to continue processing certain transactions; without the updates the software would not function as intended. As a result, the updates and software license are highly interrelated and not separately identifiable. Revenue obtained for the combined performance obligation is recognised evenly each month, the Directors have judged that this most closely follows the customer's consumption of the service.

#### **Hardware revenue**

Hardware revenue relates to the sale of hardware and other consumables to be used alongside the Group's software offerings, and is recognised when control of a product is transferred to the client.

#### **Professional services revenue**

Professional services revenue relates to the development and sale of bespoke software and consulting services for clients, and is recognised on a stage of completion basis.

### **(e) Other income**

#### **Government grants**

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attached to them and that the grants will be received.

#### **COVID-19 grants**

COVID-19 government grants are recognised in profit or loss over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

#### **Research and developments grants**

Government grants in the form of research and development grants are receivable as compensation for expenses already incurred and are recognised in comprehensive income in the period in which they are received.

### **(f) Leases**

A right-of-use asset and a lease liability are recognised at the lease commencement date.

Lease liabilities are initially measured at the present value of the lease payments (e.g., fixed lease payments less any lease incentives) that are not paid at the commencement date, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. The Group assesses at lease commencement whether it expects to exercise renewal options included in contracts. Where it is reasonably certain that renewal options will be exercised, the extension period is included in the lease liability calculation.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. The costs are included in the related right-of-use asset.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the right-of-use asset.

Short-term leases are leases with a lease term of 12 months or less without a purchase option. Low-value assets comprise IT equipment and small items of office furniture. The lessee assesses at lease commencement whether it expects to exercise renewal options included in contracts. Where it is reasonably certain that renewal options will be exercised, the extension period is included in the lease liability calculation.

The Group applies IAS 36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in the 'Impairment' policy.

#### (g) Interest expense

Interest expense comprises interest payable on borrowings calculated using the effective interest rate method, and gains and losses on derivative instruments that are recognised in the statement of comprehensive income.

The interest expense component of lease payments is recognised in the statement of comprehensive income using the effective interest rate method.

#### (h) Income tax

Income tax on the profit or loss for the period comprises current and deferred tax. Income tax is recognised in the *statement of comprehensive income except if it relates to items recognised directly in equity, in which case the income tax is recognised in equity*.

Current tax is the expected tax payable on the taxable income for the period, using tax rates at the balance sheet date, and any adjustments to tax payable in prior periods.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for accounting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets and liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting period.

A deferred tax asset is recognised only to the extent that it is probable that future tax profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### (i) Property and equipment

##### Owned assets

All property and equipment are stated at cost less accumulated depreciation and impairment losses.

##### Depreciation

Assets are depreciated straight line at the rates below which equate approximately to their estimated useful lives.

The depreciation rates are as follows:

Leasehold improvements	2% – 20% or over the life of the lease
Furniture & office equipment	5% – 40%
Computer hardware	18% – 48%

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the statement of comprehensive income.

#### (j) Intangible assets

##### Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration paid over the fair value of the identifiable net assets acquired. For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGU"s) that is expected to benefit from the business combination in which the goodwill arose. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of the CGU containing the goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed. Goodwill is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the amount of goodwill relating to the entity sold.

##### Customer relationships

Customer relationships acquired in a business combination are recognised at fair value at the acquisition date calculated on an excess earnings basis. Customer relationships is defined as the relationship with customers paying membership fees, or when appropriate, key contracts with clients. Customer relationships are amortised over their useful life at an amortisation rate of between 5% to 20% on a straight line basis. The useful economic life of customer relationships is based on benchmarking analysis performed during valuations for acquisition.

##### Trade names

Trade names acquired in a business combination are recognised at fair value at the acquisition date calculated on a royalty relief basis. Trade names are amortised straight line over a period of between 10–20 years. At acquisition the estimated useful life has been individually assessed via benchmarking analysis documented as part of the acquisition process. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

##### Computer software

Computer software purchased is capitalised on the basis of the costs incurred to acquire and bring to use the specific software.

Development costs that are directly attributable to the design, development and testing of new or substantially improved major software products and processes controlled by the Group are capitalised and recognised as intangible assets when the following criteria are met:

- the product or process is technically and commercially feasible;
- the Group has sufficient resources to complete development, and intends to complete the development of the software product;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads. Other development expenditures that do not meet these criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Computer software acquired in a business combination is recognised at fair value at the acquisition date based on a replacement cost valuation method or multi period excess earnings method.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

Computer software is stated at cost less accumulated amortisation and is amortised on a straight-line basis to residual value over estimated useful life. Amortisation rates range between 15% and 40%.

Costs associated with maintaining computer software programmes and annual licence fees are recognised as an expense as incurred.

#### **(k) Trade receivables**

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one period or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

In accordance with IFRS 9 *Financial Instruments*, the Group recognises impairment losses using the lifetime Expected Credit Loss ("ECL") model. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and the cash flows that the Group expects to receive. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

#### **(l) Cash and cash equivalents and collection deposits**

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and bank overdrafts with maturities of 3 months or less. Collection deposits are Company funds deposited at call with financial institutions in bank accounts separate from those relating to the operations of the Group.

#### **(m) Impairment on non-financial assets other than goodwill**

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

#### **(n) Share capital**

Ordinary shares are classified as equity. Transaction costs attributable to the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

Dividends are recognised as a liability in the period in which they are declared.

**AI SKY UK HOLDCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**(o) Borrowings**

Interest-bearing borrowings are recognised initially at fair value less attributed transaction costs. The attributed transaction costs are amortised over the period of the borrowings on an effective interest basis. Borrowings are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

**(p) Trade payables**

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one period or less. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method.

**(q) Employee benefits**

**Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

**Pension contributions**

For defined contribution plans, the Group pays contributions to independently administered superannuation plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due.

**Share based payments**

Equity settled share based payments are fair valued at grant date, with the grant date fair value being recognised in employee costs and equity progressively over the vesting period. The fair value of equity settled share based payments is not remeasured after grant date unless the award is subsequently modified.

**(r) Value added tax (VAT) / Goods and services tax (GST)**

The statement of comprehensive income has been prepared so that all components are stated exclusive of VAT/GST. All items in the balance sheet are stated net of VAT/GST, with the exception of receivables and payables, which include VAT/GST invoiced.

**(s) Financial instruments**

Financial instruments recognised in the Statement of Financial Position include cash and cash equivalents, receivables and payables, contingent consideration and term debt.

**Classification and fair values**

The Group performs a fair value assessment of its financial assets and liabilities at each financial period end in accordance with IFRS 9. Under IFRS 9, financial instruments are classified as either measured at amortised cost, fair value through other comprehensive income or fair value through profit or loss. The Group classifies its financial assets and liabilities stated above at amortised cost, except for when a business combination includes a contingent consideration arrangement, the contingent consideration is remeasured at year end.

**Recognition and derecognition**

Financial assets are recognised on trade date, being the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### Measurement

At initial recognition, the Group recognises its financial assets and liabilities at fair value. The financial assets and liabilities are subsequently recognised at amortised cost, except for when a business combination includes a contingent consideration arrangement, the contingent consideration is remeasured at year end.

#### (t) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument. For those derivative instruments that do not qualify for hedge accounting, any changes in the fair value of the derivative instrument is recognised immediately in the statement of comprehensive income.

Derivative instruments that do qualify for hedge accounting reflect changes in the fair value of the derivative instrument through a hedge reserve in the balance sheet, to the extent that the hedge is effective. The gain or loss relating to any ineffective portion is recognised immediately in the statement of comprehensive income.

There were no derivatives as at 31 December 2022 (31 December 2021: nil).

## 2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

#### (a) Market risk

##### (i) Foreign Exchange Risk

The Group operates internationally and is exposed to fluctuations in foreign exchange rates when reporting on a consolidated basis, where performance in the home currency of foreign operations is translated to the reporting currency of Australian dollars. However, the Group's exposure to fluctuations in foreign currency in trading and cash flow is limited as the Group's trading and financing structure naturally hedges the exposure to foreign currency. This is due to the majority income and costs from trading in foreign jurisdictions being denominated in local currencies and the Group's borrowings and financings costs being denominated in proportion to local currencies.

##### (ii) Interest Rate Risk

The Group's interest rate risk arises from related party loans. Related party loans issued at variable rates exposes the Group to cash flow interest rate risk which is partially offset by cash held at variable rates.

Based on a simple simulation, if for the period from 1 January 2022 to 31 December 2022 interest rates on variable borrowings had been 50 basis points higher/lower with all other variables held constant, the calculated Profit/(Loss) before Tax for the period would have been A\$2.7 million lower/higher.

##### (iii) Price Risk

The Group is not exposed to price risk as it does not hold any equity investments.

#### (b) Credit risk

The Group has minimal credit risk as the majority of the fees due are deducted from amounts due to customers. All potential areas of financial risk are regularly monitored and reviewed by the Directors and senior management. Any preventative or corrective measures are taken as necessary.

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with an appropriate credit rating are accepted.

**AI SKY UK HOLDCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
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Receivables from customers are settled in cash as part of the collection services performed by the Group.

The credit risk associated with trade receivables is small due to the inherently short timing difference and the distribution over a large number of customers. Due to this, the trade receivable balances do not consist of any concentration of risk that is considered individually material.

At the period end, the receivables that are over 30 days due are still within their collection terms, thus there is no increased credit risk for these receivables. Loss allowance on receivables are based on assumptions about the counterparty's risk of default. The Group uses judgement in making these assumptions and to determine balances that are in default. Refer Note 25 for further disclosures.

