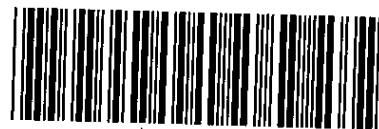


**AI Sky UK Holdco Limited**  
**Annual report and financial statements**  
for the period from 1 April 2020 to 31 December 2020

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## AI Sky UK Holdco Limited

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## **AI Sky UK Holdco Limited**

### **Company information**

**Company number** 12031110

**Registered office** Rockwood House  
Perrymount Road  
Haywards Heath  
West Sussex  
RH16 3TW

**Board of Directors and Advisers**  
**Directors**

Floris Petrus de Kort (appointed 15 October 2019)  
Jeffrey David Paduch (appointed 15 October 2019)  
Thomas Alexander Lorenzo Welsman (appointed 7 October 2019)

**Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London Riverside,  
London  
SE1 2RT

## **AI Sky UK Holdco Limited**

### **Strategic Report**

### **for the period from 1 April 2020 to December 2020**

#### **Introduction**

The Directors present their strategic report for AI Sky UK Holdco Limited (the “Company”) and its subsidiaries (collectively the “Group”) for the period from 1 April 2020 and 31 December 2020.

The Company was formed on 4 June 2019 to acquire the existing business of Transaction Services Group Limited (“TSGL”), a United Kingdom registered business. This acquisition completed on 15 October 2019. The financial results for the period ended 31 December 2020 record the 9 months trading since 1 April 2020, while the financial results for the period ending 31 March 2020 record the 5.5 months of trading from acquisition to that date and are therefore not comparable. Following the acquisition a change in year-end date from 31 March to 31 December was made in anticipation of the merger subsequent to year end, as discussed in Note 30.

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 7.

#### **Review of the business**

The Group specialises in providing software and integrated payments for the health & fitness, boutique & studio, and early education markets. The solutions help fitness clubs, boutique studios, 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. We deliver this through a range of world-class software solutions operating across Australasia, North America, the United Kingdom and Europe.

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

Historically the Group has seen strong growth in revenue driven by both continued organic expansion and growth through acquiring businesses. However, the COVID-19 pandemic adversely impacted trading to a varying extent in all of the Group’s primary markets during the period. The impacts commenced when trading restrictions were enforced in Australasia, North America, the United Kingdom and Europe from late March 2020. The restrictions required many of our clients in the Health & Fitness industry to temporarily close and freeze subscription memberships, which resulted in the Group’s revenue generated from subscription payments from Health & Fitness clients reducing significantly. The Group’s other industries were also impacted to a lesser extent. Restrictions continued throughout the period in North America, the United Kingdom and Europe but have eased in those markets through the first half of 2021. Australia and New Zealand have continued to see intermittent, regional restrictions through 2021 and at the time of this report trading is restricted in Victoria and NSW in Australia, and Auckland, New Zealand.

In response to the reduction in revenue the Group undertook numerous cost management actions, including ceasing certain capital expenditure projects, accelerating the integration of recently acquired businesses and utilising government support schemes. Many of the cost management actions create a run rate benefit and will improve profitability as volumes recover.

To support our clients through the crisis we offered promotions and further development of our Health & Fitness and Education products that contain online features to enable a continuation of certain services at home through lockdowns.

The health and wellbeing of all colleagues has remained of utmost importance through the COVID-19 pandemic. Our workforce transitioned easily to working from home and we have been able to provide uninterrupted service to our clients. We also introduced various forms of support for our colleagues and continued to keep them informed on the impact of COVID on the Group.

## **AI Sky UK Holdco Limited**

### **Strategic Report**

### **for the period from 1 April 2020 to December 2020**

#### **Review of the business (continued)**

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

Despite the impact of COVID, the Group has continued to add further management capability to the organisation in areas such as People & Culture, Legal, Compliance, Strategy and Risk to further establish the business for growth, and also implemented the Living Wage in our contact centres in the United Kingdom and New Zealand. The Group has also continued to invest in the development and expansion of its flagship products. 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.

The Group has completed two acquisitions in the period to 31 December 2020. Both businesses offer business management software to the Health and Fitness markets in France. These acquisitions represent the Group's first scaled entry into Continental Europe and present opportunities to deliver synergies through selling software across the Group's broader UK & Europe network and the integration of payments.

#### *Change in reporting segments*

The Group has historically monitored its financial performance at a regional level and operated under three operating segments of Australasia, UK & Europe and Rest of World. Each region had its own leadership team that reported results to the CEO and the Board by region.

After completing various acquisitions, the Group carried out a strategic review of the business that recommended changes in the strategic positioning and management structure of the business, which the Board adopted during the period.

These changes include moving from a regional management structure to a single platform and product-vertical management structure. It was determined that moving to a management structure of a single platform with go-to-market verticals was a significantly more scalable model for the Group to grow its global operations. The go-to-market verticals consolidate business management software into three categories where the nature of the end client is similar, being Health & Fitness, Boutique Wellness and Education. The Group has established a single operating platform that serves the go-to-market verticals through the provision of payments technology, shared services and management.

Floris de Kort was appointed as Chief Executive Officer for the Group and an employee of the business from July 2020, in place of Steven Holmes, who was appointed into a newly established position of Chief Operating Officer to lead the Group's operations, established to consolidate Group-wide operations as a single platform.

Overall, the Group revenue for the 9 months ended 31 December 2020 amounted to Australian \$124,578,000. The Group reports a loss before income tax of Australian (\$111,747,000). The loss before income tax is impacted by revaluations to vendor liabilities (\$4,479,000) and to various costs associated with the acquisition of TSGL and consulting engagements following the acquisition, primarily relating to integration, planning and restructuring (\$29,368,000). Net assets at 31 December 2020 are Australian \$738,352,000.

## AI Sky UK Holdco Limited

### Strategic Report

### for the period from 1 April 2020 to December 2020

#### Review of the business (continued)

The key performance indicators ("KPIs") are monitored regularly by the trading subsidiaries and reported in the monthly management accounts. The KPIs that are regularly monitored include transaction volume and revenue. The key financial performance indicators are listed below.

\$ are Australian Dollars.

	Group total	
	9 months ended 31 December 2020	5.5 months ended 31 March 2020
Transaction Volume	\$3,204,919.130	\$2,946,491.000
Revenue	\$124,578.000	\$82,835.000

Financial performance controls include the preparation and review of detailed monthly management reports, which include measures of revenue by type and by client, and profitability. The financial and non-financial performance of the Group is reviewed on a monthly basis by the Board.

#### 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 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.

The Group is not required to report on Streamlined Energy and Carbon Reporting matters as this is not material to the Group operations.

## **AI Sky UK Holdco Limited**

### **Strategic Report**

### **for the period from 1 April 2020 to December 2020**

#### **Review of the business (continued)**

##### *Social*

Ensuring the Health & Safety of colleagues at all times is an important area of social risk management. During the period management commenced a process analysing health and safety regulation across all markets in which it participates, with the objective of defining a single Group-wide policy. During the period the Group appointed a senior leadership role that has Health & Safety as a core responsibility.

The Group continues to promote an inclusive and diverse work environment with initiatives to develop L.G.B.T.Q.I+ 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.

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 will evaluate environmental, public health, safety, and social issues associated with the acquisition target. After an acquisition takes place, the Group will utilise established governance structures to oversee the areas of audit, risk management, and potential conflicts of interest, and to implement 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 Health & Fitness 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.

## **AI Sky UK Holdco Limited**

### **Strategic Report**

### **for the period from 1 April 2020 to December 2020**

#### **Consideration and engagement of our stakeholders (continued)**

##### *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 23.

##### *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.

##### *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 have worked with us during the period COVID-19 has impacted the business to allow an extension of payment terms. Terms with suppliers are now returning 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**

##### *Merger with Clearent LLC*

On 1 July 2021 AI Sky UK Midco III Limited (an intermediate parent of the Group that controls and consolidates substantially all of the Group's trading business) completed its previously announced merger with Megalo Parent Inc. Megalo Parent Inc consolidates the trading business of Clearent LLC ("Clearent"), a USA limited liability company, pursuant to a Master Transactions Agreement dated February 24, 2021 (the "Merger Agreement"). Clearent is a provider of business management software and payment services in the USA.

The merger combines two complementary businesses to establish a scaled platform to provide software, integrated payments and commerce enabling solutions to multiple verticals. The merged Group will be rebranded as Xplor, headquartered in the United States. Clearent's CEO Pamela Joseph will serve as Executive Chair of the Xplor Group and TSG's CEO Floris de Kort will serve as Group CEO.



## **AI Sky UK Holdco Limited**

### **Strategic Report**

### **for the period from 1 April 2020 to December 2020**

#### **Future developments (continued)**

##### *Acquisitions after period-end*

After the period the Group acquired 100% of the share capital of Adaptive Analytics LLC, a Delaware limited liability registered company that provides data analytics software to health & fitness centres in the United States.

After the period the Group also acquired 100% of the share capital of Superior Admin Limited, a New Zealand registered company specialising in business management software for early education centres in New Zealand.

After the period, the Group signed an agreement to acquire 100% of the share capital of Zenrol PTY Ltd, an Australian registered company specialising in booking software for early education centres in Australia.

##### *Ongoing impact of COVID trading restrictions*

Restrictions on health & fitness markets have continued through the first half of 2021, in particular in the United Kingdom and Europe where second waves of COVID infections have triggered ongoing lockdowns. This has impacted payments volumes and revenues for the Group due to membership subscriptions being on pause. However, markets have started to reopen in April and May 2021 and we are starting to see volumes and revenue recover. We expect the vaccine roll outs in these markets to underpin a sustained recovery from the impacts of COVID.

##### *Brexit*

The United Kingdom left the European Union on 31 January 2020. To ensure business continuity for clients who utilise payment services from Harlands Services Ltd in the European Union, the Group applied for and received a payments institution authorisation in The Netherlands, via its Dutch subsidiary, TSG Payments NDL B.V.

##### *Outlook and Strategic Focus*

Despite the challenges presented by the COVID-19 pandemic throughout the period the Directors consider the current state of affairs of the Group to be satisfactory and believe that Health & Fitness markets will recover quickly and that all parts of the Group will return to growth in the near term based on the sustainable, scalable platform that has been developed and the comprehensive portfolio of products.

Key areas of strategic focus for the Group include completing the merger and integration with Clearent, broadening the distribution of products across multiple regions and the ongoing identification, execution and integration of acquisitions that enhance shareholder value.

#### **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**

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.

## **AI Sky UK Holdco Limited**

### **Strategic Report**

### **for the period from 1 April 2020 to December 2020**

#### **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. Our staff have adapted well to working from home through COVID-19. Although this has brought personal and work challenges, particularly for those with younger children, living alone or with home not easily adapted to work environments. 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 wellbeing of all colleagues has remained of utmost importance through the COVID-19 pandemic. Maintaining frequent communication with our staff while working remotely has been priority.

#### **Regulatory risk**

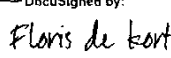
An increasingly complex regulatory and legislative environment increases cost and reduces flexibility. It is common to see reforms of regulation and legislation in our existing markets, such as GDPR and Brexit in Europe. Similarly, as we expand into new markets, such as childcare, the Group becomes subject 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 11-16.

Approved by the Board and signed on its behalf by:

DocuSigned by:  
  
F195674112AF42C

Floris Petrus de Kort

1 October 2021

## **AI Sky UK Holdco Limited**

### **Directors' Report**

### **for the period from 1 April 2020 to December 2020**

The Directors present their report and the audited consolidated financial statements for the 9 months ended 31 December 2020.

#### **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. Until 15 October 2019 the Company was dormant. On 15 October 2019, an additional 672,343,620 ordinary shares were issued at par for cash. A total of 672,343,620 ordinary shares were issued at the end of the period. The financial results for the period ended 31 December 2020 record the 9 months trading since 1 April 2020, while the financial results for the period ending 31 March 2020 record the 5 5 months of trading from acquisition to that date and are therefore not comparable. The change to the reporting date from 31 March to 31 December has been made in anticipation of the upcoming merger discussed in Note 30 of the financial statements.

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 ("UK Midco III"), a Jersey incorporated company. The ultimate parent undertaking of the Group is AI Sky (Cayman) Limited, a Cayman incorporated company, which is owned by various investment funds managed by Advent International Corporation. The ultimate controlling party is Advent International Corporation, an SEC Registered investment adviser.

The following acquisitions took place within the Group during the period:

On 1 April 2020, TSG Holdings (UK) Limited, a subsidiary within the Group, acquired 100% of the shares in Synodia SAS, a company incorporated in France, for \$57,704,000. Subsequent to the acquisition, AI Sky EU Bidco Limited was incorporated and 100% of the shareholding in Synodia SAS was transferred from TSG Holdings (UK) Limited to AI Sky EU Bidco Limited.

On 24 June 2020, AI Sky EU Bidco acquired 100% of the shares in Lodecom SAS, a company incorporated in France, for approximately \$10,384,000.

Both Synodia and Lodecom provide business management software to facilities in the health and fitness sector primarily in France.