**(c) Liquidity risk**

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The funding for significant new ventures is secured before commitments are made. The cash position is reviewed daily and cash flows are monitored weekly and monthly. The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

GROUP	31 December 2022			
	Less than 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	AUS000	AUS000	AUS000	AUS000
Long term bank loans	—	102	—	—
Trade and other payables	31,875	—	—	—
Amounts owed to related parties	46,923	—	714,052	—
Contingent consideration	14,914	—	—	—
Collection liabilities	99,988	—	—	—
Lease liabilities	3,930	8,097	6,953	1,731

GROUP	31 December 2021			
	Less than 12 months	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
	AUS000	AUS000	AUS000	AUS000
Long term bank loans	—	311	—	—
Trade and other payables	33,605	—	—	—
Amounts owed to related parties	28,626	—	783,575	—
Contingent consideration	3,670	12,447	—	—
Collection liabilities	79,470	—	—	—
Lease liabilities	4,814	7,493	5,923	3,237

**(d) Fair value estimation**

Level 1 — Financial instruments for which valuations are determined by reference to unadjusted quoted prices for identical assets or liabilities in active markets, where the quoted price is readily available and the price represents actual and regularly occurring market transactions on an arm's length basis;

Level 2 — Financial instruments valued using inputs other than quoted prices as described above for level 1 but which are observable for the asset or liability, either directly or indirectly, such as:

- using recent arm's length market transactions or with reference to the current fair value of similar instruments;
- linear financial instruments such as swaps and forwards which are valued using market standard pricing techniques;
- options that are commonly traded in markets whereby all the inputs to the market standard pricing models are deemed observable.

# **AI SKY UK HOLDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2022**

For financial assets and financial liabilities not measured at fair value, their carrying values approximate their fair value as the impact of discounting is not significant. Trade receivables and trade payables are level 2 instruments under the fair value hierarchy, while cash and cash equivalents are a level 1 instrument under the fair value hierarchy.

### **3 Critical accounting judgments and key sources of estimation uncertainty**

#### **(a) Critical judgements in applying accounting policies**

The following are the critical accounting judgements that have the most significant effect on the amounts recognised in the financial statements:

##### **Revenue recognition**

###### **Software revenue recognition**

The Group enters into software contracts which provide the customer with the right to use the Group's intellectual property over the duration of the contract. As part of the contract the Group also provides professional maintenance services to maintain the functionality of the software during the life of the contract. The Group combines both the software licensing and professional maintenance into one performance obligation. Revenue obtained for the combined performance obligation is recognised evenly each month, as the Directors have judged that this most closely follows the customer's consumption of the service. For certain products, the Group does provide an on-premise license. There are selected on-premise arrangements where the Group combines the on-premise software license with the related updates and maintenance to recognize revenue over time. The Directors have determined that the updates and software license are highly interrelated and not separately identifiable.

###### **Professional services revenue recognition**

The Group provides a professional service for installation of various software products for specialised business operations. Such services are recognised as a performance obligation satisfied over time. Revenue is recognised for these installation services based on the stage of completion of the contract. The Directors have assessed that the stage of completion determined as the proportion of the total time expected to install that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS 15.

###### **Capitalised development costs**

The continual enhancement of the Group's software platforms is a key strategy to achieve the Group's goals. We continue to invest in the functionality of our products and to improve the experience for all our clients and there is judgement in how to account for this subsequent expenditure on our existing intangible assets.

Judgement is required in evaluating whether subsequent development expenditure is to be capitalised as an internally generated intangible asset. The key elements of judgement are whether the development project will generate incremental probable future economic benefit and which projects result in substantial improvements that increase the functionality of the asset. Economic benefit is determined as either an increase in revenues or reduction in costs. Only those projects that are a substantial improvement and that result in direct and incremental economic benefit will be capitalised.

#### **(b) Key sources of estimation uncertainty**

The following are the key sources of estimation uncertainty that have the most significant effect on the amounts recognised in the financial statements:

##### **Impairment testing of the Company's investments**

As a result of the impairment recognised by the Group for the year ended 31 December 2022, the Company has reviewed the carrying value of its investments in subsidiaries. The Company has determined the recoverable amount of the investments through the combined recoverable amount of the Group's Fitness and Wellbeing and Education CGUs which is higher than the carrying value of the investment. The assumptions used in determining the recoverable amount are disclosed in Note 12 under the Group's impairment testing of goodwill.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

The assumptions used for the current reporting period may differ from the assumptions used in the next reporting period as internal and external circumstances and expectations change. This may require an impairment charge on the Company's investments in the future.

#### **Impairment testing of goodwill**

The impairment charge of A\$115.4 million arose in the Fitness and Wellbeing CGU as a result of declining market conditions impacting key assumptions used to calculate the discount rates such as the risk free rate and the cost of debt. No class of asset other than goodwill was impaired. As at 31 December 2022, the recoverable amount of the entire Fitness and Wellbeing CGU was A\$812.5 million. Refer to Note 12.

The assumptions used for the current reporting period may differ from the assumptions used in the next reporting period as internal and external circumstances and expectations change. This may require further impairment write-downs.

#### **Impairment testing of non-financial assets other than goodwill**

An impairment test is carried out on the Group's non-financial assets other than goodwill when there is an indication of impairment during the year. The Group has number of office spaces across the globe and has conducted a review of the changing needs of the business and aligning its current property footprint. As a result of this exercise, the Group has identified certain lease premises that the Group has vacated or is in the process of vacating. The Group has recognised an impairment loss on its right of use assets of A\$2.8 million during the year. The Group has determined the recoverable amount of the right of use assets by estimating the future cash flows expected to arise (e.g., through sublease) and a suitable discount rate in order to calculate present value. Where the actual future cash flows are less than expected, a material impairment loss may arise in the future. Refer to Note 11.

#### **Useful economic lives of intangibles**

The Group reviews the estimated useful lives and residual values of intangible assets annually. The assets are amortised over their estimated useful lives to their residual values. Details of the useful lives assigned to the Group's intangible assets is included in Note 1(j). As part of a global rebranding initiative in 2022, the Group has shortened the useful lives of certain brands. As a result, A\$4.2 million of additional amortisation expense was recorded during the year ended 31 December 2022. The carrying values of the Group's intangible assets are included in Note 12.

#### **Deferred tax**

The amount of deferred tax provided is based on the expected realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted by the end of the reporting period.

- Deferred tax liabilities are generally recognised for all taxable temporary differences.
- Deferred tax assets are generally recognised for all deductible temporary differences and losses to the extent that it is probable that in the near future taxable profits will be available against which those deductible temporary differences and losses can be utilised.

## **4 Capital management**

The Group defines capital as equity, amounts payable to related parties, borrowings and cash and cash equivalents. The Group's objectives when managing capital are to safeguard their ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group can adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

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**5 Revenue**

Revenue is split as follows:

	<b>GROUP</b>	<b>GROUP</b>
	<b>Year Ended 31 December 2022</b>	<b>Year Ended 31 December 2021</b>
	<b>AU\$000</b>	<b>AU\$000</b>
<b>Revenue by product type</b>		
Payments revenue	142,457	111,585
Software revenue	64,820	61,178
Hardware revenue	4,925	3,783
Professional services revenue	1,786	2,431
Other revenue	752	1,349
<b>Total Revenue</b>	<b>214,740</b>	<b>180,326</b>

	<b>GROUP</b>	<b>GROUP</b>
	<b>Year Ended 31 December 2022</b>	<b>Year Ended 31 December 2021</b>
	<b>AU\$000</b>	<b>AU\$000</b>
<b>Revenue by geographical region</b>		
Australasia	148,806	122,955
United Kingdom & Europe	49,251	42,050
North America	16,683	15,201
Other	—	120
<b>Total Revenue</b>	<b>214,740</b>	<b>180,326</b>

The Group delivers its payment services with the involvement of various third party banks and card acquiring partners. As disclosed in Note 1, where the Group's Payments revenue is recognised gross of transaction fees, these are charged to the Group by third party banks or card acquiring partners and recognised as an expense.

Included within the Group's Cost of Sales (see Note 8) for the year ended 31 December 2022 is A\$20.2 million (31 December 2021: A\$12.9 million) of payment processing costs (including network costs) incurred by the Group under its contracts with third party banks and card acquirer partners, and where the Group has recognised the related Payment Service revenue gross.

**6 Other income**

Other income is split as follows:

	<b>GROUP</b>	<b>GROUP</b>
	<b>Year Ended 31 December 2022</b>	<b>Year Ended 31 December 2021</b>
	<b>AU\$000</b>	<b>AU\$000</b>
Covid-19 grants	—	757
Research and development and other government grants	651	740
Insurance recovery	1,247	—
Other income	499	305
Management fees	9,331	4,100
<b>Total Other income</b>	<b>11,728</b>	<b>5,902</b>

Note 19

**AI SKY UK HOLDCO LIMITED**  
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**7 Employees and Directors**

**(a) Employee costs**

		<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b>
	<b>Note</b>	<b>AUS000</b>	<b>AUS000</b>
Wages and salaries		82,883	70,712
Social security costs		6,577	6,670
Other pension costs		4,471	4,851
Share based payments	20	491	8,258
<b>Total employee costs</b>		<b>94,422</b>	<b>90,491</b>

**(b) The monthly average number of persons including executive Directors employed by the Group during the year was:**

<b>By activity</b>	<b>Number</b>	<b>Number</b>
Finance and other administration	115	188
IT	453	351
Contact centre	245	328
Sales and marketing	211	144
Management	17	12
<b>Total average headcount</b>	<b>1,041</b>	<b>1,023</b>

There were no employees paid by the Company in the year (31 December 2021: None).

**(c) Key management compensation**

	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b>
	<b>AUS000</b>	<b>AUS000</b>
Aggregate remuneration	1,476	2,024
Aggregate contributions to pension scheme	87	40
Aggregate share based payments	(310)	—
Termination benefits	1,557	2,826
<b>Total</b>	<b>2,810</b>	<b>4,890</b>

Key management includes the CEO and CFO. During the year ended 31 December 2022, the CEO and CFO functions were moved to the ultimate parent company of the Group. There were no recharges to the Group in respect of the services of the CEO and CFO.