#### **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 Health & Fitness and Childcare & Education industries.

#### **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 4 to 10. These matters relate to the future developments, review of business and principal risks and uncertainties of the Company.

#### **Results and dividends**

The Group loss after tax for the 9 months ended 31 December 2020 amounted to Australian (\$90,887,000) (31 March 2020: (\$68,748,000)). No dividends were paid or proposed for the period (31 March 2020: nil).

## **AI Sky UK Holdco Limited**

### **Directors' Report**

### **for the period from 1 April 2020 to December 2020**

#### **Prior period measurement adjustment and reclassifications**

During the preparation of the Financial Statements a measurement period adjustment has been made to a business combination that was completed during the period ended 31 March 2020, and reclassifications have been made in order to more clearly report on underlying performance. Refer to Note 31 for the details.

#### **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 childcare and education industries in Australasia, the United Kingdom and North America. 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 9 months ended 31 December 2020 the Group or Company made political donations of \$9,999 (31 March 2020: nil). The Group or Company did not make any charitable donations (31 March 2020: nil).

#### **BIS audit exemption**

For the Group's UK subsidiaries, Transation 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 Limited, Harlands Finance Limited, Legend Club Management Services (UK) Limited, Legend Leisure Services Limited, Club Machine Holdings Limited, Brightline Limited and Myxplor UK Limited, 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 9 months ended 31 December 2020 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 Decemeber 2020 and of its profit and loss for the period 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 period and up to the date of signing the financial statements, unless otherwise stated, were:

Thomas Alexander Lorenzo Weisman (appointed 7 October 2019)  
Floris Petrus de Kort (appointed 15 October 2019)  
Jeffrey David Paduch (appointed 15 October 2019)

The Company maintained Directors' and Officers' Liability Insurance cover throughout the period for Directors of the Company and for Directors of subsidiaries in the Group.

## **AI Sky UK Holdco Limited**

### **Directors' Report**

### **for the period from 1 April 2020 to December 2020**

#### **Employees**

During the period, 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.

During the period we increased communication with employees, in particular while large portions of work force were working from home due to COVID-19, to keep them informed of the impact of COVID-19 on the business, changes being made in response to COVID-19 and ensuring they feel supported through a period of significant disruption.

The Group gives full 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.

#### **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. The Group continued to comply with bank covenants throughout the reporting period.

#### **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 (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.

COVID-19 caused significant volatility in exchange rates. In March 2020 when COVID first impacted markets, the Australian Dollar depreciated sharply by between 4% and 12% versus the United States, United Kingdom and New Zealand currencies, but has since recovered. This sharp decline is reflected in the exchange rates of the opening balance sheet for the period, increasing the translated value of assets and liabilities from their home currency to Australian Dollars. This position has reversed during the period as the Australian Dollar has recovered and strengthened.

## **AI Sky UK Holdco Limited**

### **Directors' Report**

### **for the period from 1 April 2020 to December 2020**

#### **Interest rate risk**

The Group finances its operations through shareholders' funds and external debt facilities. Interest rates on borrowings 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.

The impact of COVID-19 on our clients and our revenue has impacted the Group's cash generation and therefore liquidity. During the period we have utilised our debt facilities to manage liquidity and raised more equity from shareholders to support the continued investment in the business and for acquisition.

We consider that the Group has sufficient financial means and liquidity to withstand any further impacts of the COVID-19 pandemic. However, at this stage we are seeing all markets recovering from the impact of COVID-19.

#### **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.

#### **Statement of disclosure of information to auditors**

Each of the persons who is a director at the date of approval of this report confirms that:

- 1) so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- 2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

## **AI Sky UK Holdco Limited**

### **Directors' Report**

### **for the period from 1 April 2020 to December 2020**

#### **Post balance sheet events**

On 1 January 2021, the Group, acquired 100% of the shares in Adaptive Analytics LLC, a company incorporated in the USA, for \$4,100,000 USD which is equivalent to \$5,330,000 AUD. Adaptive Analytics LLC (trading as 'Intellihub') is a data reporting and analytics software provider.

On 29 April 2021, the Group signed a conditional agreement to acquire 100% of the shares in Zenrol Pty Ltd, a company incorporated in Australia, for \$500,000 AUD. Zenrol Pty Limited (trading as 'My Waitlist') is a business management software provider in the Australian Education market. Completion of the acquisition is conditional on regulatory approval being obtained.

On 3 May 2021, the Group also acquired 100% of the shares in Superior Admin Limited, a company incorporated in New Zealand, for \$15,000,000 NZD which is equivalent to \$13,920,000 AUD. Superior Admin Limited (trading as 'Discover') is a business management software provider in the New Zealand Education market.

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 previously announced 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.

#### **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.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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 international accounting standards in conformity with the requirements of the Companies Act 2006 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 responsible for keeping adequate accounting records that are sufficient to show and explain the Group 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.

## **AI Sky UK Holdco Limited**

### **Directors' Report**

### **for the period from 1 April 2020 to December 2020**

#### **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 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 and Company's auditors are aware of that information.

#### **Going concern**

As disclosed in Note 30 Events after the reporting period, on 1 July 2021 UK Midco II merged 100% of its trading business with Clearent LLC to form a new merged group named Xplor Technologies. As part of the merger, UK Midco II sold 100% of its shares in UK Midco III and its subsidiaries in exchange for taking a 49% interest in the share capital of Megalo Parent II Inc, the parent company of the new Xplor Technologies group.


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, including their forecast compliance with the covenants set out in its banking facilities.

The COVID-19 pandemic has had a significant impact on the Group to date and the Directors have taken into account their best estimate of the anticipated future impact of COVID-19 when assessing the Group's liquidity and covenant compliance position. This anticipated impact has been factored into the Director's base case outlook in reviewing the going concern basis of preparation. The base case outlook reflects the gradual recovery of a large portion of our client base in all markets from the closures over the previous year. This base case indicates that the Group can meet its obligations when they fall due and has sufficient headroom in complying with banking covenant requirements for a period of at least 12 months from the date of approval of these financial statements.

The Directors have also undertaken a downside sensitivity on the base case that reflects a severe but plausible downside scenario in light of the significant uncertainty created by COVID 19. The severe but plausible downside scenario assumes continued COVID-19 lockdown restrictions impacting revenue for the full 2021 financial year. This assumption results in a 7% reduction in total revenue over the year to go. In this severe but plausible downside scenario, there is a reduction in headroom on the Group's banking covenant in some of the test periods under review but the Group does maintain compliance with covenants and still retains sufficient liquidity to continue as a going concern. Whilst the Directors do not consider this severe but plausible downside scenario to be a likely outcome, if it were to eventuate the Directors have options available to them to maintain compliance with Group's banking covenants.

Accordingly, having reviewed forecast liquidity and forecast banking covenants for the Group for a period of at least 12 months from the date of approval of the financial statements, and also taking into account a severe but plausible downside scenario as a result of the uncertainty caused by COVID-19 and the actions available to the Directors in the event that scenario eventuated, the Directors are satisfied that the financial statements should be prepared on a going concern basis.

On behalf of the Board

DocuSigned by:  
  
F195674112AF42C

Floris Petrus de Kort  
Director  
1 October 2021



# 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 2020 and of the group's loss and the group's cash flows for the period from 1 April 2020 to 31 December 2020;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements 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 2020; the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity and the consolidated statement of cash flows for the period 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 period ended 31 December 2020 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, 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 Data protection, 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 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 Directors, management, staff in tax and compliance functions, internal audit 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, unusual words or those posted by senior management;
- Reading key correspondence with regulatory authorities;
- Reviewing minutes of meetings of those charged with governance; and
- Reviewing financial statement disclosures and testing to supporting documentation to assess 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.

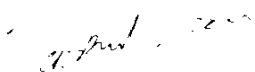
# Other required reporting

## 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.



Jaskamal Sarai (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
1 October 2021

**AI Sky UK Holdco Limited**  
**Consolidated Statement of Comprehensive Income**  
**for the period from 1 April 2020 to 31 December 2020**

		<b>GROUP</b>	<b>GROUP</b>
	<b>Note</b>	<b>1 April 2020 to 31 December 2020</b>	<b>4 June 2019 to 31 March 2020</b>
		<b>AUS000s</b>	<b>AUS000s</b>
<b>Revenue</b>	5	<b>124,578</b>	<b>82,835</b>
Other income	6	9,685	-
Employee costs	22	(70,090)	(28,611)
Other operating costs	9	(78,960)	(76,369)
Depreciation of property, plant and equipment	7	(2,039)	(845)
(Loss)/gain on disposal of property, plant and equipment		(28)	4
Amortisation of intangible assets	8	(59,280)	(28,389)
Impairment of intangible assets	8	(3,644)	-
Amortisation of leased assets	24	(3,440)	(2,050)
<b>Operating Loss</b>		<b>(83,218)</b>	<b>(53,425)</b>
Finance income	9	32	88
Finance costs	9	(41,212)	(22,458)
Foreign exchange gain/(loss)		12,651	(3,944)
<b>Finance costs - net</b>		<b>(28,529)</b>	<b>(26,314)</b>
<b>Loss before income tax</b>		<b>(111,747)</b>	<b>(79,739)</b>
Income tax credit	10	11,673	12,583
<b>Loss for the period</b>		<b>(100,074)</b>	<b>(67,156)</b>
<b>Other comprehensive (loss)/income</b>			
<b>Items that may be subsequently reclassified to profit and loss</b>			
Currency translation differences		(55,634)	26,348
<b>Other comprehensive (loss)/income</b>		<b>(55,634)</b>	<b>26,348</b>
<b>Total comprehensive expense for the period</b>		<b>(155,708)</b>	<b>(40,808)</b>

The Notes on pages 26 to 74 are an integral part of these consolidated financial statements.

**AI Sky UK Holdco Limited**  
**Consolidated and Company Balance Sheets**  
**as at 31 December 2020**

	Note	GROUP 31-Dec-20 AUS000s	GROUP 31-Mar-20 AUS000s Restated	COMPANY 31-Dec-20 AUS000s	COMPANY 31-Mar-20 AUS000s
31					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	7	7,450	8,130	-	-
Right of use assets	24	15,706	12,427	-	-
Investments	29	-	-	926,726	840,040
Goodwill	8	1,039,775	1,041,775	-	-
Intangible assets	8	595,331	636,178	-	-
Deferred tax asset	10	15,423	12,203	-	-
		<u>1,673,685</u>	<u>1,710,713</u>	<u>926,726</u>	<u>840,040</u>
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	14	32,145	117,887	-	-
Collection deposits	25	51,039	35,913	-	-
Trade and other receivables	15	21,424	16,234	-	-
Income tax receivable		898	4,426	-	-
Amounts receivable from related parties	16	-	-	27	87
		<u>105,506</u>	<u>174,460</u>	<u>27</u>	<u>87</u>
<b>Total Assets</b>		<u>1,779,191</u>	<u>1,885,173</u>	<u>926,753</u>	<u>840,127</u>
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liability	10	111,574	120,313	-	-
Lease liabilities	24	12,401	8,593	-	-
Other non-current liabilities	26	9,072	-	-	-
Borrowings	17	738,817	754,648	-	-
		<u>871,864</u>	<u>883,554</u>	<u>-</u>	<u>-</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	18	80,466	144,360	-	-
Collection liabilities	25	51,039	35,913	-	-
Redeemable preference shares	13	21,408	-	8,000	-
Deferred income		11,747	11,634	-	-
Lease liabilities	24	3,585	3,742	-	-
Income tax payable		730	1,079	-	-
		<u>168,975</u>	<u>196,728</u>	<u>8,000</u>	<u>-</u>
<b>Total Liabilities</b>		<u>1,040,839</u>	<u>1,080,282</u>	<u>8,000</u>	<u>-</u>
<b>Net Assets</b>		<u>738,352</u>	<u>804,891</u>	<u>918,753</u>	<u>840,127</u>
<b>EQUITY</b>					
Share capital and Share premium	12	918,820	840,134	918,820	840,134
Other reserves	11	(13,238)	31,913	-	-
Accumulated losses		(167,230)	(67,156)	(67)	(7)
<b>Total Equity</b>		<u>738,352</u>	<u>804,891</u>	<u>918,753</u>	<u>840,127</u>

The Company has elected to take exemption under section 408 of the Companies Act 2006 not to present the parent Company profit and loss account. The loss for the parent Company for the period from 1 April 2020 to 31 December 2020 was \$60,000 (4 June 2019 to 31 March 2020: \$7,000).

The Notes on pages 26 to 74 are an integral part of these consolidated financial statements.