During the current year Directors of the Company were not involved in any related party transactions except receiving remuneration in their capacity as employees of the Group. In the years ending 31 December 2022 and 31 December 2021, the Directors appointed by Advent International Corporation were not compensated by the Group in their capacity as directors. During the year ended 31 December 2022, there were no recharges to the Group in respect of the services of the Directors (31 December 2021: nil).

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**8 Expenses by nature**

**(a) Operating costs before depreciation and amortization**

	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b>
	<b>AUS000</b>	<b>AUS000</b>
Costs of revenue	32,829	23,259
Audit and advisory fees	1,164	1,034
Sales and marketing	5,041	4,958
IT expenses	9,048	10,108
Integration and acquisition costs	8,598	18,732
Restructuring costs	5,113	5,483
Revaluation of vendor liabilities	(1,203)	(1,404)
Other expenses	23,194	23,708
	<b>83,784</b>	<b>85,878</b>

**(b) Auditors' fees**

	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b>
	<b>AUS000</b>	<b>AUS000</b>
Fees payable to Company's auditors and its associates for the audit of the parent company and consolidated financial statements	1,199	970
Fees payable to Company's auditors and its associates for other services:		
Audit of the financial statements of the Company's subsidiaries	496	351
Audit-related services for US reporting	651	973
	<b>2,346</b>	<b>2,294</b>

**(c) Finance income and costs**

	<b>Note</b>	<b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>Year Ended</b> <b>31 December</b> <b>2021</b>
		<b>AUS000</b>	<b>AUS000</b>
<b><i>Finance income</i></b>			
Interest received on bank deposits		825	12
Interest on sublease arrangement		90	—
Interest on amounts receivable from related parties	19	6,594	10,571
		<b>7,509</b>	<b>10,583</b>
	<b>Note</b>	<b>Year Ended</b> <b>31 December</b> <b>2022</b>	<b>Year Ended</b> <b>31 December</b> <b>2021</b>
		<b>AUS000</b>	<b>AUS000</b>
<b><i>Finance costs</i></b>			
Interest on external borrowings		993	26,891
Interest on amounts payable to related parties	19	48,590	28,426
Accelerated amortised funding cost*		—	29,764
		<b>49,583</b>	<b>85,081</b>

\*Accelerated amortised funding cost is due to the loan facilities restructure as detailed on page 2.

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**(d) Foreign exchange gains**

	<b>Year Ended 31 December 2022</b>	<b>Year Ended 31 December 2021</b>
	<b>AUS\$000</b>	<b>AUS\$000</b>
Unrealised foreign exchange gains, net	34,750	15,483
	<b>34,750</b>	<b>15,483</b>

**9 Income tax**

	<b>GROUP Year Ended 31 December 2022</b>	<b>GROUP Year Ended 31 December 2021</b>
	<b>AUS\$000</b>	<b>AUS\$000</b>
<i><b>Current tax</b></i>		
Current tax on loss for the year	(4,391)	(10,140)
Total current tax	<b>(4,391)</b>	<b>(10,140)</b>
<i><b>Deferred tax</b></i>		
Origination and reversal of temporary differences	21,882	41,289
Total deferred tax	<b>21,882</b>	<b>41,289</b>
<b>Income tax credit</b>	<b>17,491</b>	<b>31,149</b>
<b>Income tax credit is attributable to:</b>		
Loss from continuing operations	17,491	29,972
Loss from discontinued operations	—	1,177
	<b>17,491</b>	<b>31,149</b>

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**(a) Income tax credit**

	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b> <b>AUS000</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b> <b>AUS000</b>
<b>Reconciliation between tax credit and pre-tax net loss</b>		
Loss from continuing operations before income tax	(179,262)	(135,665)
Profit from discontinued operations before income tax	—	47,769
	<u>(179,262)</u>	<u>(87,896)</u>
 Income tax credit using corporate tax rate of 19% (2021: 19%)	 34,060	 16,700
 Expenses not deductible for tax purposes	 (25,819)	 (6,765)
Adjustments in respect of prior periods	609	3,959
Change in tax rate	—	(2,919)
Difference in overseas subsidiaries tax rates	6,288	6,147
Tax credits and tax losses not recognised	(7,265)	1,266
Other deductions	9,618	12,761
<b>Income tax credit</b>	<b><u>17,491</u></b>	<b><u>31,149</u></b>

**(b) Deferred tax assets and liabilities**

	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b> <b>AUS000</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b> <b>AUS000</b>
The gross movement in deferred tax is as follows:		
Balance at beginning of year	(60,280)	(96,151)
Balance on acquisitions	—	(14,011)
Currency exchange differences	(281)	(1,557)
Tax losses	(1,657)	—
Credited to the statement of comprehensive income	21,882	40,076
Disposal of subsidiary	—	11,112
Other adjustments	1,510	251
<b>Deferred tax liability, net</b>	<b><u>(38,826)</u></b>	<b><u>(60,279)</u></b>
 <b>Deferred tax assets:</b>		
Tax losses	29,697	31,848
Employee benefits	3,699	1,321
Other	4,714	2,763
Income received in advance	1,308	1,229
Deferred tax assets	<u>39,418</u>	<u>37,161</u>
 <b>Deferred tax liabilities:</b>		
Intangible assets	(78,244)	(97,441)
Deferred tax liabilities	<u>(78,244)</u>	<u>(97,441)</u>
 <b>Deferred tax liability, net</b>	<b><u>(38,826)</u></b>	<b><u>(60,280)</u></b>

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Deferred tax balance is expected to be recovered / settled as follows:

No more than 12 months after the reporting period	(8,748)	(7,884)
More than 12 months after the reporting period	(30,078)	(52,396)
<b>Deferred tax liability, net</b>	<b>(38,826)</b>	<b>(60,280)</b>

The UK tax rate for the Group for the current period is 19%. In the Spring Budget 2020, the UK Government announced that from 1 April 2020 the corporation tax rate would remain at 19% (rather than reducing to 17%, as previously enacted). The Government made a number of budget announcements on 3 March 2021. These include confirming that the rate of corporation tax will increase to 25% from 1 April 2023. This new law was substantively enacted on 24 May 2021. Deferred taxes at the balance sheet date have been measured using these enacted tax rates and reflected in these financial statements.

**(c) Unrecognized tax losses**

	<b>GROUP</b> <b>31 Dec 2022</b> <b>AUS000</b>	<b>GROUP</b> <b>31 Dec 2021</b> <b>AUS000</b>
Unused tax losses for which no deferred tax assets has been recognised	44,728	61,252

The unrecognised tax losses largely relate to the UK where it is uncertain when the losses will be utilised and a small amount from an acquired Canadian subsidiary. The losses can be carried forward indefinitely but some may be forfeited upon closure of the relevant entities.

**(d) Recognized tax losses on deferred tax assets**

	<b>GROUP</b> <b>31 Dec 2022</b> <b>AUS000</b>	<b>GROUP</b> <b>31 Dec 2021</b> <b>AUS000</b>
New Zealand	5,029	5,226
Australia	8,177	7,774
United Kingdom	14,564	18,738
Canada	1,277	110
Japan	650	—
	<b>29,697</b>	<b>31,848</b>

Australia generated tax losses due to large non-recurring transactions and it is expected that the entities will generate taxable income in the future to utilise the tax losses recognized, the tax losses recognized are less than the net deferred tax liabilities. Canada generated a small loss in respect of the post acquisition period and it is expected to make taxable income to offset the tax losses in the future to utilise the tax losses recognised. New Zealand generated tax losses from non-recurring transactions and is expected to generate taxable income in the future. The UK tax losses balance includes denied interest that is allowed to be carried forward along with the tax losses. The UK has continued to generate tax losses and denied interest based on a scheduling analysis. Japan has tax losses recognized up to the net deferred tax liabilities, with the remainder of the tax losses not recognized. All tax losses are technically available to carry forward post the merger based on a review undertaken by management in conjunction with advice from tax advisors.

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**10 Property and equipment**

<b>GROUP</b>	<b>Leasehold improvements AUS000</b>	<b>Furniture &amp; office equipment AUS000</b>	<b>Computer hardware AUS000</b>	<b>Total AUS000</b>
<b>COST</b>				
Balance at 1 January 2022	5,641	4,234	4,619	14,494
Additions	235	315	1,860	2,410
Disposals	(440)	(1,435)	(2,473)	(4,348)
Reclassification	—	(555)	555	—
Currency exchange differences	(154)	(68)	(144)	(366)
<b>Balance at 31 December 2022</b>	<b>5,282</b>	<b>2,491</b>	<b>4,417</b>	<b>12,190</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at 1 January 2022	155	936	2,721	3,812
Depreciation charge	433	610	1,492	2,535
Disposals	(321)	(1,204)	(2,243)	(3,768)
Currency exchange differences	17	(86)	(103)	(172)
<b>Balance at 31 December 2022</b>	<b>284</b>	<b>256</b>	<b>1,867</b>	<b>2,407</b>
<b>NET BOOK AMOUNTS</b>				
<b>31 December 2022</b>	<b>4,998</b>	<b>2,235</b>	<b>2,550</b>	<b>9,783</b>
<b>COST</b>				
Balance at 1 January 2021	3,054	2,456	4,790	10,300
Additions	4,985	2,152	1,752	8,889
Disposals	(427)	(18)	(302)	(747)
Disposal of subsidiary	(62)	(88)	(767)	(917)
Transferred to asset held for sale	(2,071)	—	—	(2,071)
Currency exchange differences	162	(268)	(854)	(960)
<b>Balance at 31 December 2021</b>	<b>5,641</b>	<b>4,234</b>	<b>4,619</b>	<b>14,494</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at 1 January 2021	272	490	2,088	2,850
Depreciation charge	234	463	1,831	2,528
Depreciation charge for discontinued operation	10	8	93	111
Disposals	—	12	(690)	(678)
Disposal of subsidiary	(37)	(56)	(516)	(609)
Transferred to asset held for sale	434	—	—	434
Currency exchange differences	(758)	19	(85)	(824)
<b>Balance at 31 December 2021</b>	<b>155</b>	<b>936</b>	<b>2,721</b>	<b>3,812</b>
<b>NET BOOK AMOUNTS</b>				
<b>31 December 2021</b>	<b>5,486</b>	<b>3,298</b>	<b>1,898</b>	<b>10,682</b>