The financial statements and related notes on pages 21 to 74 were approved by the Board of Directors on 1 October 2021 and signed on its behalf by:

  
 Floris Petrus de Kort, Director

**AI Sky UK Holdco Limited**  
**Consolidated Statement of Changes in Equity**  
**for the period from 1 April 2020 to 31 December 2020**

<b>Group</b>	<b>Note</b>	<b>Share capital and share premium AU\$000s</b>	<b>Other reserves AU\$000s</b>	<b>Accumulated Losses AU\$000s</b>	<b>Total equity AU\$000s</b>
<b>For the period ended 31 December 2020:</b>					
<b>Balance at 1 April 2020</b>		<b>840,134</b>	<b>31,913</b>	<b>(67,156)</b>	<b>804,891</b>
Loss for the financial period		-	-	(100,074)	(100,074)
<i>Other comprehensive loss</i>					
Currency translation differences	11	-	(55,634)	-	(55,634)
Total other comprehensive loss		-	(55,634)	-	(55,634)
Total comprehensive loss		-	(55,634)	(100,074)	(155,708)
<i>Transactions with owners</i>					
Share capital issued	12	78,686	-	-	78,686
Capital contribution	11	-	3,533	-	3,533
Share based payments	11,23	-	6,950	-	6,950
Total transaction with owners		78,686	10,483	-	89,169
<b>Balance at 31 December 2020</b>	11,12	<b>918,820</b>	<b>(13,238)</b>	<b>(167,230)</b>	<b>738,352</b>
<b>For the period ended 31 March 2020 - Restated:</b>					
<b>Balance at 4 June 2019</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
Loss for the period		-	-	(67,156)	(67,156)
<i>Other comprehensive income</i>					
Currency translation differences	11	-	26,348	-	26,348
Total other comprehensive income		-	26,348	-	26,348
Total comprehensive loss		-	26,348	(67,156)	(40,808)
<i>Transactions with owners</i>					
Share capital issued	12	840,134	-	-	840,134
Capital contribution	11	-	5,565	-	5,565
Total transaction with owners		840,134	5,565	-	845,699
<b>Balance at 31 March 2020</b>	11,12	<b>840,134</b>	<b>31,913</b>	<b>(67,156)</b>	<b>804,891</b>

**AI Sky UK Holdco Limited**  
**Consolidated Statement of Changes in Equity**  
**for the period from 1 April 2020 to 31 December 2020**

		Share capital and share premium	Other reserves	Accumulated Losses	Total equity
	Note	AU\$000s	AU\$000s	AU\$000s	AU\$000s
<b>Company</b>					
<b>Balance at 1 April 2020</b>		<b>840,134</b>	-	(7)	<b>840,127</b>
Loss for the financial period		-	-	(60)	(60)
Total comprehensive loss		-	-	(60)	(60)
<i>Transactions with owners</i>					
Share capital issued	12	78,686	-	-	78,686
Total transaction with owners		78,686	-	-	78,686
<b>Balance at 31 December 2020</b>	11,12	<b>918,820</b>	-	(67)	<b>918,753</b>
<b>Balance at 4 June 2019</b>		-	-	-	-
Profit for the financial period		-	-	(7)	(7)
Total comprehensive loss		-	-	(7)	(7)
<i>Transactions with owners</i>					
Share capital issued	12	840,134	-	-	840,134
Total transaction with owners		840,134	-	-	840,134
<b>Balance at 31 March 2020</b>	11,12	<b>840,134</b>	-	(7)	<b>840,127</b>

The Notes on pages 26 to 74 are an integral part of these consolidated financial statements.



**AI Sky UK Holdco Limited**  
**Consolidated Statement of Cash Flows**  
**for the period from 1 April 2020 to 31 December 2020**

		<b>GROUP</b> <b>1 April 2020</b> <b>to 31</b> <b>December</b> <b>2020</b> AU\$000s	<b>GROUP</b> <b>4 June 2019 to</b> <b>31 March 2020</b> AU\$000s Restated
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Cash receipts from customers		131,511	88,722
Cash receipts from other income		9,685	-
Interest income		32	88
<b>Cash generated from operations</b>		<b>141,228</b>	<b>88,810</b>
Cash payments to suppliers and employees		(160,813)	(79,141)
Acquisition costs		(1,622)	(6,624)
Income tax received/(paid)		558	(2,786)
<b>Net cash flows used in operating activities</b>		<b>(20,649)</b>	<b>259</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		(1,824)	(1,236)
Proceeds from disposals of property, plant and equipment		-	33
Acquisition of intangible assets		(929)	(359)
Capitalisation of software development assets		(25,704)	(9,125)
Acquisition of subsidiaries, net of cash acquired	19	(45,117)	(1,047,114)
<b>Net cash flows used in investing activities</b>		<b>(73,574)</b>	<b>(1,057,801)</b>
<b>Cash flows from financing activities</b>			
Shares issued	12	-	541,930
Redeemable preference shares issued	13	21,408	-
Receipt of cash held on behalf of fellow group companies		20,004	77,659
Repayment cash held on behalf of fellow group companies		(23,286)	-
Proceeds from borrowings (net of funding costs)		19,483	754,648
Repayments on borrowings		-	(175,983)
Payment for lease liabilities		(3,618)	(2,468)
Interest paid		(26,604)	(20,357)
<b>Net cash flows generated from financing activities</b>		<b>7,387</b>	<b>1,175,429</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(86,836)</b>	<b>117,887</b>
Opening cash and cash equivalents brought forward		117,887	-
Exchange rate changes on cash and cash equivalents		1,094	-
<b>Cash and cash equivalents at the end of the period</b>		<b>32,145</b>	<b>117,887</b>

The Notes on pages 26 to 74 are an integral part of these consolidated financial statements.

## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

#### **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 financial results for the period ended 31 December 2020 record the 9 months trading since 1 April 2020, while the financial results for the period ending 31 March 2020 record the 5.5 months of trading from acquisition to that date and are therefore not comparable. Following the acquisition a change in year-end date from 31 March to 31 December was made in anticipation of the merger subsequent to year end, as discussed in Note 30.

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 (Health and Fitness, Education, and Boutique Studios) 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 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 2nd Floor Rockwood House, 9-17 Perrymount Road, Haywards Heath, West Sussex, England, RH16 3TW. For commentary on the Group's performance and financial position during the reported period, refer to the Strategic Report.

The financial position and performance of the Group was particularly affected by the following events and transactions that occurred during the reporting periods covered by these financial statements:

- TSGL was acquired by Advent International, a global private equity company incorporated in the United States, on 21 June 2019. As a part of this acquisition, AI Sky UK Holdco Limited ("AI Sky UK Holdco") was formed on 4 June 2019 to acquire the existing business of TSGL. This acquisition was completed on 15 October 2019. The performance of the Group includes non-recurring consulting costs in relation to consulting engagements following the acquisition, primarily relating to strategic planning and structuring.
- The completion of the acquisition by Advent International resulted in the recognition of goodwill and other intangible assets, which are disclosed in Note 8.
- After the completion of the acquisition by Advent International, a series of acquisitions took place within the Group. These acquisitions resulted in the recognition of goodwill and other intangible assets, which are disclosed in Note 8.

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

#### **Ultimate parent Company**

The ultimate parent of AI Sky UK Holdco Limited is AI Sky (Cayman) Limited, a Cayman incorporated company, which is owned by various investment funds managed by Advent International. The ultimate controlling party is Advent International, an SEC Registered investment adviser.

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 UK Midco III.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### General information (continued)

##### COVID-19 Impacts

The COVID-19 pandemic started to impact our markets during March 2020. The most significant impact on the Group was triggered when lockdowns were enforced across many markets from late March 2020. While the financial impact on the business during the period ended 31 March 2020 was not significant, in the period ended 31 December 2020 the disruption of repositioning the business to operate under lockdown and the financial impact was significant.

In response to the reduction in revenue, the Group has undertaken numerous cost management actions, including ceasing certain capital expenditure projects, accelerating the integration of recently acquired businesses and accessing government support schemes. We do not consider that any cost management actions to date impact the longer-term strategic objectives of the Group.

Our assessment at 31 December 2020 was that the Group has sufficient financial means and liquidity to withstand the impact of the COVID-19 pandemic.

The recovery of the Group's revenue following the reopening of various markets supports there being no impairment of the Group's goodwill balance at 31 December 2020.

#### 1 Summary of significant accounting policies

##### (a) Basis of preparation

###### International Financial Reporting Standards

The financial statements of the Company and Group have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006. The financial statements have been prepared under the historical cost convention, as modified by the financial assets and financial liabilities at fair value through profit or loss.

The preparation of financial statements in conformity with international accounting standards 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 2020, and have been applied in preparing these financial statements:

- Definition of Material – Amendments to IAS 1 and IAS 8.
- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Interest Rate Benchmark reform amendments to IFRS 9, IAS 39, and IFRS 7

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.

The following new standards and amendments to standards and interpretations have been issued but are not yet effective for the year ended 31 December 2020 and have not been early adopted.

- Covid-19 related rent concessions - Amendments to IAS 1 and IAS 8
- Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 7, IFRS 4 and IFRS 16
- Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16
- Reference to the Conceptual Framework – Amendments to IFRS 3
- Onerous Contracts – Cost of Fulfilling a Contract – Amendments to IAS 37
- Annual Improvements to IFRS Standards 2018-2022
- Amendment to Classification of Liabilities as Current or Non-current IAS 1

Management is still reviewing the impact of the above standards and amendments.

## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

#### **1 Summary of significant accounting policies (continued)**

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

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

As disclosed in Note 30 Events after the reporting period, on 1 July 2021 UK Midco II merged 100% of its trading business with Clearent LLC to form a new merged group named Xplor Technologies. As part of the merger, UK Midco II sold 100% of its shares in UK Midco III and its subsidiaries in exchange for taking a 49% interest in the share capital of Megalo Parent II Inc, the parent company of the new Xplor Technologies group.

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, including their forecast compliance with the covenants set out in its banking facilities.

The COVID-19 pandemic has had a significant impact on the Group to date and the Directors have taken into account their best estimate of the anticipated future impact of COVID-19 when assessing the Group's liquidity and covenant compliance position. This anticipated impact has been factored into the Director's base case outlook in reviewing the going concern basis of preparation. The base case outlook reflects the gradual recovery of a large portion of our client base in all markets from the closures over the previous year. This base case indicates that the Group can meet its obligations when they fall due and has sufficient headroom in complying with banking covenant requirements for a period of at least 12 months from the date of approval of these financial statements.

The Directors have also undertaken a downside sensitivity on the base case that reflects a severe but plausible downside scenario in light of the significant uncertainty created by COVID 19. The severe but plausible downside scenario assumes continued COVID-19 lockdown restrictions impacting revenue for the full 2021 financial year. This assumption results in a 7% reduction in total revenue over the year to go. In this severe but plausible downside scenario, there is a reduction in headroom on the Group's banking covenant in some of the test periods under review but the Group does maintain compliance with covenants and still retains sufficient liquidity to continue as a going concern. Whilst the Directors do not consider this severe but plausible downside scenario to be a likely outcome, if it were to eventuate the Directors have options available to them to maintain compliance with Group's banking covenants.

Accordingly, having reviewed forecast liquidity and forecast banking covenants for the Group for a period of at least 12 months from the date of approval of the financial statements, and also taking into account a severe but plausible downside scenario as a result of the uncertainty caused by COVID-19 and the actions available to the Directors in the event that scenario eventuated, the Directors are satisfied that the financial statements should be prepared on a going concern basis.

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

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

# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 1 Summary of significant accounting policies (continued)

#### (b) Basis of consolidation

##### **Subsidiaries**

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of the Company as at 31 December 2020 and 31 March 2020 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 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.

##### **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.

## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

#### **1 Summary of significant accounting policies (continued)**

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

###### **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.

###### **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. The 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.*

In respect of its Payments revenues, the Group followed 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 Director's 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 Groups 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.

## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

#### **1 Summary of significant accounting policies (continued)**

##### **(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 become receivable

##### **(f) Expenses**

##### **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 remaining lease payments, discounted by using the interest rate implicit in the lease. If this rate cannot be readily determined, the lessee uses its incremental borrowing rate. Subsequently, the carrying value of the liability is adjusted to reflect interest and lease payments made. The interest and lease payments made are expensed in the Statement of Comprehensive Income. Lease liabilities may be re-measured when there is a change in future lease payments arising from a change in an index or market rate, or if there is a change in the lessee estimate of the amount expected to be payable.

The carrying amount of the leased asset is recorded as the right of use asset and is measured as being equal to the lease liability at the beginning of the reporting period. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in the Statement of Comprehensive Income. 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.

##### **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.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 1 Summary of significant accounting policies (continued)

##### (g) 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.

##### (h) Property, plant and equipment

###### Owned assets

All property, plant 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:

Land, lease improvements & buildings	2% - 20% or over the life of the lease
Furniture, office equipment & motor vehicles	5% - 40%
Computer hardware	18% - 48%

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.

##### (i) 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 (CGUs) 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.



# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 1 Summary of significant accounting policies (continued)

#### (i) Intangible assets (continued)

##### 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.

Computer software is stated at cost less accumulated amortisation and is amortised 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.

#### (j) 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.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### **I Summary of significant accounting policies (continued)**

##### **(k) Financial assets at amortised costs**

Financial assets at amortised costs are initially recognised at the fair value of the amounts to be received, plus any transaction costs (if any). They are subsequently measured at amortised cost using the effective interest rate method less impairment losses.