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**11 Right of Use Assets and Lease Liabilities**

**Right of Use Assets**

	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b> <b>AUS000</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b> <b>AUS000</b>
<b>COST</b>		
Balance at beginning of year	25,188	20,416
Currency exchange differences	(321)	(253)
Additions	1,932	9,276
Disposals	(6,593)	—
Disposal of subsidiary	—	(4,251)
<b>Balance at end of year</b>	<b>20,206</b>	<b>25,188</b>
<b>ACCUMULATED DEPRECIATION AND IMPAIRMENT LOSSES</b>		
Balance at beginning of year	7,318	4,710
Currency exchange differences	(107)	(544)
Disposals	(4,451)	—
Amortisation of leased assets	3,423	4,324
Amortisation of discontinued operations leased assets	—	588
Impairment of right of use assets	2,761	—
Disposal of subsidiary	—	(1,760)
<b>Balance at end of year</b>	<b>8,944</b>	<b>7,318</b>
<b>NET BOOK AMOUNTS</b>	<b>11,262</b>	<b>17,870</b>

All leases relate to building or office space leases that have lease terms ranging between 1-10 years. Effective 15 February 2023, the Group has assigned one of its leased office spaces in Australia to a third party where an assignment premium of A\$1.9 million was paid by the Group. The transferee agrees to comply with all of the Group's obligations under the lease agreement effective 15 February 2023. As a result, the Group has derecognised the carrying value of the right of use asset as of that date amounting to A\$2.3 million and retained the lease liability because the Group remains liable to comply with the terms of the lease agreement for the remainder of the term.

**Lease Liabilities**

	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2022</b> <b>AUS000</b>	<b>GROUP</b> <b>Year Ended</b> <b>31 December</b> <b>2021</b> <b>AUS000</b>
Balance at beginning of year	19,860	15,986
Additions, disposals and reassessments	1,466	8,413
Currency exchange differences	(208)	233
Repayment of lease liabilities	(3,980)	(2,938)
Lease interest included in financing costs	856	781
Disposal of subsidiary	—	(2,615)
<b>Balance at end of year</b>	<b>17,994</b>	<b>19,860</b>
Current	3,330	3,396
Non-current	14,664	16,464

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**12 Goodwill and intangible assets**

**For the period ended 31 December 2022:**

<b>GROUP</b>	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Computer software</b>	<b>Trade names</b>	<b>Total intangible assets</b>
	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>
<b>COST</b>					
Balance at 1 January 2022	951,947	224,865	371,474	44,616	640,955
Additions	—	—	25,369	—	25,369
Disposals	—	—	(22,959)	—	(22,959)
Currency exchange differences	(8,345)	(209)	(5,283)	(768)	(6,260)
<b>Balance at 31 December 2022</b>	<b>943,602</b>	<b>224,656</b>	<b>368,601</b>	<b>43,848</b>	<b>637,105</b>
<b>ACCUMULATED AMORTISATION AND IMPAIRMENT LOSSES</b>					
Balance at 1 January 2022	—	30,248	125,539	6,429	162,216
Amortisation charge	—	15,005	60,084	7,602	82,691
Disposals	—	—	(9,566)	—	(9,566)
Impairment losses	115,397	—	—	—	—
Currency exchange differences	—	960	(1,739)	(217)	(996)
<b>Balance at 31 December 2022</b>	<b>115,397</b>	<b>46,213</b>	<b>174,318</b>	<b>13,814</b>	<b>234,345</b>
<b>NET BOOK AMOUNTS</b>					
<b>31 December 2022</b>	<b>828,205</b>	<b>178,443</b>	<b>194,283</b>	<b>30,034</b>	<b>402,760</b>

**For the period ended 31 December 2021:**

<b>GROUP</b>	<b>Goodwill</b>	<b>Customer relationships</b>	<b>Computer software</b>	<b>Trade names</b>	<b>Total intangible assets</b>
	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>	<b>AUS000</b>
<b>COST</b>					
Balance at 1 January 2021	1,039,775	248,025	386,121	51,312	685,458
Acquisition of subsidiaries	20,234	1,225	4,828	237	6,290
Additions	—	982	32,702	—	33,684
Currency exchange differences	5,465	2,787	6,080	1,006	9,873
Disposal of subsidiary	(113,527)	(28,154)	(58,257)	(7,939)	(94,350)
<b>Balance at 31 December 2021</b>	<b>951,947</b>	<b>224,865</b>	<b>371,474</b>	<b>44,616</b>	<b>640,955</b>
<b>ACCUMULATED AMORTISATION</b>					
Balance at 1 January 2021	—	18,994	67,315	3,817	90,126
Amortisation charge	—	15,052	61,503	3,033	79,588
Currency exchange differences	—	(1,222)	3,768	68	2,614
Amortisation charge for discontinued operation	—	1,214	4,769	259	6,242
Disposal of subsidiary	—	(3,790)	(11,816)	(748)	(16,354)
<b>Balance at 31 December 2021</b>	<b>—</b>	<b>30,248</b>	<b>125,539</b>	<b>6,429</b>	<b>162,216</b>
<b>NET BOOK AMOUNTS</b>					
<b>31 December 2021</b>	<b>951,947</b>	<b>194,617</b>	<b>245,935</b>	<b>38,187</b>	<b>478,739</b>

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

An impairment loss of A\$115.4 million was recognised during the year ended 31 December 2022 (31 December 2021: nil).

No intangible assets have been pledged as security against any liabilities.

#### (a) Allocation of Intangibles to CGUs

The Group has two CGUs (31 December 2020: 2) described below.

##### *Fitness & Wellbeing*

The Group serves Fitness & Wellbeing clients (e.g., large gyms) globally, including Australasia, North America, Europe and Japan. The key software brand is Links and the key payment brands include Debitsuccess, Paysmart, Harlands, DFC, Legend, Perfect Mind, Stadline and Deciplus.

##### *Education*

The Group serves early childhood education centres within Australasia. The key software brands include QikKids and Xplor.

During the years ended 31 December 2022 and 31 December 2021, the Group allocated its intangibles in accordance with the above structure and carried out impairment testing on that basis.

The allocation of indefinite life intangibles to these CGUs are presented below:

GROUP	Fitness & Wellbeing AUS\$000	Education AUS\$000	Total AUS\$000
Goodwill as at 31 December 2022	566,710	261,495	828,205
Goodwill as at 31 December 2021	692,213	259,734	951,947

#### (b) Impairment testing of goodwill

The recoverable amount of each CGU has been determined based on both value in use and fair value less cost of disposal (FVLCD) methodologies, using ten year forecasts, with detailed forecasts in year one being approved by the Board. Ten year forecasts have been used as all CGUs operate in under penetrated and competitive markets, and reaching stable EBITDA margins is expected to take five to ten years.

As at 31 December 2022, the recoverable amount of the Fitness & Wellbeing and Education CGUs was determined based on a fair value less costs of disposal using the weighted average of the market approach and the income approach with reference to revenue and earnings before interest, taxes, depreciation ("EBITDA") multiples. The fair value measurement was categorised as Level 3 fair value based on the inputs in the valuation technique used.

The market approach estimates fair value by first determining revenue and EBITDA multiples for comparable publicly-traded companies with similar characteristics of the CGUs. The revenue and EBITDA multiples for comparable companies are based upon enterprise values of the CGUs. Management considers the EBITDA multiples as key assumptions in determining the recoverable amount of each CGU (i.e., fair value less costs of disposal).

The income approach is based on forecasted future cash flows that are discounted to present value using factors that consider timing and risk of future cash flows. Discounted cash flow projections are based on financial forecasts developed from operating plans and economic outlooks, revenue growth rates, EBITDA growth, estimates of future expected changes in operating margins, terminal value growth rates, future capital expenditures and changes in working capital requirements. Estimates of discounted cash flows may differ from actual cash flows due to, among other things, changes in economic conditions, changes to business models, changes in the CGUs' discount rates, or changes in operating performance.

# AI SKY UK HOLDCO LIMITED

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### FOR THE YEAR ENDED 31 DECEMBER 2022

Recoverable amounts and carrying values for the CGUs are shown below. As a result of this analysis, the Group recognised impairment losses of A\$115.4 million for the year ended 31 December 2022.

	<b>Fitness &amp; Wellbeing</b>	<b>Education</b>
	<b>AUS\$000</b>	<b>AUS\$000</b>
Recoverable amount	812,500	347,500
Carrying value	927,897	345,390
Headroom (impairment loss)	(115,397)	2,110

The impairment loss on goodwill recognised by the Group resulted from declining market conditions impacting the key assumptions used to calculate the discount rates such as the risk free rate and the cost of debt, among others.

The assumptions used for the current reporting period may differ from the assumptions used in the next reporting period as internal and external circumstances and expectations change. This may require further impairment write-downs. Key assumptions incorporated into the forecasts are shown in the table below.

<i>Key assumptions</i>	<b>Fitness &amp; Wellbeing</b>	<b>Education</b>
Revenue (% annual growth rate) average of years 2-5	11.2 %	14.8 %
Terminal growth rate	3.0 %	3.0 %
Discount rate	11.5 %	11.0 %

#### *Significant estimate: impact of possible changes in key assumptions*

##### *Fitness & Wellbeing CGU*

Management has summarised below the impact of changes in discount rate and long-term growth rate on the impairment loss recognised. The sensitivities shown assume the specific assumption changes in isolation while all other assumptions are held constant.