##### **(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**

The carrying amount of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the assets recoverable amount is estimated.

*For goodwill, assets that have an indefinite useful life, and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date. These classes were valued as at the date of acquisition and considered for impairment at 31 December 2020. Refer to Note 8 for details of the impairment assessment performed as at 31 December 2020.*

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units and then to reduce the carrying amount of other assets in the unit on a pro-rata basis.

The recoverable amount of other assets is the greater of their fair value less costs of disposal and value in use.

##### **(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.

##### **(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.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 1 Summary of significant accounting policies (continued)

##### (q) Employee benefits (continued)

###### **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.

##### (r) Share based payments.

The Group has two equity settled share based payment arrangements.

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.

##### (s) 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.

##### (t) 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.

###### **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.

##### (u) 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 2020.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 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.

Below is an illustrative sensitivity of the impact on reported Profit before Tax due to a +/-5% shift in the translation of below mentioned currencies to Australian Dollars for the period ended 31 December 2020:

	GROUP		GROUP	
	1 April 2020 to 31 December 2020	1 April 2020 to 31 December 2020	1 April 2020 to 31 March 2020	1 April 2020 to 31 March 2020
	AUS000s	AUS000s	AUS000s	AUS000s
	+5%	-5%	+5%	-5%
<b>(Loss)/Profit before Tax</b>				
NZD	(764)	764	491	(491)
GBP	1,089	(1,089)	203	(203)
USD	(691)	691	914	(914)

###### (ii) Interest Rate Risk

The Group's interest rate risk arises from long-term borrowings. Borrowings 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 April 2020 to 31 December 2020 interest rates on variable borrowings had been 50 basis points higher/lower with all other variables held constant, the calculated Profit before Tax for the period would have been \$3,842,000 lower/higher.

###### (iii) Price Risk

The Group is not exposed to price risk given the Group 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, derivative financial instruments 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. Receivables from customers are settled in cash as part of the collection services performed by the Group.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 2 Financial risk management (continued)

##### (b) Credit risk (continued)

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 21 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 2020			
	Less	Between	Between	Over 5
	than 12 months AU\$000s	1 and 2 years AU\$000s	2 and 5 years AU\$000s	years AU\$000s
Commercial loans	-	-	-	769,017
Long term bank loan	-	-	480	-
Trade and other payables	59,137	-	-	-
Redeemable preference shares	21,408	-	-	-
Vendor liabilities	(9,072)	-	11,064	-
Collection liabilities	51,039	-	-	-
Lease liabilities	4,665	4,223	7,290	2,454

GROUP	31 March 2020 - Restated			
	Less	Between	Between	Over 5
	than 12 months AU\$000s	1 and 2 years AU\$000s	2 and 5 years AU\$000s	years AU\$000s
Commercial loans	-	-	-	786,366
Trade and other payables	52,865	-	-	-
Vendor liabilities	-	-	-	-
Collection liabilities	35,913	-	-	-
Lease liabilities	4,163	4,056	4,465	1,375

##### (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 Financial Statements**

#### **2 Financial risk management (continued)**

##### **(d) Fair value estimation (continued)**

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, 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. As a result, 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 Groups software platforms is a key strategy to achieve the 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.

## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

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

#### **(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 goodwill**

Determining whether goodwill is impaired requires an estimation of the value in use and/or fair value less costs of disposals of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGUs 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 future.

##### **Impairment testing of intangible assets other than goodwill**

Intangible assets other than goodwill are impaired if the carrying value exceeds the recoverable amount (i.e. the higher of fair value less costs of disposal or costs to sell and value in use). An impairment test is carried out on the intangible asset or CGU where there is an indication of impairment during the year. In such cases, the Group determines the value in use by estimating the future cash flows expected to arise from the asset or CGU 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 future.

##### **Business combinations**

The main area of estimation in business combinations are:

- a) the assumptions and estimations used in accounting for the acquisition of new businesses, particularly in relation to the allocation of the purchase price between goodwill and intangible assets. The methodology used to value computer software and customer relationships, along with the key assumptions used to value goodwill and trade names are detailed in Note 8.
- b) the assumptions and estimations used in valuing D shares issued as business combination consideration, which are set out in Note 23.

##### **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 (i). The carrying values of the Group's intangible assets are included in Note 8.

##### **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.

##### **Share based payments**

The valuation and accounting of the Group's share based payment arrangements are dependent on a number of key assumptions which are set out in Note 23b.

##### **Contingent consideration**

The vendor liabilities included in Note 26 have been determined with reference to the circumstances at balance date. Management has also used post balance date information to estimate the fair value of the liability.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

### 3 Critical accounting judgments and key sources of estimation uncertainty (continued)

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

##### Going concern

A review of the going concern status of the Group is carried out by considering the anticipated level of future trading activity and the associated cash flow requirements for a period of 12 months from the date of approval of these financial statements, taking into account the potential impact of COVID-19 on the commitments of the Group. Refer to Note 1 for further details.

### 4 Capital management

The Group defines capital as equity, 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. During the period which it is subject, the Group complied with all externally imposed capital requirements.

### 5 Revenue and other income

Revenue is split as follows:

	GROUP	GROUP
	1 April 2020 to 31 December 2020	4 June 2019 to 31 March 2020
Revenue by product type	AUS000s	AUS000s Restated
Payments revenue	60,765	68,948
Software revenue	57,062	12,698
Hardware revenue	3,399	362
Professional services revenue	2,384	125
Other revenue	968	702
<b>Total Revenue</b>	<b>124,578</b>	<b>82,835</b>

	GROUP	GROUP
	1 April 2020 to 31 December 2020	4 June 2019 to 31 March 2020
Revenue by geographical region	AUS000s	AUS000s
Australasia	68,880	53,845
United Kingdom & Europe	25,695	19,672
North America	30,003	9,316
Other	-	2
<b>Total Revenue</b>	<b>124,578</b>	<b>82,835</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 9) for the nine months period ended 31 December 2020 is \$6,688k (31 March 2020: \$5,841k) 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.



## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 6 Other Income

Other income is split as follows:

	GROUP	GROUP
	1 April 2020 to 31 December 2020	4 June 2019 to 31 March 2020
	AUS\$000s	AUS\$000s
Covid-19 grants	8,295	-
Research and development grants	1,032	-
Other income	358	-
<b>Total Other Income</b>	<b>9,685</b>	<b>-</b>

# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 7 Property, plant and equipment

Group	Land, lease improvements & buildings AU\$000s	Furniture, office equipment & motor vehicles AU\$000s	Computer hardware AU\$000s	Total AU\$000s
<b>COST</b>				
Balance at 1 April 2020	2,815	2,552	3,766	9,133
Acquisition of subsidiaries	94	67	94	255
Exchange differences	(298)	(144)	(395)	(837)
Additions	444	35	1,343	1,822
Disposals	(1)	(54)	(18)	(73)
<b>Balance at 31 December 2020</b>	<b>3,054</b>	<b>2,456</b>	<b>4,790</b>	<b>10,300</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at 1 April 2020	127	164	712	1,003
Exchange differences	(15)	(18)	(114)	(147)
Disposals	-	-	(45)	(45)
Depreciation charge	160	344	1,535	2,039
<b>Balance at 31 December 2020</b>	<b>272</b>	<b>490</b>	<b>2,088</b>	<b>2,850</b>
<b>NET BOOK AMOUNTS</b>				
<b>31 December 2020</b>	<b>2,782</b>	<b>1,966</b>	<b>2,702</b>	<b>7,450</b>
<b>COST</b>				
Balance at 4 June 2019	-	-	-	-
Acquisition of subsidiaries	2,622	1,986	3,255	7,863
Exchange differences	15	38	10	63
Additions	178	528	530	1,236
Disposals	-	-	(29)	(29)
<b>Balance at 31 March 2020</b>	<b>2,815</b>	<b>2,552</b>	<b>3,766</b>	<b>9,133</b>
<b>ACCUMULATED DEPRECIATION</b>				
Balance at 4 June 2019	-	-	-	-
Exchange differences	46	6	106	158
Disposals	-	-	-	-
Depreciation charge	81	158	606	845
<b>Balance at 31 March 2020</b>	<b>127</b>	<b>164</b>	<b>712</b>	<b>1,003</b>
<b>NET BOOK AMOUNTS</b>				
<b>31 March 2020</b>	<b>2,688</b>	<b>2,388</b>	<b>3,054</b>	<b>8,130</b>

# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 8 Goodwill and intangible assets

For the period ended 31 December 2020:

Group	Total goodwill AU\$000s	Customer relationships AU\$000s	Computer software AU\$000s	Trade names AU\$000s	Total intangibles AU\$000s
<b>COST</b>					
Balance at 1 April 2020	1,041,775	233,929	379,064	52,415	665,408
Acquisition of subsidiaries	40,548	11,626	18,267	3,227	33,120
Reclassification	-	13,748	(13,748)	-	-
Exchange fluctuation	(42,548)	(11,278)	(24,095)	(4,330)	(39,703)
Additions	-	-	26,633	-	26,633
<b>Balance at 31 December 2020</b>	<b>1,039,775</b>	<b>248,025</b>	<b>386,121</b>	<b>51,312</b>	<b>685,458</b>
<b>ACCUMULATED AMORTISATION</b>					
Balance at 1 April 2020	-	5,817	23,413	-	29,230
Amortisation charge	-	13,505	41,863	3,912	59,280
Impairment charge	-	-	3,644	-	3,644
Exchange fluctuation	-	(328)	(1,605)	(95)	(2,028)
<b>Balance at 31 December 2020</b>	<b>-</b>	<b>18,994</b>	<b>67,315</b>	<b>3,817</b>	<b>90,126</b>
<b>NET BOOK AMOUNTS</b>					
<b>31 December 2020</b>	<b>1,039,775</b>	<b>229,031</b>	<b>318,806</b>	<b>47,495</b>	<b>595,332</b>

For the period ended 31 March 2020 - Restated:

<b>COST</b>					
Balance at 4 June 2019	-	-	-	-	-
Acquisition of subsidiaries	1,033,581	228,942	353,322	50,389	632,653
Exchange fluctuation	8,194	4,987	16,258	2,026	23,271
Additions	-	-	9,484	-	9,484
<b>Balance at 31 March 2020</b>	<b>1,041,775</b>	<b>233,929</b>	<b>379,064</b>	<b>52,415</b>	<b>665,408</b>
<b>ACCUMULATED AMORTISATION</b>					
Balance at 4 June 2019	-	-	-	-	-
Amortisation charge	-	5,695	22,694	-	28,389
Exchange fluctuation	-	122	719	-	841
<b>Balance at 31 March 2020</b>	<b>-</b>	<b>5,817</b>	<b>23,413</b>	<b>-</b>	<b>29,230</b>
<b>NET BOOK AMOUNTS</b>					
<b>31 March 2020</b>	<b>1,041,775</b>	<b>228,112</b>	<b>355,651</b>	<b>52,415</b>	<b>636,178</b>

An impairment charge of \$3,644,000 was recognised due to the discontinuation of a software product. There was no impairment of goodwill.

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

## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

#### **8 Goodwill and intangible assets (continued)**

##### **Allocation of Intangibles to CGUs**

Transaction Services Group ("TSG") was acquired by Advent International, a global private equity company incorporated in the United States, on 15 October 2019. As a part of this acquisition, AI Sky UK Holdco was incorporated to acquire the existing business of TSG. The completion of the acquisition by Advent International, resulted in the recognition of goodwill and other intangible assets as shown in Note 8.

The principal activity of the TSG at the time of acquisition was the provision of a payments platform and integrated business management software in the health & fitness and childcare industries operating across Australasia, the United States, the United Kingdom and Europe. TSG historically monitored its financial performance at a regional level, for i) Australasia, ii) UK & Europe and iii) ROW. Each region had its own leadership team (e.g., Regional CEO, COO, Head of Finance). Monthly reporting to the CEO and the Board of Directors (the "Board") also included operating results by region.

Following the acquisition, a review was carried out and early in the period ended 31 December 2020, the Group reorganized its management structure around the product / business verticals being Health & Fitness, Education, and Boutique and Studio, with each vertical having its own commercial leadership team (CEO, CCO, Marketing Partner, Finance Partner and HR Partner). This reorganization also necessitated a change in the Group's reporting structure, with operating results now reported by vertical as opposed to region.

##### *Health and Fitness*

The Group serves Health and Fitness ("H&F") (e.g., large gyms) clients globally, including Australasia, North America, Europe, and Japan. Key software brands are Clubware and Links, while key payment brands include Debitsuccess, PaySMART, Harlands, DFC, Legend, Perfect Mind, Stadline and Deciplus.

##### *Education*

The Group serves the early childhood education centres within Australasia. Key software brands are QikKids and Xplor.

##### *Boutique and Studio*

The Group serves boutique and studio ("B&S") fitness centres (e.g., personal trainers, HIIT classes, yoga and cycling studios and online classes). Software brands include Truecoach, Zingfit, and Mariana Tek.

In the current period, the Group has allocated its intangibles in accordance with the re-organised structure and carried out impairment testing on that basis.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 8 Goodwill and intangible assets (continued)

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

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

	Health & Fitness CGU	Education CGU	Boutique CGU	Total CGU
Goodwill as at December 2020	675,632	252,843	111,300	1,039,775
Trade names as at December 2020	37,714	2,258	7,523	47,495
Goodwill as at March 2020	649,152	252,843	139,780	1,041,775
Trade names as at March 2020	40,709	2,258	9,448	52,415

The reconciliation of CGU allocations as previously reported to the current presentation is shown below:

	Australasia : CGU	UK & Europe CGU	ROW CGU	Total CGU
Goodwill as at March 2020	675,398	162,728	203,649	1,041,775
Reallocated to the CGUs below				
Health & Fitness	422,555	162,728	63,869	649,152
Education	252,843	-	-	252,843
Boutique	-	-	139,780	139,780
Trade names as at March 2020	26,240	12,930	13,245	52,415
Reallocated to the CGUs below				
Health & Fitness	23,982	12,930	3,797	40,709
Education	2,258	-	-	2,258
Boutique	-	-	9,448	9,448

##### 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 underpenetrated and competitive markets, and reaching stable EBITDA margins is expected to take five to ten years.

##### H&F CGU

The recoverable amount of the Health & Fitness CGU of \$1.202m as at 31 December 2020 has been determined based on a value in use calculation using cash flow projections approved by senior management covering a ten-year period. The projected cash flows have been updated to reflect planned project deployments and assume that all markets come out of Covid-19 lockdowns during 2021. Fair value less costs of disposal was determined using comparable market information as \$1.157m.

Key assumptions incorporated into the forecasts are shown in the table below.

As a result of this analysis, there is headroom of \$228.7m and management did not identify an impairment for this CGU. An increase in discount rate to 11.5% would result in an impairment of \$18.7m.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 8 Goodwill and intangible assets (continued)

##### Impairment testing of goodwill (continued)

###### *Boutique CGU*

The recoverable amount of the Boutique CGU of \$247.7m as at 31 December 2020 has been determined based on the Fair value less costs of disposal based on comparable market information. Value in use was determined as \$244.5m calculated using cash flow projections approved by senior management covering a ten-year period. The projected cash flows have been updated to reflect planned project deployments and assume that all markets come out of Covid-19 lockdowns during 2021.

Key assumptions incorporated into the forecasts are shown in the table below.

As a result of this analysis, there is headroom of \$81.4m and management did not identify an impairment for this CGU. No reasonable change in forecast assumptions would result in impairment.

###### *Education CGU*

The recoverable amount of the Education CGU as at 31 December 2020 has been determined as \$384.5m based on a value in use calculation using cash flow projections approved by senior management covering a ten-year period. The projected cash flows have been updated to reflect planned project deployments and assume that all markets come out of Covid-19 lockdowns during 2021. Fair value less costs of disposal was determined using comparable market information as \$377.4m.

Key assumptions incorporated into the forecasts are shown in the table below.

As a result of this analysis, there is headroom of \$18.4m and management did not identify an impairment for this CGU. An increase to the discount rate to 9.5% would result in an impairment of \$13.0m. A decrease in the terminal growth rate to 3.0% would result in an impairment of \$2.7m.

Key assumptions	Health & Fitness CGU	Boutique CGU	Education CGU
Revenue (% annual growth rate) average of years 2-5	18%	55%	11%
Revenue (% annual growth rate) average of years 6-10	7%	16%	4%
Operating costs (% of revenue) average of years 2-5	39%	46%	26%
Operating costs (% of revenue) average of years 6-10	29%	29%	24%
Terminal growth rate	3%	3%	3.5%
Discount rate	10%	18%	9%

# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 9 Expenses by nature

	GROUP 1 April 2020 to 31 December 2020	GROUP 4 June 2019 to 31 March 2020
	AUS000s	AUS000s
(a) <b>Operating costs before depreciation and amortisation</b>		Restated
Cost of sales	15,917	9,380
Audit and advisory fees	907	1,029
Occupancy costs	503	1,832
Telecommunication costs	1,198	557
Sales and marketing	6,060	1,964
IT expenses	6,430	2,193
Directors fees and expenses	7	103
Integration and acquisition costs	24,908	48,202
Restructuring costs	4,460	1,425
Revaluation of vendor liabilities	4,374	-
Other expenses	14,196	9,684
	<b>78,960</b>	<b>76,369</b>
(b) <b>Finance income and costs</b>		
	1 April 2020 to 31 December 2020	4 June 2019 to 31 March 2020
	AUS000s	AUS000s
<i>Finance income</i>		
Interest received on bank deposits	32	88
	<b>32</b>	<b>88</b>
	1 April 2020 to 31 December 2020	4 June 2019 to 31 March 2020
	AUS000s	AUS000s
<i>Finance costs</i>		
Interest expense	41,212	22,446
	<b>41,212</b>	<b>22,458</b>

# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 10 Income tax

	GROUP 1 April 2020 to 31 December 2020 AUS000s	GROUP 4 June 2019 to 31 March 2020 AUS000s
<b>Taxation</b>		
Current tax		
Current tax on (loss) / profit for the period	(504)	8,344
Total current tax	<u>(504)</u>	<u>8,344</u>
Deferred tax (Note 10 (b))		
Origination and reversal of temporary differences	12,177	4,239
Total deferred tax	<u>12,177</u>	<u>4,239</u>
<b>Income Tax Credit</b>	<b>11,673</b>	<b>12,583</b>
	1 April 2020 to 31 December 2020 AUS000s	4 June 2019 to 31 March 2020 AUS000s Restated
<b>(a) Income Tax Credit</b>		
<b>Reconciliation between tax credit and pre-tax net profit</b>		
Loss before income tax	(111,747)	(79,739)
Income tax (benefit) using corporate tax rate of 19% (4 June 2019 to March 2020: 19%)	21,232	15,150
Expenses not deductible for tax purposes	(8,513)	(172)
Adjustments in respect of prior periods	(3,076)	398
Change in tax rate	845	(189)
Difference in overseas subsidiaries tax rates	4,817	4,811
Tax credits and tax losses not recognised	(3,216)	(6,602)
Other deductions	(416)	(813)
<b>Income tax benefit</b>	<b>11,673</b>	<b>12,583</b>
	GROUP 31-Dec-20	GROUP 31-Mar-20
<b>(b) Deferred tax assets and liabilities</b>		
The gross movement in deferred tax is as follows:		
Balance at beginning of period	(108,110)	-
Balance on acquisitions	(8,079)	(118,832)
Exchange differences	6,340	(1,904)
Tax losses	1,583	8,656
Prior period adjustment	(63)	(444)
Credited to the statement of comprehensive income	12,177	4,224
Other adjustments	-	190
	<u>(96,151)</u>	<u>(108,110)</u>



## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 10 Income tax (continued)

##### (b) Deferred tax assets and liabilities (continued)

###### Deferred tax assets:

Tax losses	11,698	10,165
Employee benefits	1,098	1,060
Other	1,286	(304)
Income received in advance	1,341	1,282
<b>Deferred tax assets</b>	<b>15,423</b>	<b>12,203</b>

###### Deferred tax liabilities:

Intangibles	(111,415)	(120,313)
Other adjustments	(159)	-
<b>Deferred tax liabilities</b>	<b>(111,574)</b>	<b>(120,313)</b>

###### Net deferred tax liability

<b>(96,151)</b>	<b>(108,110)</b>
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###### Deferred tax balances is expected to be recovered / settled as follows:

	<b>GROUP 31-Dec-20 AUS000s</b>	<b>GROUP 31-Mar-20 AUS000s</b>
No more than 12 months after the reporting period	(3,204)	15,354
More than 12 months after the reporting period	(92,947)	(123,464)

###### Deferred tax liability (net)

<b>(96,151)</b>	<b>(108,110)</b>
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The UK tax rate for the Group for the current period is 19%.

##### (c) Unrecognised tax losses

Unused tax losses for which no deferred tax asset has been recognised

<b>GROUP 31-Dec-20 AUS000s</b>	<b>GROUP 31-Mar-20 AUS000s</b>
87,865	77,708

Potential tax benefit @ 19%

16,694	14,765
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The unrecognised tax losses relate to acquired subsidiaries in Canada, Australia and the US from which it is uncertain when the tax losses may be able to be utilised, along with losses from operations in the US where the business has been ceased. The losses can be carried forward indefinitely but some may be forfeited upon closure of the relevant entities.

##### (d) Recognised tax losses on deferred tax assets

New Zealand  
Australia  
United Kingdom  
Canada

<b>GROUP 31-Dec-20 AUS000s</b>	<b>GROUP 31-Mar-20 AUS000s</b>
5,826	5,749
4,734	3,266
1,087	1,119
50	31
<b>11,697</b>	<b>10,165</b>

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 10 Income tax (continued)

##### (d) Recognised tax losses on deferred tax assets (continued)

Australia and New Zealand 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 recognised. Canada generate 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.

On 3 March 2021, the Government announced that from 1 April 2023, the UK corporation tax rate will increase to 25% for UK tax resident companies whose profits exceed a certain threshold. Management believes that taxable profits of the Company will be taxed at this higher rate from 1 April 2023. As the proposal to increase the UK Corporation tax rate had not been substantively enacted at the balance sheet date, its effects have not been reflected in the preparation of the financial statements. However, it is likely that the overall effect of the change, had it been substantively enacted by the balance sheet date, would be to increase the tax expense for the period by \$11,500,000, to increase the deferred tax liability by \$11,500,000.

#### 11 Other reserves

	Foreign Currency Translation Reserve AUS000s	Capital Contribution Reserve AUS000s	Total Other Reserves AUS000s
<b>Group</b>			
<b>Balance at 1 April 2020</b>	26,348	5,565	31,913
Currency Translation Difference	(55,634)	-	(55,634)
Capital Contributions	-	3,533	3,533
Share based payments	-	6,950	6,950
<b>Balance at 31 December 2020</b>	<b>(29,286)</b>	<b>16,048</b>	<b>(13,238)</b>
<b>Balance at 4 June 2019</b>	-	-	-
Currency Translation Difference	26,348	-	26,348
Share valuation adjustments	-	5,565	5,565
<b>Balance at 31 March 2020</b>	<b>26,348</b>	<b>5,565</b>	<b>31,913</b>

##### *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 made 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 23 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.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 12 Share Capital

##### Ordinary Shares

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

Group and Company	31 December 2020				
	Number of shares	Nominal value AU\$	Nominal value of shares AU\$000s	Share premium AU\$000s	Total share value AU\$000s
<b>Total at 1 April 2020</b>	809,911,071	0.1	8,099	832,035	840,134
<b><u>Subsequent shares issued</u></b>					
Shares issued on 1 April 2020	200,000	0.01	2	63,684	63,686
Shares issued on 21 December 2020	15,000,000	0.01	150	14,850	15,000
Shares issued during the period for acquisition of businesses	15,200,000		152	78,534	78,686
<b>Total at 31 December 2020</b>	<b>825,111,071</b>		<b>8,251</b>	<b>910,569</b>	<b>918,820</b>
Group and Company	31 March 2020				
	Number of shares	Nominal value AU\$	Nominal value of shares AU\$000s	Share premium AU\$000s	Total share value AU\$000s
<b><u>Upon incorporation</u></b>					
Initial share allotment	672,343,620	0.01	6,723	665,620	672,343
<b><u>Subsequent shares issued</u></b>					
Shares issued on 13 November 2019	108,224,899	0.01	1,082	107,143	108,225
Shares issued on 18 December 2019	21,792,552	0.01	218	21,575	21,793
Shares issued on 31 January 2020	7,450,000	0.01	75	33,290	33,365
Shares issued on 3 March 2020	100,000	0.01	1	4,407	4,408
Shares issued during the period for acquisition of businesses	137,567,451		1,376	166,415	167,791
<b>Total at 31 March 2020</b>	<b>809,911,071</b>		<b>8,099</b>	<b>832,035</b>	<b>840,134</b>

The 825,111,071 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 Financial Statements

#### 13 Redeemable Preference shares

	GROUP 31-Dec-20	GROUP 31-Mar-20
	AU\$000s	AU\$000s
Redeemable preference shares	21,408	-

On 1 April 2020, 8,000,000 redeemable preference shares in Sky EU Bideo S.a.r.l, a subsidiary of AI Sky UK Holdco, were issued as fully paid with a par value of €1 per share (2019: nil). These redeemable preference shares accrue interest at 7% per annum, and the accrued interest has priority before any other profit distributions may be paid. There are put/call options in place that allow the holders to call repayment of the face value and any accrued interest, or for the Group to repay the outstanding balances. The put/call options must be exercised by 4 May 2025.

On 23 November 2020, 8,000,000 redeemable preference shares in the Company were issued to entities with an indirect shareholding in the Company as fully paid with a par value of A\$1 per share (2019: nil). These redeemable preference shares accrue interest at 7% per annum, and the accrued interest has priority before any other profit distributions may be paid. There are put/call options in place that allow the holders to call repayment of the face value and any accrued interest, or for the Group to repay the outstanding balances.