	<b>Assumptions</b>	<b>Sensitivity</b>	<b>Impact on the impairment loss</b>
Post-tax discount rate	11.50%	+/-25bps	An increase/(decrease) in post-tax discount rate results in an increase/(decrease) in the impairment loss recognised of \$13 million/(\$14 million).
Long-term growth rate	3.00%	-/+25bps	An decrease/increase in long-term growth rate results in an increase/(decrease) in the impairment loss recognised of \$7 million/(\$8 million).

For the market approach, an increase/(decrease) in EBITDA multiple by 1x results in an increase/(decrease) in the impairment loss recognised of \$13 million/(\$14 million).

##### *Education CGU*

The recoverable amount of the Education CGU estimated to exceed its carrying amount by approximately A\$2.1 million as at 31 December 2022. Management has identified that a reasonably possible change in two key assumptions could cause the recoverable amount to equal its carrying value as follows (each considered in isolation):

	<b>From</b>	<b>To</b>
Terminal growth rate	3.0 %	2.8 %
Discount rate	11.0 %	11.1 %

The directors and management have considered and assessed reasonably possible changes for key assumptions and have not identified any instances that could cause the carrying amount of the Education CGU to exceed its recoverable amount.

# **AI SKY UK HOLDCO LIMITED** **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022**

## **(c) Discontinuance of a software product**

Following a strategic review of the Group's Fitness & Wellbeing software product portfolio, in Q2 2022 a decision was made to discontinue development of one of the products in the portfolio, with a carrying value of A\$12.6 million, and instead focus investment in another product serving the same addressable market. At the time of this decision, the discontinued product had not yet been rolled out to a significant number of customers so is not expected to impact asset carrying values other than a write down to the carrying value of the discontinued product. The Group has recognised the carrying value of A\$12.6 million as loss on disposal of computer software for the year ended 31 December 2022.

## **(d) Change in estimated useful lives**

As part of a global rebranding initiative in 2022, the Group shortened the useful lives of certain of its trade names. As a result, A\$4.2 million of additional amortisation expense was recorded during the year ended 31 December 2022.

## **13 Cash and cash equivalents**

	<b>GROUP</b> <b>31 Dec 2022</b> <b>AUS000</b>	<b>GROUP</b> <b>31 Dec 2021</b> <b>AUS000</b>
Cash in bank	16,786	10,512

## **14 Collection deposits and Collection liabilities**

	<b>GROUP</b> <b>31 Dec 2022</b> <b>AUS000</b>	<b>GROUP</b> <b>31 Dec 2021</b> <b>AUS000</b>
Collection deposits	99,917	79,470
	<b>99,917</b>	<b>79,470</b>
	<b>GROUP</b> <b>31 Dec 2022</b> <b>AUS000</b>	<b>GROUP</b> <b>31 Dec 2021</b> <b>AUS000</b>
Collection liabilities	99,988	79,470
	<b>99,988</b>	<b>79,470</b>

Collection deposits and liabilities represent the funds collected on behalf of the Group's clients which are held in separate bank accounts on their behalf to be remitted.

**AI SKY UK HOLDCO LIMITED**  
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**FOR THE YEAR ENDED 31 DECEMBER 2022**

**15 Trade and other receivables**

	<b>GROUP</b>	<b>GROUP</b>
	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>AUS000</b>	<b>AUS000</b>
Trade receivables and accrued income	13,044	6,533
Prepayments	7,267	7,723
Other receivables	582	4,717
Total trade and other receivables	<u>20,893</u>	<u>18,973</u>

The trade receivables above are presented net of provision for impairment on this balance. The provision for impairment as of 31 December 2022 was A\$1.6 million (31 December 2021: A\$2.7 million).

The credit quality of financial assets that are neither due nor impaired can be assessed by reference to historical information about counterparty default rates. The trade receivables are in Level 2, which consists of existing customers (more than 6 months) with no defaults in the past.

Trade receivables do not carry any interest and are stated at their nominal value. The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the age of the outstanding amounts. A historical default rate is applied to the current period trade receivables balances to calculate the impairment. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. There were no general allowances made for estimated irrecoverable amounts.

The Directors consider that the carrying amount of trade receivables approximates their fair value.

**16 Borrowings**

	<b>GROUP</b>	<b>GROUP</b>
	<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>AUS000</b>	<b>AUS000</b>
Long term bank loans, 1.30% and 1.30% (Euro denominated)	102	311
	<u>102</u>	<u>311</u>

**17 Trade and other payables**

		<b>GROUP</b>	<b>GROUP</b>
		<b>31 Dec 2022</b>	<b>31 Dec 2021</b>
	<b>Note</b>	<b>AUS000</b>	<b>AUS000</b>
Trade payables		4,692	6,010
Employee benefits		17,525	12,421
Accrued expenses		9,658	13,271
Other payables		6,378	5,520
Vendor liability	18	<u>14,914</u>	<u>3,670</u>
		<u>53,167</u>	<u>40,892</u>

Trade payables are unsecured and are usually paid within 90 days of recognition. The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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Accrued expenses and other payables include; purchase and overhead accruals, accrued interest, sales and employee taxes payable as well as amounts due for integration, acquisition and restructuring, which due to their non-recurring nature are not classified as trade payables.

#### 18 Vendor liability

	Note	GROUP 31 Dec 2022 AUS000	GROUP 31 Dec 2021 AUS000
Non-current		—	12,447
Current	17	14,914	3,670
Total vendor liability		14,914	16,117
Deferred consideration		14,914	12,447
Contingent consideration		—	3,670

The movement of deferred consideration during the year is as follows:

	GROUP 31 Dec 2022 AUS000
Beginning of the period	12,447
Unwinding of discount	2,314
Effect of foreign exchange	153
Total vendor liability	14,914

Vendor liabilities represent outstanding payables due to vendors of businesses acquired by the Group. Deferred consideration is recognised at amortised cost and contingent consideration is recognised at fair value. Contingent consideration is dependent on various performance targets and is initially valued with reference to external valuations. *The fair value of the liability is reassessed at each reporting period with any revaluations recognised to profit and loss.* Fair value adjustments for the year ending 31 December 2022 were A\$1.2 million (year ended 31 December 2021: A\$1.4 million).

#### 19 Related party transactions and balances

In addition to management fees disclosed in Note 6, interest expense on amounts payable to related parties disclosed in Note 8 and compensation of key management personnel disclosed in Note 7 (c), the Group had the following related party transactions:

- On 1 July 2021 UK Midco III (an intermediate parent of the Group that controls and consolidates substantially all of the Group's trading business) completed its merger with Megalo Parent Inc. As part of the business combination the Group's loan facilities that were established on 15 October 2019 with various institutional lenders were restructured to be held at the Xplor Technologies, LLC level and from the Group's perspective were replaced with an intercompany loan facilities between the Group and Xplor T1, LLC. As at 31 December 2022 and 2021 these loan facilities are classified as Amounts payable to related parties.
- Immediately subsequent to the merger, the Group sold its interest in AI Sky US Bidco Inc. a subsidiary that held the Group's US-domiciled operations (including the Group's previous Boutique CGU), to Xplor T1, LLC. As part of this sale an intercompany loan note was established between the Group (as lender) and Xplor T1, LLC (as borrower). On 30 April 2022, the Group and Xplor T1, LLC have agreed to set off this intercompany loan referred plus any interest accrued thereon against the Group's loan payable to Xplor T1, LLC.
- Loans were advanced between the Group and entities having an indirect shareholding in the Group on inter-company accounts.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

- Repayments are made as cash flows allow and business needs require.
- Intercompany services provided to and from subsidiaries of Xplor Technologies, LLC.

Where applicable these transactions and balances are disclosed on the face of the Balance Sheet and Statement of Comprehensive Income.

Amounts recognised in relation to related party transactions with shareholders having a controlling or significant interest in the Group:

	<b>GROUP</b> <b>31 Dec 2022</b> <b>AUS000</b>	<b>GROUP</b> <b>31 Dec 2021</b> <b>AUS000</b>	<b>COMPANY</b> <b>31 Dec 2022</b> <b>AUS000</b>	<b>COMPANY</b> <b>31 Dec 2021</b> <b>AUS000</b>
<b>Consolidated balance sheet</b>				
<i>Within Non-current assets</i>				
Amounts receivable from related parties	34,400	269,884	—	—
<i>Within Current assets</i>				
Intercompany receivables from Group companies	—	—	—	90
Amounts receivable from related parties	281	26,209	—	—
<i>Within Non-current liabilities</i>				
Intercompany payables to Group companies	—	—	(1,963)	(2,061)
Amounts payable to related parties	(537,929)	(783,575)	—	—
<i>Within Current liabilities</i>				
Amounts payable to related parties	(46,923)	(28,626)	—	—
Total (payable)/receivable	<u>(550,171)</u>	<u>(516,108)</u>	<u>(1,963)</u>	<u>(1,971)</u>

Amounts payable to / receivable from related parties are with entities that hold an indirect shareholding in the Company and Group.

The interest rate on remaining loan facilities are between 7.3% and 7.4%.

Other than the loan facilities, loan note and redeemable preference shares, amounts receivable/payable to other Group companies and related parties are Interest free, repayable on demand and have no fixed terms. Movements in the receivable/payable balances between years were the result of receipts and advances.

Other than the management fees, interest expense on loan facilities, redeemable preference shares and compensation of key management personnel, related party transactions have no impact on the Group's statement of comprehensive income.

## 20 Management Equity

### (a) Overview of management equity arrangements

Certain current and former managers of the Group hold equity interests in AI Sky UK Midco II Limited ("UK Midco II"), an entity with an indirect shareholding in the Company and Group.

The various share based payment arrangements are described in more detail below.