#### 14 Cash and cash equivalents

	GROUP 31-Dec-20	GROUP 31-Mar-20
	AU\$000s	AU\$000s
Cash held by the Group	32,145	40,228
Cash held on behalf of related entities	-	77,659
Total cash and cash equivalents	<u>32,145</u>	<u>117,887</u>

At 31 March 2020, an amount of \$77,659,000 was held by the Group on behalf of related entities. The cash held on behalf of related entities is excluded from the security of the borrowing facilities. This cash was partially used for the acquisitions during the period ending 31 December 2020 that are detailed in Note 19, with the balance remaining being repaid to the related entities during the period.

#### 15 Trade and other receivables

	GROUP 31-Dec-20	GROUP 31-Mar-20
	AU\$000s	AU\$000s
		Restated
Trade receivables and accrued income	12,328	9,711
Prepayments	6,483	4,823
Other receivables	2,613	1,700
	<u>21,424</u>	<u>16,234</u>

The trade receivables above are presented net of provision for impairment on this balance. The provision for impairment in the period was \$632,000 (31 March 2020: \$138,000).

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 group 2, which consists of existing customers (more than 6 months) with no defaults in the past.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 15 Trade and other receivables (continued)

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 to their fair value.

#### 16 Related party transactions and balances

In addition to compensation of key management personnel disclosed in Note 22(c), the Group had the following related party transactions:

- Loans were advanced between the Group and entities having an indirect shareholding in the Group on inter-company accounts.
- Amounts were held on behalf of entities having an indirect shareholding in the Group on inter-company
- Repayments are made as cash flows allow and business needs require.

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

Details of related party balances:

		31-Dec-20	
		GROUP	COMPANY
		AU\$000s	AU\$000s
	Note		
Redeemable Preference Shares issued to related parties	13	(8,000)	(8,000)
Intercompany balances receivable from Group companies		-	27
Amounts (payable to) related parties		(1,876)	
<b>Total (payable)/receivable</b>		<b>(9,876)</b>	<b>(7,973)</b>

		31-Mar-20	
		GROUP	COMPANY
		AU\$000s	AU\$000s
Intercompany balances receivable from Group companies		-	87
Amounts (payable to) related parties		(76,347)	-
<b>Total (payable)/receivable</b>		<b>(76,347)</b>	<b>87</b>

Amounts held on behalf of related parties have been used to fund investments in subsidiaries. These related parties are entities that hold an indirect shareholding in AI Sky UK Holdco Limited.

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

No amounts advanced to related parties were written off during the period.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 17 Borrowings

	<b>GROUP</b> <b>31-Dec-20</b> AU\$000s	<b>GROUP</b> <b>31-Mar-20</b> AU\$000s
Commercial term loan	515,000	515,000
CAR facility	202,620	237,778
Revolving credit facility	50,916	33,588
Long term bank loan	480	-
	<u>769,017</u>	<u>786,366</u>
Less: Funding costs	(30,199)	(31,718)
<b>TOTAL BORROWINGS</b>	<u>738,818</u>	<u>754,648</u>
 <b>Non-current</b>		
Commercial term loan	515,000	515,000
CAR facility	202,620	237,778
Revolving credit facility	50,916	33,588
Long term bank loan	480	-
	<u>769,017</u>	<u>786,366</u>
 <b>Effective interest rates</b>		
Commercial loans	7.20%	6.92%
CAR facility	6.67%	7.76%
Revolving credit facility	3.96%	5.51%
Long term bank loan	1.30%	-

The Group has loan facilities that were established on 15 October 2019 with various institutional lenders. The loan facilities include a commercial term loan, a capital expenditure and acquisition facility (CAR facility) and revolving credit facility (altogether known as "The facilities"). The Group also has two long term bank loans.

The commercial term loan and CAR facility have a term of 7 years. The revolving credit facility have a term of 6 years and 6 months. There are no scheduled minimum debt repayments in respect of the Facilities. The facilities are secured by way of a first registered global security deed over certain entities within the Group. The Group is required to comply with certain covenants that are calculated and reported on a quarterly basis. The Group has complied with all covenants during the period and as at 31 December 2020.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 17 Borrowings (continued)

The collection accounts into which funds collected on behalf of clients are held, are specifically excluded from this security.

The maturity profile of the borrowings above are as follows:

GROUP	31-Dec-20			
	Less than 12 months	Between 1- 2 years	Between 2- 5 years	More than 5 years
	AU\$000s	AU\$000s	AU\$000s	AU\$000s
Total Borrowings as at 31 December 2020	-	-	480	768,536

The split of borrowings above, denominated in home currency, are as follows:

GROUP	Borrowings			
	EUR €000s	AUD AU\$000s	USD USD\$000s	GBP £000s
Total Borrowings as at 31 December 2020	302	581,300	96,939	34,750

GROUP	31-Mar-20			
	Less than 12 months	Between 1- 2 years	Between 2- 5 years	More than 5 years
	AU\$000s	AU\$000s	AU\$000s	AU\$000s
Total Borrowings as at 31 March 2020	-	-	-	786,366

The split of borrowings above, denominated in home currency, are as follows:

GROUP	Borrowings			
	EUR €000s	AUD AU\$000s	USD USD\$000s	GBP £000s
Total Borrowings as at 31 March 2020	-	577,500	88,939	31,750

#### 18 Trade and other payables

	Note	GROUP 31-Dec-20	GROUP 31-Mar-20
		AU\$000s	AU\$000s
Trade payables		6,956	5,775
Employee benefits		10,254	7,724
Accrued expenses and other payables <sup>1</sup>		41,927	39,366
Related party payables	16	1,876	76,347
Vendor liability	26	19,453	15,148
		<b>80,466</b>	<b>144,360</b>

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.

<sup>1</sup>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.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 19 Business Combination

The following acquisitions took place within the Group during the periods reported:

On 1 April 2020, TSG Holdings (UK) Limited, a subsidiary within the Group, acquired 100% of the shares in Synodia SAS, a company incorporated in France, for €31,900,000 which is equivalent to A\$57,704,000. Subsequent to the acquisition, Sky EU Bidco S.a.r.l was incorporated and 100% the shareholding in Synodia SAS was transferred from TSG Holdings (UK) Limited to Sky EU Bidco S.a.r.l. In the current period Synodia contributed A\$7,057,000 of revenue and A\$894,000 of net profit after tax.

On 24 June 2020, the Sky EU Bidco S.a.r.l acquired 100% of the shares in Lodecom SAS, a company incorporated in France, for €6,350,000 which is equivalent to A\$10,384,000. In the current period Lodecom contributed A\$1,750,000 of revenue and (A\$1,000) of net losses after tax. If the entity had been acquired on 1 April 2020, Lodecom would have contributed A\$1,975,000 of revenue and (A\$79,000) of net loss after tax.

Both of these entities provide software management systems to the Health and Fitness market in Europe and will support the Group's expansion plans.

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. The fair values applied to the intangible assets above, with the exception of the value of software, are not expected to be deductible for income tax purposes.

	Synodia SAS 1-Apr-20	Lodecom SAS 1-Jun-20	Total 31-Dec-20
	AUS000s	AUS000s	AUS000s
Cash and Cash Equivalents	2,202	1,126	3,328
Trade and Other Receivables	2,398	446	2,844
Property, plant and equipment	80	175	255
Computer Software	14,793	1,962	16,755
Customer Relationships	9,742	1,635	11,377
Other Intangibles	2,706	491	3,197
Right of Use Asset	1,013	337	1,350
Trade and Other Payables	(1,535)	(378)	(1,913)
Deferred Revenue	(1,147)	(211)	(1,358)
Deferred Tax Liability	(1,031)	(343)	(1,374)
Receivable for Taxation	103	41	144
Lease Liability	(7,627)	(1,145)	(8,772)
Total identifiable net assets	21,697	4,136	25,833
Goodwill	36,007	6,248	42,255
Total consideration	57,704	10,384	68,088
<b>Net cash effect</b>			
Total consideration (paid)	(57,704)	(10,384)	(68,088)
Cash consideration deferred	7,036	2,698	9,734
Consideration issued in equity rollover	9,909	-	9,909
Cash consideration paid	(40,759)	(7,686)	(48,445)
Cash included in net assets acquired	2,202	1,126	3,328
Net cash effect	(38,557)	(6,560)	(45,117)



## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

#### **19 Business Combinations (continued)**

During the prior period, the following acquisitions took place within the Group:

On 13 November 2019, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of Mariana Tek Corporation and Zingfit LLC, incorporated in USA, for \$109,533,000. Both entities provide business management software to boutique and studio facilities in the health and fitness sector primarily in North America, the United Kingdom and Australia.

On 30 November 2019, TSG Holdings NZ Limited, a subsidiary within the Group, acquired 100% of the shares of Software Minder Limited, incorporated in New Zealand, for \$5,211,000. Software Minder Limited trades as PT Minder, providing business management software to personal trainers and class and studio fitness operators primarily in Australia, New Zealand, North America and the United Kingdom.

On 3 December 2019, Transserv UK Limited, a subsidiary within the Group, acquired 100% of the shares of Legend Club Management Systems (UK), incorporated in the United Kingdom, for \$58,972,000. Legend Club Management Systems (UK) provides business management software to the health and fitness sector primarily in the United Kingdom.

On 18 December 2019, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of TRIIB Inc, incorporated in USA, for \$18,688,000. TRIIB provides business management software to boutique and studio facilities in the health and fitness sector in North America.

On 31 January 2020, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of BrandBot, LLC, incorporated in USA, for \$17,342,000. Brandbot, LLC provides business management software to boutique and studio facilities in the health and fitness sector in North America.

On 31 January 2020, TSG Holdings Australia No.2 Pty Ltd, a subsidiary within the Group, acquired 100% of the shares of Xplor Pty Ltd, incorporated in Australia, for \$66,339,000. Xplor Pty Ltd provides business management, education and parent engagement software to early education centres in Australia.

On 10 February 2020, TSG Holdings UK Limited, a subsidiary within the Group, acquired 100% of the shares of PerfectMind Inc, incorporated in Canada, for \$68,897,000. PerfectMind Inc provides business management software to the health and fitness sector in North America.

On 3 March 2020, AI Sky US Bidco Limited, a subsidiary within the Group, acquired 100% of the shares of TrueCoach, Inc, incorporated in USA, for \$56,436,000. TrueCoach, Inc provides business management software to personal trainers and coaches in the health and fitness sector primarily in North America, the United Kingdom and Australia.

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. The fair values applied to the intangible assets above, with the exception of the value of software, are not expected to be deductible for income tax purposes.

# **AI Sky UK Holdco Limited** **Notes to the Financial Statements**

## **19 Business Combinations (continued)**

	<b>Acquisition of TSGL by Advent International 15-Oct-19 AUS000s</b>	<b>Mariana Tek 13-Nov-19 AUS000s</b>	<b>Zingfit 13-Nov-19 AUS000s</b>	<b>Triib 18-Dec-19 AUS000s</b>
Cash and Cash Equivalents	11,107	390	588	572
Trade and Other Receivables	9,247	431	425	28
Property, plant and equipment	5,516	155	78	45
Computer Software	239,100	19,450	4,210	4,672
Customer Relationships	186,500	4,209	19,594	1,606
Other Intangibles	33,500	726	871	1,606
Trade and Other Payables	(25,206)	(1,240)	(5,193)	(165)
Borrowings	(175,983)	-	-	-
Deferred Revenue	(8,435)	-	(772)	(34)
Deferred Tax Liability	(75,466)	(6,340)	-	(2,050)
Total identifiable net assets	199,880	17,781	19,801	6,280
Goodwill	764,733	47,509	24,442	12,408
Total consideration	964,613	65,290	44,243	18,688
<b>Net cash effect</b>				
Total consideration (paid)	(964,613)	(65,290)	(44,243)	(18,688)
Cash consideration deferred	7,200	-	-	-
Consideration issued in equity rollover	228,402	30,570	8,709	-
Cash consideration paid	(729,011)	(34,720)	(35,534)	(18,688)
Cash included in net assets acquired	11,107	390	588	572
Net cash effect	(717,904)	(34,330)	(34,946)	(18,116)
	<b>BrandBot 31-Jan-20 AUS000s</b>	<b>TrueCoach 3-Mar-20 AUS000s</b>	<b>PT Minder 30-Nov-19 AUS000s</b>	<b>Legend 3-Dec-19 AUS000s</b>
Cash and Cash Equivalents	18	369	170	1,717
Trade and Other Receivables	-	38	47	9,197
Property, plant and equipment	-	88	-	1,411
Computer Software	4,144	12,616	1,286	14,623
Customer Relationships	592	4,408	847	9,685
Other Intangibles	888	4,560	353	3,608
Trade and Other Payables	(34)	(3,774)	(86)	(7,912)
Deferred Revenue	(77)	(693)	(71)	(2,621)
Deferred Tax Liability	-	(5,612)	(696)	(5,262)
Total identifiable net assets	5,531	12,000	1,850	24,446
Goodwill	11,811	44,436	3,361	34,526
Total consideration	17,342	56,436	5,211	58,972
<b>Net cash effect</b>				
Total consideration received/(paid)	(17,342)	(56,436)	(5,211)	(58,972)
Cash consideration deferred	-	-	360	-
Consideration issued in equity rollover	8,138	4,408	-	-
Cash consideration paid	(9,204)	(52,028)	(4,851)	(58,972)
Cash included in net assets acquired	18	369	170	1,717
Net cash effect	(9,186)	(51,659)	(4,681)	(57,255)

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 19 Business Combinations (continued)

	<b>Xplor</b>	<b>PerfectMind</b>	<b>Total</b>
	<b>31-Jan-20</b>	<b>10-Feb-20</b>	<b>31-Mar-20</b>
	<b>AU\$000s</b>	<b>AU\$000s</b>	<b>AU\$000s</b>
Cash and Cash Equivalents	887	1,623	17,441
Trade and Other Receivables	841	2,258	22,512
Property, plant and equipment	487	82	7,862
Computer Software	21,404	16,432	337,937
Customer Relationships	6,798	10,088	244,327
Other Intangibles	845	3,432	50,389
Trade and Other Payables	(4,355)	(1,324)	(49,289)
Deferred Revenue	(671)	(3,566)	(16,940)
Deferred Tax Liability	(2,293)	(8,087)	(105,806)
Total identifiable net assets	23,943	20,938	332,450
Goodwill	42,396	47,959	1,033,581
Total consideration	66,339	68,897	1,366,031
<b>Net cash effect</b>			
Total consideration (paid)	(66,339)	(68,897)	(1,366,031)
Cash consideration deferred	7,588	-	15,148
Consideration issued in equity rollover	24,790	-	305,017
Cash consideration paid	(35,209)	(68,897)	(1,045,866)
Cash included in net assets acquired	887	1,623	17,441
Net cash effect	(34,322)	(67,274)	(1,028,425)

Acquisition costs charged in the Consolidated Statement of Comprehensive Income for the period ended 31 March 2020 **15,388**

The Consolidated Statement of Comprehensive Income included revenue and net loss after tax due to the acquisition of TSGL of \$66,408,000, and (\$65,234,000). The revenue and net loss after tax contributed by the subsequent acquisition was \$16,427,000 and (\$8,981,000) respectively.

Revenue and net loss after tax of acquisitions above for the period 4 June 2019 to 31 March 2020 are \$30,851,000 and (\$10,564,000) respectively had the subsequent acquisitions been acquired on the date of the initial TSGL acquisition.

#### Valuation of D Shares issued in equity rollover

As detailed in Note 23, UK Midco II issued D shares in partial consideration for one of the acquisitions made in The key assumptions in valuing the D shares were as follows:

	<b>31-Dec-2022 to</b>
	<b>31-Mar-23</b>
Anticipated liquidity event date at the time of award	
Successor EV volatility	33.1%
Sub-Group EV Volatility (i)	32.2%
Risk free rate	0.63%
Expected dividends	Nil

The fair value of the D shares were estimated based on a valuation methodology having regard to the expected (i) - Sub-Group refers to those companies in the Successor on which the payoff on the D shares are partly based.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 20 Financial assets and liabilities by category

	Other financial assets at amortised cost AU\$000s	Other financial liabilities at amortised cost AU\$000s
<b>Assets and liabilities as per balance sheet</b>		
<b>Group</b>		
<b>Balance at 31 December 2020</b>		
<i>Fair value hierarchy: Level 1</i>		
Cash and cash equivalents	32,145	-
Collection deposits	51,039	
Collection liability		(51,039)
Borrowings	-	(738,818)
<i>Fair value hierarchy: Level 2</i>		
Trade receivables	12,328	-
Trade payables and accrued expenses	-	(48,883)
<b>Balance at 31 March 2020</b>		
<i>Fair value hierarchy: Level 1</i>		
Cash and cash equivalents	117,887	-
Collection deposits	35,913	
Collection liability		(35,913)
Borrowings	-	(754,648)
<i>Fair value hierarchy: Level 2</i>		
Trade receivables	9,711	-
Trade payables and accrued expenses	-	(45,141)

#### 21 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 period, 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:

	GROUP 31-Dec-20 AU\$000s	GROUP 31-Mar-20 AU\$000s
AA-	9,519	2,487
A+	2,512	109,059
A	16,546	24
A-	-	4,476
BBB+	3,568	1,841
<b>Total Cash and cash equivalents</b>	<b>32,145</b>	<b>117,887</b>

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 21 Financial Instruments (continued)

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.

#### 22 Employees and Directors

	Note	GROUP 31-Dec-20 AU\$000s	GROUP 31-Mar-20 AU\$000s
<b>(a) Employee costs</b>			
Wages and salaries		56,759	26,683
Social security costs		3,866	1,297
Other pension costs		4,965	631
Share based payments	23	4,500	-
<b>Total employee costs</b>		<b>70,090</b>	<b>28,611</b>

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

By activity	Number	Number
Finance and other administration	216	122
IT	442	414
Contact centre	388	349
Sales and marketing	179	148
Management	31	38
<b>Total average headcount</b>	<b>1,255</b>	<b>1,071</b>

There were no employees paid by the Company in the period.

	GROUP 31-Dec-20 AU\$000s	GROUP 31-Mar-20 AU\$000s
<b>(c) Key management compensation</b>		
Aggregate remuneration	697	502
Aggregate contributions to pension scheme	47	15
Aggregate share based payments	1,175	-
<b>Total</b>	<b>1,919</b>	<b>517</b>

Key management includes the CEO and CFO. In the periods ending 31 March 2020 and 31 December 2020, the Directors appointed by Advent International were not compensated by the Group. During the period ending 31 December 2020 the Group was recharged \$7,000 (\$103,000 March 20) in respect of the services of two Directors.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 23 Management Equity

##### (a) Overview of management equity arrangements

Certain current and former managers of the Group hold equity interests in the Group's intermedite Parent, UK Midco II.

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 shares, legal title to the underlying C shares are held by Ocorian Limited, the Trustee of 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.

##### *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.

##### *Accounting treatment*

To the extent that participants are awarded interests in UK Midco II C shares that have a fair value for financial reporting purposes that exceed the subscription price they paid, the excess value is a share based payment that is accounted for under IFRS 2.

The mechanism of settling this share based payment depends on the liquidity event scenario, but in all cases can be settled in equity at the option of the Group and is expected to do so. As the Directors consider the likelihood of Good Leaver settlement to be remote, the arrangement is classified as fully equity settled. The grant date fair value of the awards have been accounted for over the expected period of vesting, being the anticipated time to the IPO or exit event. The fair value of the C shares awarded was determined using a Monte-Carlo option pricing model, with a deduction for the upfront subscription amounts paid by the participants to acquire their interests in the shares.

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

# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 23 Management Equity (continued)

#### (a) Overview of management equity arrangements (continued)

##### C2 Shares

The C2 shares have economics that are tied to a synthetic valuation of certain companies within the Group. The holder acquired the C2 shares through cash investment, paying an upfront subscription price that was set according to a valuation agreed between UK Midco II and the holder. The C2 shares had similar terms to the Management equity plan above.

##### *Vesting leaver conditions*

C2 shares do not have any vesting or leaver conditions.

##### *Accounting treatment*

The C2 shares were accounted for as an Equity Settled Share Based Payment arrangement, and were expensed over the period of vesting. The fair value of the C2 shares awarded was determined using a Monte-Carlo option pricing model, with a deduction for the upfront subscription price paid by the holder to acquire the shares.

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 in valuing the share based payments are as follows

##### Grants during the period ending 31 December 2020

	C Shares Classified as Cash Settled 31 Dec 2022 to 31 March 2022
Anticipated liquidity event date at the time of award	
Group EV Volatility	40.6%
Risk free rate	0.26%
Expected dividends	Nil

##### Grants during the period ending 31 March 2020

	C Shares Classified as Equity Settled 31 Dec 2022 to 31 March 2023	C2 Shares Classified as Equity Settled 31 Dec 2022 to 31 March 2023
Anticipated liquidity event date at the time of award		
Group EV Volatility	34.5%	34.5%
Sub-Group EV Volatility (i)	N/A	18.7%
Risk free rate	0.81%	0.81%
Expected dividends	Nil	Nil

(i) - 'Sub-Group' refers to those companies in the Group on which the C2 shares are based

The fair value of the C and C2 classes of shares were estimated based on a valuation methodology having regard to the expected future liquidity event and asset volatility based on comparable companies.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 23 Management Equity (continued)

##### (b) Share based payments (continued)

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

	<b>GROUP</b>	<b>GROUP</b>
	<b>1 April 2020 to 31 December 2020</b>	<b>4 June 2019 to 31 March 2020</b>
<b>Income statement</b>	<b>AU\$000s</b>	<b>AU\$000s</b>
Within Employee Costs and Other Operating Costs	6,950	-
	<b>6,950</b>	<b>-</b>
	<b>GROUP</b>	<b>GROUP</b>
	<b>31-Dec-20</b>	<b>31-Mar-20</b>
	<b>AU\$000s</b>	<b>AU\$000s</b>
<b>Statement of Financial Position</b>		
Within Capital Contributions Reserve in Equity		
C Shares classified as equity settled	6,748	-
C2 Shares classified as equity settled	202	-
	<b>6,950</b>	<b>-</b>

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

##### Share interests allocated to management

	<b>C Shares No. of shares</b>	<b>C2 Shares No. of shares</b>
<b>At 1 April 2020</b>	2,768,932	1,000
Granted	44,049,872	-
Forfeited	(3,037,500)	-
Exercised	-	-
<b>At 31 December 2020</b>	<b>43,781,304</b>	<b>1,000</b>
<b>At 4 June 2019</b>	-	-
Granted	2,768,932	1,000
Forfeited	-	-
Exercised	-	-
<b>At 31 March 2020</b>	<b>2,768,932</b>	<b>1,000</b>



# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 23 Management Equity (continued)

#### (b) Share based payments (continued)

##### Weighted average subscription price

	C Shares	C2 Shares
	AUS	AUS
At 31 December 2020	0.02	73.81
At 31 March 2020	0.02	73.81

##### Weighted average fair value

	C Shares	C2 Shares
	AUS	AUS
At 31 December 2020	0.26	1,506.00
At 31 March 2020	0.43	1,506.00

### 24 Right of Use Asset and Lease Liability

#### Right of Use Asset

	GROUP 31-Dec-20 AUS000s	GROUP 31-Mar-20 AUS000s
<b>COST</b>		
Balance at beginning of period	14,477	-
Acquisition of subsidiaries	3,861	14,477
Exchange differences	(2,366)	-
Additions, disposals & reassessments	4,444	-
<b>Balance at end of period</b>	<b>20,416</b>	<b>14,477</b>
<b>ACCUMULATED DEPRECIATION</b>		
Balance at beginning of period	2,050	-
Exchange differences	(692)	-
Additions, disposals & reassessments	(88)	-
Amortisation of leased assets	3,440	2,050
<b>Balance at end of period</b>	<b>4,710</b>	<b>2,050</b>
<b>NET BOOK AMOUNTS</b>	<b>15,706</b>	<b>12,427</b>

All leases relate to building leases that have lease terms ranging between 1-9 years.

#### Lease liabilities

	GROUP 31-Dec-20 AUS000s	GROUP 31-Mar-20 AUS000s
Balance at beginning of period	12,335	-
Acquisition of subsidiaries	3,861	13,477
Lease modifications	4,494	-
Foreign exchange (losses)/gains	(1,641)	-
Repayment of lease liabilities	(3,618)	(1,364)
Lease interest included in financing costs	555	222
<b>Balance at end of period</b>	<b>15,986</b>	<b>12,335</b>
Current	3,585	3,742
Non-current	12,401	8,593

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 25 Collection deposits and Collection Liability

	<b>GROUP</b> <b>31-Dec-20</b> AU\$000s	<b>GROUP</b> <b>31-Mar-20</b> AU\$000s
Collection deposits	51,039	35,913
	<b>51,039</b>	<b>35,913</b>
	<b>GROUP</b> <b>31-Dec-20</b> AU\$000s	<b>GROUP</b> <b>31-Mar-20</b> AU\$000s
Collection liabilities	51,039	35,913
	<b>51,039</b>	<b>35,913</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.

#### 26 Vendor Liability

	<b>GROUP</b> <b>31-Dec-20</b> AU\$000s	<b>GROUP</b> <b>31-Mar-20</b> AU\$000s
Deferred consideration	10,381	7,588
Contingent consideration	18,144	7,560
	<b>28,525</b>	<b>15,148</b>
Current	19,453	15,148
Non-current	9,072	-

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, any revaluations are recognised in profit and loss. Interest accrued on deferred consideration was \$166,000 for the period to 31 December 2020 (March 2020:nil). The fair value adjustment as at 31 December 2020 for Contingent consideration was \$4,374,000 (31 March 2020: nil).