#### C shares

This arrangement is a share ownership scheme under which certain managers ("participants") are issued restricted interests in UK Midco II Class-C shares. With the exception of one holder who owns a direct restricted interest in C

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

shares, legal title to the underlying C shares are held by Ocorian Limited, the Trustee of AI Sky UK Midco II's Employee Benefit Trust ("EBT"). The participants acquired the interests through cash investment, paying an upfront subscription price. These interests permit the participant to benefit from the value of a number of C shares. Under IFRS 2, the awards are classified as equity settled share based payments. Under the terms of the original award, the C shares were to fully vest in management on the occurrence of an IPO or other liquidity event. The grant date value of the original award was recognised in employee expenses over the anticipated period to the liquidity event.

#### *Vesting leaver conditions*

- a) Interests fully vest in the participants on the occurrence of an IPO or other liquidity event.
- b) The interests are subject to a call option that can be exercised by UK Midco II or the EBT in the event that the participant leaves the business before an IPO or other liquidity event ("leavers call option"):
  - i) Where a participant leaves the business and is classified as a "Bad Leaver" (defined as: all leavers other than "Good Leavers"), the exercise price of the leavers call option is the lower of the subscription price paid by the participant and the fair value of the interest.
  - ii) Where a participant leaves the business before an IPO or exit event and is classified as a "Good Leaver" (defined as: the participant leaves the business as a result of their position being made redundant by the Group, death or permanent disability), a five year vesting calculation is applied. Good leavers are entitled to the fair value of their vested interests, and the lower of subscription price and fair value for their unvested interests.

#### *Modified awards*

On 26 April 2021, the terms of the C share arrangement were modified, which resulted in changes to the vesting and settlement conditions of the awards. A summary of the key amendments is as follows:

1. The C ordinary shares will vest over a 5-year period, increasing daily on a straight-line basis after the first anniversary of the grant date ("Vesting Start Date").
2. Upon the completion of an IPO that results in the exchange or conversion of the C shares into listed shares of the IPO vehicle, all vested C shares will convert into fully vested shares of the listed shares (subject to customary lock-up restrictions).
3. Any unvested shares at the time of the IPO will be exchanged / converted into unvested listed shares, which will vest in equal quarterly instalments over the longer of:
  - a) the unexpired portion of the five-year period starting after the Vesting Start Date, and
  - b) two years after the date of the IPO.
4. After the IPO, the Group/ IPO vehicle will have the option to purchase any unvested listed shares at the lower of:
  - a) the cost of the unvested C shares that were converted into listed shares, and
  - b) the market value of any unvested listed shares.

Effective 31 May 2022, the Directors have approved modifications of the vesting conditions whereby, the C shareholders become 100% vested immediately following an IPO. Additionally, a leaving shareholder who has resigned from his/her position may retain certain number of C shares as at the date of becoming a leaver shareholder.

#### *Accounting treatment for the modified awards*

IFRS 2 treats the original award and the incremental value of the modified award as if they were two separate awards. As the modifications increased the fair value of the award, the Group continues to recognise an expense for the grant date fair value of the original award over its original vesting period, even though the vesting period of the modified award is longer, and the incremental fair value of the modified award is recognised over the remaining period until full vesting.

Accordingly, the Group continues to recognise the value of the original award over the original vesting period (estimated time to IPO). In addition, the incremental fair value of the modified award is accounted for as follows:

- For those shares expected to vest at IPO: Over the period from the modification date to the expected date of IPO;
- For later tranches (shares expected to vest quarterly after IPO), the incremental fair value of the modification will be recognised over the period from the modification date to the expected date of vesting. However, the modification in FY22 has changed the expected vesting period to the expected date of IPO.

# **AI SKY UK HOLDCO LIMITED** **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022**

In FY22, management has considered that an IPO or an exit event is not probable, therefore the grant date fair value have been accounted for over each shareholder's vesting period (i.e., over 5-year period), which represents the requisite service period. The cumulative impact was assessed retrospectively and any impact of the change has been accounted for prospectively.

UK Midco II's issue of these share based payments is accounted for by the Group as a capital contribution in equity.

## **(b) Share based payments**

The key assumptions used in valuing grants of C shares are as follows:

	<b>Year Ended 31 December 2022</b>	<b>Year Ended 31 December 2021</b>
<b>C Shares classified as equity settled</b>		
Anticipated liquidity event date at the time of award	Apr 2022 to Dec 2022	Apr 2022 to Dec 2022
Group EV volatility	37.7 %	37.7 %
Risk free rate	0.07 %	0.07 %
Expected dividends	Nil	Nil

The fair value of C shares were estimated based on a valuation methodology having regard to the expected future liquidity event and asset volatility based on comparable companies.

The following amounts have been recognised in relation to share based payment arrangements.

	<b>GROUP Year Ended 31 December 2022 AUS000</b>	<b>GROUP Year Ended 31 December 2021 AUS000</b>
<b>Income statement</b>		
Within Employee Costs and Other Operating Costs	491	8,374
	<u>491</u>	<u>8,374</u>

	<b>GROUP 31 Dec 2022 AUS000</b>	<b>GROUP 31 Dec 2021 AUS000</b>
<b>Statement of Financial Position</b>		
Within Capital Contributions Reserve in Equity		
C Shares classified as equity settled	12,855	14,556
C2 Shares classified as equity settled	—	1,433
C Shares - disposal of subsidiary	—	(2,192)
C2 Shares - disposal of subsidiary	—	(1,433)
	<u>12,855</u>	<u>12,364</u>

Share based payment costs for the full year ended 31 December 2021 include a charge of A\$2.4 million relating to the modifications made to the terms of the C shares Management Equity Plan on 26 April 2021.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

The movements in the Group's share based payment awards are summarised as follows:

#### Share interests allocated to management

C SHARES	Year Ended 31 December 2022	Year Ended 31 December 2021
	No. of shares	No. of shares
At 1 January	35,998,197	43,781,304
Granted	4,119,976	5,365,000
Forfeited	(9,760,058)	(4,443,053)
Disposal of subsidiary	—	(8,705,054)
At 31 December	30,358,115	35,998,197
	31 Dec 2022	31 Dec 2021
Weighted average subscription price	A\$ 0.02	A\$ 0.02
Weighted average fair value	A\$ 0.26	A\$ 0.26

## 21 Share capital and share premium

### Ordinary shares

The A Ordinary Shares and its share premium were issued upon incorporation and upon acquisition of subsidiaries, as follows:

Group and Company	Number of shares	Nominal value AUS	Nominal value of shares AUS000s	Share premium AUS000s	Total share value AUS000s
<b>Total at 1 January 2022 and 31 December 2022</b>	825,911,072	0.01	8,259	1,000,807	1,009,066
Group and Company	Number of shares	Nominal value AUS	Nominal value of shares AUS000s	Share premium AUS000s	Total share value AUS000s
<b>Total at 1 January 2021</b>	825,111,072	0.01	8,251	910,569	918,820
<b><u>Subsequent shares issued</u></b>					
Shares issued on 1 January 2021	100,000	0.01	1	2,659	2,660
Shares issued on 29 January 2021	100,000	0.01	1	1,868	1,869
Shares issued on 17 March 2021	100,000	0.01	1	25,020	25,021
Shares issued on 27 April 2021	300,000	0.01	3	52,776	52,779
Shares Issued on 3 May 2021	100,000	0.01	1	2,781	2,782
Shares issued on 27 May 2021	100,000	0.01	1	5,134	5,135
Shares issued during the year for acquisition of businesses	800,000		8	90,238	90,246
<b>Total at 31 December 2021</b>	<b>825,911,072</b>		<b>8,259</b>	<b>1,000,807</b>	<b>1,009,066</b>

The 825,911,072 A Ordinary Shares of Australian \$0.01 have been authorised and issued at the total share values above for cash and are fully paid. The A Ordinary Shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. On a show of hands, every holder of ordinary shares present at a meeting, in person or by proxy, is entitled to one vote; and, on a poll, each share is entitled to one vote. The Company does not have a limited amount of authorised capital.

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

#### 22 Other reserves

GROUP	Note	Foreign Currency Translation Reserve AUS000	Capital Contribution Reserve AUS000	Total Other Reserves AUS000
<b>Balance at 1 January 2022</b>		(24,745)	24,843	98
Currency translation difference		(48,418)	—	(48,418)
Capital contributions		—	—	—
Share based payments	20	—	491	491
<b>Balance at 31 December 2022</b>		<u>(73,163)</u>	<u>25,334</u>	<u>(47,829)</u>
<b>Balance at 1 January 2021</b>		(29,286)	16,048	(13,238)
Currency translation difference		(33,808)	—	(33,808)
Capital contributions		—	4,247	4,247
Share based payments	20	—	8,374	8,374
Disposal of subsidiary		38,349	(3,826)	34,523
<b>Balance at 31 December 2021</b>		<u>(24,745)</u>	<u>24,843</u>	<u>98</u>

#### *Foreign Currency Translation Reserve*

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

#### *Capital Contribution Reserve*

The capital contribution reserve records:

- Share based payments or equity-based business combination consideration issued by AI Sky UK Midco II Limited (“UK Midco II”), an intermediate parent of the Group, to the Group’s management and certain vendors of acquisitions made by the Group. See Note 20 for further detail.
- Non-cash equity contributed to the Group by owners, as a result of directly settling liabilities of the Group, without new shares being issued and with no requirement of repayment.

#### 23 Business Combinations

There were no acquisitions that took place within the Group during the year ended 31 December 2022. During the year ended 31 December 2021, the following acquisitions took place within the Group:

On 1 January 2021, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares in Adaptive Analytics LLC, a company incorporated in the USA, for US\$3,954k (AU\$5,260k). Adaptive Analytics LLC provides data analytics and visualisation tools for the health and fitness sectors in North America. In the period 1 January to 30 June 2021 Adaptive Analytics LLC contributed AU\$227k of discontinued revenue and AU\$139k of net loss after tax. AI Sky US Bidco Limited was sold on 1 July 2021 therefore Adaptive Analytics LLC is no longer part of the Group.

On 3 May 2021, Transaction Services Holdings Limited, a subsidiary within the Group, acquired 100% of the shares in Superior Admin Limited, a company incorporated in New Zealand, for NZ\$15,000k (AU\$13,920k). Superior Admin Limited trades as Discover, providing business management, education and parent engagement software to early education centres in New Zealand. During the year ended 31 December 2021, Superior Admin Limited contributed revenue of AU\$1,070k and net profit after tax of AU\$351k. If the entity had been acquired on 1 January 2021, Superior Admin Limited would have contributed revenue of AU\$1,619k and net profit after tax of AU\$640k. Deferred tax of AU\$1,637k has been provided in relation to these fair value adjustments.

On 30 July 2021, TSG Holdings (Aust) No.2 PTY Limited, a subsidiary within the Group, acquired 100% of the shares in Zenrol PTY Limited, a company incorporated in Australia, for AU\$500k. Zenrol PTY Limited provides sales and

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

marketing solutions for early education centres in Australia. During the year ended 31 December 2021, Zenrol PTY Limited contributed revenue of AU\$127k and net profit after tax of AU\$35k. If the entity had been acquired on 1 January 2021, Zenrol PTY Limited would have contributed revenue of AU\$293k and net profit after tax of AU\$98k.

The fair value of assets acquired, as listed below, include an allocation of value to software and customer relationships on an excess earnings rate and value of trade names on a royalty relief basis.

Goodwill is shown as the difference of net assets acquired to purchase price. The value of goodwill is attributable to the expected benefit from the ability to generate new streams of revenue and the synergy opportunities through integration of the acquired entities with the existing business. Goodwill for Adaptive Analytics LLC is expected to be deductible for income tax purposes. Goodwill for Superior Admin Limited is not expected to be deductible for income tax purposes.

	Adaptive Analytics LLC 1 JAN 2021 AUS000	Superior Admin Limited 3 MAY 2021 AUS000	Zenrol PTY Limited 30 JUL 2021 AUS000	Total AUS000
Cash and cash equivalents	29	28	—	57
Trade and other receivables	16	—	36	52
Computer software	1,563	4,326	480	6,369
Customer relationships	458	1,344	—	1,802
Other intangibles	215	176	—	391
Trade and other payables	(148)	(54)	(17)	(219)
Deferred revenue	—	(92)	—	(92)
Deferred tax liability	—	(1,637)	—	(1,637)
Payable for taxation	—	(23)	1	(22)
Total identifiable net assets	2,133	4,068	500	6,701
Goodwill	3,127	9,852	—	12,979
Total consideration	5,260	13,920	500	19,680
<b>Net cash effect</b>				
Total consideration (paid)	(5,260)	(13,920)	(500)	(19,680)
Cash consideration deferred	1,284	—	—	1,284
Consideration issued in equity rollover	—	2,784	—	2,784
Cash consideration paid	(3,976)	(11,136)	(500)	(15,612)
Cash included in net assets acquired	29	28	—	57
Net cash effect	(3,947)	(11,108)	(500)	(15,555)

For the year ended 31 December 2021, acquisition-related costs of A\$3,184k that were not directly attributable to the issue of shares are included in administrative expenses in the statement of profit or loss and in operating cash flows in the statement of cash flows.

The fair value of the 3,179,176 B ordinary shares issued as part of the consideration paid for Superior Admin Limited was estimated using a market approach.

The totals in the above differs from the goodwill and intangibles in Note 12 and deferred tax liability in Note 9 due to an immaterial prior period error which is corrected in the current year in line with IFRS.

# **AI SKY UK HOLDCO LIMITED** **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS** **FOR THE YEAR ENDED 31 DECEMBER 2022**

## **24 Financial assets and liabilities by category**

<b>GROUP</b>	<b>Financial Assets AUS\$000</b>	<b>Financial Liabilities AUS\$000</b>
<b>Balance at 31 December 2022</b>		
<i>Fair value hierarchy: Level 1</i>		
Cash and cash equivalents	16,786	
Collection deposits	99,917	
Collection liability		(99,988)
Borrowings		(102)
<i>Fair value hierarchy: Level 3</i>		
Trade receivables	13,044	
Amounts receivable from related parties	34,681	
Trade payables		(4,692)
Vendor liability		(14,914)
Amounts payable to related parties		(584,852)
<b>Balance at 31 December 2021</b>		
<i>Fair value hierarchy: Level 1</i>		
Cash and cash equivalents	10,512	
Collection deposits	79,470	
Collection liability		(79,470)
Borrowings		(311)
<i>Fair value hierarchy: Level 3</i>		
Trade receivables	6,533	
Amounts receivable from related parties	296,093	
Trade payables		(6,010)
Vendor liability		(16,117)
Amounts payable to related parties		(812,201)

## **25 Financial Instruments**

The main risks arising from the Group's financial instruments are foreign exchange risk, interest rate risk, credit risk and liquidity risk. The Board policies for managing these risks are summarised in Note 2. During the year, there were no changes to the Group's exposure to these risks or the manner in which it manages and measures these risks.

For cash and cash equivalents, the Group minimises credit risk by dealing exclusively with highly credit rated counterparties. The creditworthiness (with reference to external credit rating agencies) of the counterparties in respect of cash and cash equivalents balances in the Group is as follows:

	<b>GROUP 31-Dec-21 AUS\$000</b>	<b>GROUP 31-Dec-20 AUS\$000</b>
AA-	9,346	3,703
A+	2,209	3,950
A	1,747	2,763
BBB+	3,367	96
<b>Total cash and cash equivalents</b>	<b>16,669</b>	<b>10,512</b>

# AI SKY UK HOLDCO LIMITED

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### FOR THE YEAR ENDED 31 DECEMBER 2022

Other financial assets with counterparties comprise of trade receivables. As the Group usually collects its billing transaction fee upfront and only the net collections are submitted to each customer, the trade receivables balance is small relative to the size of revenue. Existing trade receivables balances relate to large, well established customers with long standing relationships with the Group with no defaults in the past. Refer Note 15 for further details.

#### 26 Commitments

The Group had no letters of credit outstanding at 31 December 2022 (31 December 2021: nil). The Group had issued bank guarantees amounting to A\$547k at 31 December 2022 (31 December 2021: A\$547k).

There were no capital commitments at 31 December 2022 (31 December 2021: nil).

#### 27 Contingent Liabilities

There were no material contingent liabilities at 31 December 2022 (31 December 2021: nil).

Management continues to work with external advisors to assess any further potential financial claims that may be due to third parties. At the current time it is not possible to determine the expected outcome or quantification of such amounts and therefore the Directors consider these represent contingent liabilities.

#### 28 Subsidiaries and controlled entities

The Group has the following subsidiaries and controlled entities at 31 December 2022:

Name	Country of incorporation	Registered office	Nature of business	Shares held directly by parent (%)		Shares held by Group (%)	
				2022	2021	2022	2021
AI Sky UK Bidco Limited	UK	Note (a)	Holding entity	100	100	100	100
AI Sky Aus Finance Limited	UK	Note (a)	Holding entity	—	—	100	100
AI Sky NZ Finance Limited	UK	Note (a)	Holding entity	—	—	100	100
AI Sky Cdn Finance Limited	UK	Note (a)	Holding entity	—	—	100	100
AI Sky UK Newco Limited	UK	Note (a)	Holding entity	—	—	100	100
Transaction Services Group Limited	UK	Note (a)	Holding entity	—	—	100	100
TSG Holdings (UK) Limited	UK	Note (a)	Holding entity	—	—	100	100
Transserv UK Limited	UK	Note (a)	Holding entity	—	—	100	100
Debit Finance Collections Plc	UK	Note (a)	Direct debit billing services	—	—	100	100
Harlands Group Ltd	UK	Note (a)	Holding entity	—	—	100	100
Harlands Services Ltd	UK	Note (a)	Direct debit billing services	—	—	100	100
Harlands Finance Ltd	UK	Note (a)	Direct debit billing services	—	—	100	100
TSG Holdings (Australia) Pty Limited	Australia	Note (b)	Holding entity	—	—	100	100
TSG Holdings (Aust) No 2 Pty Limited	Australia	Note (b)	Holding entity	—	—	100	100
Transaction Services (Australia) Pty Limited	Australia	Note (b)	Holding entity	—	—	100	100
Transaction Services Limited Partnership	Australia	Note (b)	Holding entity	—	—	100	100
Debitsuccess Pty Limited	Australia	Note (b)	Direct debit billing services	—	—	100	100
FFA Paymart Holdings Pty Limited	Australia	Note (b)	Holding entity	—	—	100	100
Paymart Pty Limited	Australia	Note (b)	Direct debit billing services	—	—	100	100
The FFA Paymart Unit Trust	Australia	Note (b)	Direct debit billing services	—	—	100	100
Clubware Pty Limited	Australia	Note (b)	Non-trading entity	—	—	100	100
Links Modular Solutions Pty Limited	Australia	Note (b)	Software services	—	—	100	100
Links IP Holdings Pty Limited	Australia	Note (b)	Non-trading entity	—	—	100	100
QK Technologies Pty Limited	Australia	Note (b)	Software services	—	—	100	100

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

The Group has the following subsidiaries and controlled entities at 31 December 2022 (continued):

Name	Country of incorporation	Registered office	Nature of business	Shares held directly by parent (%)		Shares held by Group (%)	
				2022	2021	2022	2021
Minerva Solutions Pty Limited	Australia	Note (b)	Holding entity	—	—	100	100
TSG Holdings (NZ) Limited	New Zealand	Note (c)	Holding entity	—	—	100	100
Transaction Services Group (NZ) Limited	New Zealand	Note (c)	Holding entity	—	—	100	100
Transaction Services Holdings Limited (NZ)	New Zealand	Note (c)	Holding entity	—	—	100	100
Debitsuccess Limited	New Zealand	Note (c)	Direct debit billing services	—	—	100	100
Paysmart NZ Limited	New Zealand	Note (c)	Direct debit billing services	—	—	100	100
Clubware Limited	New Zealand	Note (c)	Non-trading entity	—	—	100	100
AI Sky Aus Holdco Pty Ltd	Australia	Note (b)	Holding entity	—	—	100	100
AI Sky Aus Bidco Pty Ltd	Australia	Note (b)	Holding entity	—	—	100	100
TSG Japan	Japan	Note (d)	Direct debit billing services	—	—	100	100
TSG Morocco SARL AU	Morocco	Note (e)	Non-trading entity	—	—	100	100
TSG Revenue Management Solutions Ireland DAC	Ireland	Note (f)	Non-trading entity	—	—	100	100
MyXplor Pty Ltd	Australia	Note (b)	Software services	—	—	100	100
Legend Recreation Software Inc.	UK	Note (a)	Software services	—	—	100	100
Legend Canada Inc.	Canada	Note (k)	Holding entity	—	—	100	100
Legend Leisure Services Limited	Canada	Note (k)	Software services	—	—	100	100
Club Machine Holdings Limited	UK	Note (a)	Software services	—	—	100	100
Brightline Limited	UK	Note (a)	Software services	—	—	100	100
Xplor Software (UK) Limited) (previously Legend Club Management Systems (UK) Limited)	UK	Note (a)	Software services	—	—	100	100
MyXplor UK Ltd	UK	Note (a)	Software services	—	—	100	100
PerfectMind Inc.	Canada	Note (l)	Software services	—	—	100	100
Software Minder Limited	New Zealand	Note (c)	Software services	—	—	100	100
Sky EU Bidco S.a.r.l	Luxembourg	Note (h)	Holding entity	—	—	100	100
Synodia SAS	France	Note (i)	Software services	—	—	100	100
Lodecom SAS	France	Note (j)	Software services	—	—	100	100
Xplor Pay BV	The Netherlands	Note (g)	Payment services	—	—	100	100
Stichting Custodian Xplor Pay	The Netherlands	Note (g)	Payment services	—	—	100	100
Superior Admin Limited	New Zealand	Note (f)	Software services	—	—	100	100
Zenrol PTY Limited	Australia	Note (b)	Software services	—	—	100	100

The following subsidiaries and controlled entities were sold in the prior year:

Name	Nature of business	Shares held directly by parent (%)		Shares held by Group (%)	
		2022	2021	2022	2021
AI Sky US Bidco Inc.	Holding entity	—	—	—	—
Mariana Tek Corporation	Software services	—	—	—	—
Zingfit LLC	Software services	—	—	—	—
TrueCoach, Inc	Software services	—	—	—	—
Brandbot, LLC	Software services	—	—	—	—
Triib, Inc	Software services	—	—	—	—
Transaction Services Group USA Inc	Holding entity	—	—	—	—
Adaptive Analytics LLC	Software services	—	—	—	—

Note (a): 1st Floor Central Square South, Orchard Street, Newcastle Upon Tyne, United Kingdom, NE1 3AZ

Note (b): 520 Bourke Street, Melbourne, 3000 Australia

Note (c): 5 The Warehouse Way, Northcote, Auckland, 0627, New Zealand

Note (d): 384 Saeodorho, Tsuzuki Ward, Yokohama, Kanagawa 224-0054, Japan

Note (e): Angle BD, Abdelmoumen and Rue Soumia, Khay Sheherazada 3, 5th Floor, No 2, Casablanca

Note (f): Block 3, Harcourt Centre, Harcourt Road, Dublin 2, D02 A339

# AI SKY UK HOLDCO LIMITED

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2022

Note (g) Strawinskylaan 411, 1077XX Amsterdam  
 Note (h) 70 Route d'Esch, 1470 Luxembourg  
 Note (i) 41 Rue du Général de Gaulle, 59110 La Madeleine, France  
 Note (j) 2 Rue du Château, 81370 Saint-Sulpice-la-Pointe, France  
 Note (k) 2451 Riverside Drive, House of Sport, West Wing, Upper Level, Ottawa ON K1H 7X7, Canada  
 Note (l) 4333 Still Creek Dr 2nd Floor, Burnaby, BC V5C 6S6, Canada

All subsidiaries and controlled entities are included in the consolidation.

	COMPANY 31 Dec 2022	COMPANY 31 Dec 2021
	AUS000	AUS000
<b>Investment in subsidiaries</b>		
Parent Company investment (at cost) in Group companies:		
Investment in AI Sky UK Bidco Limited	1,010,735	1,010,735
<b>Total investments</b>	<b>1,010,735</b>	<b>1,010,735</b>

## 29 Discontinued operations

On 1 July 2021, UK Midco III (an intermediate parent of the Group that controls and consolidates substantially all of the Group's trading business) completed its merger with Megalo Parent Inc. Megalo Parent Inc consolidates the trading business of Clearent, a USA limited liability company, pursuant to the Merger Agreement. Clearent is a provider of business management software and payment services in the USA. The newly combined business was branded "Xplor Technologies".

As part of the business combination UK Midco II (a former intermediate parent of the Group that previously controlled and consolidated UK Midco III and its subsidiaries) transferred 100% of its shares in UK Midco III to a subsidiary of Xplor Technologies, LLC, the newly incorporated parent company of Xplor Technologies. In exchange for this transfer, Xplor Technologies, LLC issued UK Midco II with shares equating to 49% of the shareholders' equity in Xplor Technologies. Immediately subsequent to the merger, the Group sold its interest in AI Sky US Bidco Inc, a subsidiary that held the Group's US-domiciled operations (including the Group's previous Boutique CGU), to Xplor TI, LLC. From 1 July 2021, AI Sky UK Holdco Limited ceased to consolidate AI Sky US Bidco Inc and its subsidiaries as controlled entities. The sale of AI Sky US Bidco Inc was treated by the Group as a disposal of that subsidiary and reported as a discontinued operation. Financial information relating to the discontinued operation for the period to the date of disposal is set out below.

## Financial performance and cash flow information

	GROUP Six Months Ending 30 Jun 2021 AUS000
Revenue	15,064
Expenses	(23,478)
<b>Loss before income tax</b>	<b>(8,414)</b>
Income tax credit	1,177
Loss after income tax from discontinued operations	(7,237)
Gain on sale of the subsidiary (see below details of the sale of the subsidiary)	56,183
<b>Profit from discontinued operation</b>	<b>48,946</b>

**AI SKY UK HOLDCO LIMITED**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**GROUP**  
**Six Months**  
**Ending 30**  
**Jun 2021**  
**AUS000**

Net cash outflow from operating activities	9,219
Net cash outflow from investing activities	(10,531)
Net cash outflow from financing activities	(625)
<b>Net cash outflow used by discontinued operation</b>	<b>(1,937)</b>

**Details of the sale of the subsidiary**

**GROUP**  
**1 JUL 2021**  
**AUS000**

Consideration receivable:	
Loan receivable	264,800
Total disposal consideration	<b>264,800</b>
Carrying amount of net assets sold	(150,981)
Gain on sale before income tax and reclassification of foreign currency translation reserve	<b>113,819</b>
Reclassification of foreign currency translation reserve	(57,636)
<b>Gain on sale</b>	<b>56,183</b>

The carrying amounts of assets and liabilities as at the date of sale were:

**GROUP**  
**1 JUL 2021**  
**AUS000**

Goodwill	113,527
Intangible assets	77,278
Other assets	3,958
Trade and other receivables	1,483
Cash and cash equivalents	1,498
<b>Total assets</b>	<b>197,744</b>
Trade and other payables	(4,694)
Deferred income	(1,974)
Lease liability	(2,615)
Deferred tax liability	(11,112)
Amounts payable to related parties	(26,368)
<b>Total liabilities</b>	<b>(46,763)</b>
<b>Net assets</b>	<b>150,981</b>

# **AI SKY UK HOLDCO LIMITED**

## **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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#### **30 Events after the reporting period**

On 31 July 2023, AI Sky UK Bidco Limited ("UK Bidco"), a subsidiary of the Company, entered into a Securities Purchase Agreement with Fit Cloud Technology, Ltd, a company incorporated in the United Kingdom ("Membr"), pursuant to which, among other things, UK Bidco acquired all of Member's outstanding issued share capital. Membr provides cloud-based software and payment services for the management and operations of gyms and fitness centres. The total purchase price was £48 million, with £40 million cash payment at closing and £8 million of contingent earn out to be paid based on the performance of the business through 31 December 2025. The purchase price is subject to post-closing working capital adjustments and included £0.9 million held in escrow as security for post-closing purchase price adjustments and post-closing indemnification obligations of the previous owner. The transaction was funded through cash on the balance sheet of UK Bidco, following an equity raise through the issuance of equity in July 2023. A total of 8,050,000 shares was issued by the Group on 31 July 2023.

Due to the timing of the acquisition, the initial accounting for the acquisition is incomplete. As such, the Group is not able to disclose certain information relating to the acquisition including the aggregate fair value of the consideration and the preliminary fair value of assets acquired and liabilities assumed. In order to determine the fair values of the assets acquired and liabilities assumed, the Group has engaged a third-party independent valuation specialist to assist management with the valuation and will have a preliminary purchase price allocation during the third quarter of 2023. The Group expects to record goodwill and definite-lived intangible assets related to customer relationships, trade names, and acquired technology and developed software.

The Group has evaluated other subsequent events occurring through 27 September 2023, the date that these consolidated financial statements were available to be issued. Based upon this review, the Group did not identify any subsequent events that would have required adjustment or disclosure in the financial statements other than as disclosed above and in the notes elsewhere.