#### 27 Commitments

The Group had letters of credit amounting to \$22,720,977 outstanding at 31 December 2020. These letters of credit are guarantees relating to the usual trading and operations of the business. The Group had also issued bank guarantees amounting to \$350,000 (31 March 2020: nil).

There were no capital commitments at 31 December 2020 (31 March 2020: nil).

#### 28 Contingent Liabilities

There were no material contingent liabilities at 31 December 2020 (31 March 2020: nil).

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 29 Subsidiaries and controlled entities

The Group has the following subsidiaries and controlled entities at 31 December 2020:

Name	Country of incorporation and registered office	Nature of business	Shares held directly by parent (%)	Shares held by Group (%)
			2020	2020
AI Sky UK Bidco Limited	Note (a)	Holding entity	100	100
AI Sky Aus Finance Ltd*	Note (a)	Holding entity	-	100
AI Sky NZ Finance Ltd*	Note (a)	Holding entity	-	100
AI Sky Cdn Finance Limited	Note (a)	Holding entity	-	100
Transaction Services Group Limited	Note (a)	Holding entity	-	100
TSG Holdings (UK) Limited	Note (a)	Holding entity	-	100
TransServ UK Limited	Note (a)	Holding entity	-	100
Debit Finance Collections Plc	Note (b)	Direct debit billing services	-	100
Harlands Group Ltd*	Note (a)	Holding entity	-	100
Harlands Services Ltd*	Note (a)	Direct debit billing services	-	100
Harlands Finance Limited	Note (a)	Direct debit billing services	-	100
Harlands Services AB	Note (k)	Non-trading entity	-	100
Harlands Diensten BV	Note (g)	Non-trading entity	-	100
TSG Holdings (Australia) Pty Limited	Note (c)	Holding entity	-	100
TSG Holdings (Aust) No 2 Pty Limited	Note (c)	Holding entity	-	100
Transaction Services (Australia) Pty Limited*	Note (c)	Holding entity	-	100
Transaction Services Limited Partnership	Note (c)	Holding entity	-	100
Debitsuccess Pty Limited*	Note (c)	Direct debit billing services	-	100
FFA Paysmart Holdings Pty Limited*	Note (c)	Holding entity	-	100
Paysmart Pty Limited*	Note (c)	Direct debit billing services	-	100
Clubware Pty Limited	Note (c)	Non-trading entity	-	100
Links Modular Solutions Pty Limited	Note (d)	Software services	-	100
Links IP Holdings Pty Limited	Note (d)	Non-trading entity	-	100
Ausfit Pty Limited	Note (e)	Direct debit billing services	-	100
QK Technologies Pty Limited*	Note (n)	Software services	-	100
Minerva Solutions Pty Limited*	Note (n)	Holding entity	-	100
TSG Holdings (NZ) Limited	Note (f)	Holding entity	-	100
Transaction Services Holdings Limited*	Note (f)	Holding entity	-	100
Debitsuccess Limited*	Note (f)	Direct debit billing services	-	100
Paysmart NZ Limited	Note (f)	Direct debit billing services	-	100
Clubware Limited	Note (f)	Non-trading entity	-	100
Debitsuccess (USA) Inc	Note (h)	Direct debit billing services	-	100
Transaction Services Group USA Inc	Note (h)	Holding entity	-	100
Leisure Management Services Inc	Note (i)	Direct debit billing services	-	100
AI Sky Aus Holdco Pty Ltd	Note (j)	Holding entity	-	100
AI Sky Aus Bidco Pty Ltd	Note (j)	Holding entity	-	100
TSG Japan	Note (l)	Direct debit billing services	-	100
TSG Morocco SARL AU	Note (m)	Non-trading entity	-	100
TSG Revenue Management Solutions Ireland DAC	Note (o)	Non-trading entity	-	100
My Xplor Pty Ltd	Note (p)	Software services	-	100
Legend Recreation Software Pty Ltd	Note (q)	Software services	-	100
Legend Recreation Software Inc	Note (r)	Software services	-	100
Legend Canada Inc	Note (r)	Holding entity	-	100
Legend Leisure Services Limited	Note (s)	Software services	-	100
Club Machine Holdings (UK) Limited	Note (s)	Software services	-	100

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 29 Subsidiaries and controlled entities (continued)

Name	Country of incorporation and registered office	Nature of business	Shares held directly by parent (%)	Shares held by Group (%)
			2020	2020
Brightline Limited	Note (s)	Software services	-	100
Legend Club Management Systems (UK) Limited	Note (s)	Software services	-	100
MyXplor UK Ltd	Note (t)	Software services	-	100
PerfectMind Inc	Note (aa)	Software services	-	100
Software Minder Limited	Note (f)	Software services	-	100
AI Sky US Bidco Inc	Note (u)	Holding entity	-	100
Mariana Tek Corporation	Note (v)	Software services	-	100
Zingfit LLC	Note (w)	Software services	-	100
TrueCoach, Inc.	Note (x)	Software services	-	100
Brndbot, LLC	Note (y)	Software services	-	100
Triib, Inc	Note (z)	Software services	-	100
Sky EU Bidco S a r l	Note (ab)	Holding entity	-	100
Synodia SAS	Note (ac)	Software services	-	100
Lodecom SAS	Note (ad)	Software services	-	100
TSG IP Limited	Note (a)	Holding entity	-	100
TSG Payments BV	Note (ae)	Payment services	-	100
TSG Payments Stichting Custodian	Note (ae)	Payment services	-	100

Note (a) Rockwood House, Perrymount Road, Haywards Heath, West Sussex, RH16 3TW, United Kingdom

Note (b) 16 Davy Avenue, Knowlhill, Milton Keynes, Buckinghamshire, MK5 8PL, United Kingdom

Note (c) Level 38, 345 Queen St, Brisbane City QLD 4000, Australia

Note (d) 9 Newsom Street, Ascot Vale, VIC 3032, Australia

Note (e) 90 Goodchap Street, Noosaville, QLD 4566, Australia

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

Note (g) Country of incorporation: Netherlands, Registered address: Rockwood House, Perrymount Road, Haywards Heath, West Sussex, RH16 3TW, United Kingdom

Note (h) 3801E Florida Ave, STE 400, Denver, Colorado 80210, USA

Note (i) 1835 East Hallandale Beach Blvd #317, Hallandale, FL 33009, USA

Note (j) Level 33, 101 Collins Street, Melbourne, Victoria 3000, Australia

Note (k) Advokatfirman Delphi, PO Box 1432, 111 44 Stockholm

Note (l) 384 Saedochi, Tsuzuki Ward, Yokohama, Kanagawa 224-0054, Japan

Note (m) Angle BD Abdelmoumen and Rue Soumia, Khay Sheherazada 3, 5<sup>th</sup> Floor, No 2, Casablanca

Note (n) Level 2, 50 Metroplex Avenue, Murarie, Brisbane City, Queensland 4172

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

Note (p) 520 Bourke Street, Melbourne, 3000 Australia

Note (q) Level 18, 55 Market Street, Sydney, 2000 NSW, Australia

Note (r) 2451 Riverside Drive, House of Sport, West Wing, Upper Level, Ottawa ON K1H 7X7, Canada

Note (s) Block A, Clifton Park Avenue, York, North Yorkshire, England, YO30 5PB

Note (t) Second Floor, Rowan Suite 7 Trinity Place, Midland Drive, Sutton Coldfield, England, B72 1TX

Note (u) 1209 Orange Street, Wilmington, DE 19801 USA

Note (v) 1717 K St, NW, Washington, DC 20006, USA

Note (w) 2051 Dogwood Street, Louisville, CO 80027, USA

Note (x) 1825 33rd St, Boulder, CO 80301, USA

Note (y) 31 St James Ave, Boston, MA 02116, USA

Note (z) 21 Drydock Ave, Boston, MA 02210, USA

Note (aa) 4333 Still Creek Dr 2nd Floor, Burnaby, BC V5C 6S6, Canada

Note (ab) 70 Route d'Esch, 1470 Luxembourg

# AI Sky UK Holdco Limited

## Notes to the Financial Statements

### 29 Subsidiaries and controlled entities (continued)

Note (ac) 41 Rue du Général de Gaulle, 59110 La Madeleine, France

Note (ad) 2 Rue du Château, 81370 Saint-Sulpice-la-Pointe, France

Note (ae) Strawinskylaan 411, 1077XX Amsterdam

\*These entities have a charge over their shares and assets as security under the loan facilities agreement described in Note 17

All subsidiaries and controlled entities are included in the consolidation.

	COMPANY COMPANY	
	31-Dec-20	31-Mar-20
Investment in subsidiaries	AUS000s	AUS000s
Parent Company investment (at cost) in Group companies		
Investment in AI Sky UK Bidco Limited	926,726	840,040
Total Investments	<b>926,726</b>	<b>840,040</b>

### 30 Events after the reporting period

#### Merger Agreement & Refinancing

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 previously announced 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 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 transferred its interest in AI Sky US Bidco Inc, a subsidiary that holds the Group's US-domiciled operations, to Xplor TI, LLC. While the merger itself had no impact on the accounts of the Group, the subsequent transfer of AI Sky US Bidco Inc will be treated by the Group as a disposal of that subsidiary. From 1 July 2021 AI Sky UK Holdco will cease to consolidate AI Sky US Bidco Inc and its subsidiaries as controlled entities. As of the date of this report, it is impracticable to quantify the impact of the merger on the Group, as the financial reporting close process for the merger has not yet been completed.

#### Debt Refinance

On 1 July 2021, in connection with the Merger Agreement discussed above, the Group's borrowings under its Senior Facilities Agreement were taken over and refinanced by Xplor Technologies, with an intercompany loan agreement put in place between Xplor Technologies and the Group.

#### Purchase of Preference Shares

On 21 June 2021 the Group exercised a call option to purchase €8,000,000 in preference shares held in Sky EU Bidco S.a.r.l by certain vendors of the Stadline business acquired by the Group on 1 April 2020. A payment of €8,574,775, being the principal plus interest, was made on 28 June 2021.

## **AI Sky UK Holdco Limited**

### **Notes to the Financial Statements**

#### **30 Events after the reporting period (Continued)**

##### **Completed Business Combinations**

On 1 January 2021, AI Sky US Bidco Inc Limited, a subsidiary within the Group, acquired 100% of the shares in Adaptive Analytics LLC, a company incorporated in the USA, for \$4,100,000 USD which is equivalent to \$5,330,000 AUD. Adaptive Analytics LLC (trading as 'Intellihub') is a data reporting and analytics software provider.

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 \$15,000,000 NZD which is equivalent to \$13,920,000 AUD. Superior Admin Limited (trading as 'Discover') is a business management software provider in the New Zealand Education market.

On 30 July 2021, TSG Holdings (Aust) No. 2 Pty Ltd, a subsidiary within the Group, acquired 100% of the shares in Zenrol Pty Ltd, a company incorporated in Australia, for \$500,000 AUD. Zenrol Pty Limited (trading as 'MyWaitlist') is a business management software provider in the Australian Education market.

For the above business combinations, the purchase price allocation is still ongoing therefore the accounting for these has not been finalised and we cannot reliably estimate the financial impact.

##### **Modification of Management Equity Plan**

On 26 April 2021, the management equity plan (see Note 23, C shares) was modified by the Group. The key changes in the modification were to introduce a contingent service condition and to change the exit value formula. The accounting for this has not been finalised and we cannot reliably estimate the financial impact.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 31 Prior period remeasurement and reclassification adjustments

During the preparation of the Financial Statements a measurement period adjustment has been made to a business combination that was completed during the period ended 31 March 2020, and reclassifications have been made in order to more clearly report on underlying performance. Details of these adjustments and their impacts are included in the tables and narrative below.

#### Comprehensive Income Statement - Period 4 June to 31 March 2020

	Original	Measurement period adjustment	Reclass*	Adjusted
	AUS000s	AUS000s	AUS000s	AUS000s
<b>Revenue</b>	<b>82,835</b>			<b>82,835</b>
Other income	-			-
Employee costs	-		(28,611)	(28,611)
Other operating costs	(104,980)	-	28,611	(76,369)
Depreciation of property, plant and equipment	(845)			(845)
(Loss)/gain on disposal of property, plant and equipment	4			4
Amortisation of intangible assets	(28,389)			(28,389)
Amortisation of leased assets	(2,050)			(2,050)
<b>Operating Loss</b>	<b>(53,425)</b>			<b>(53,425)</b>
Finance income	88			88
Finance costs	(20,575)		(1,883)	(22,458)
Foreign exchange gain/(loss)	(3,944)			(3,944)
Amortisation of funding costs	(1,883)		1,883	-
<b>Finance costs - net</b>	<b>(26,314)</b>	-	-	<b>(26,314)</b>
<b>Loss before income tax</b>	<b>(79,739)</b>	-	-	<b>(79,739)</b>
Income tax credit	12,583			12,583
<b>Loss for the period</b>	<b>(67,156)</b>	-	-	<b>(67,156)</b>
<b>Other comprehensive (loss)/income</b>				
<b>Items that may be subsequently reclassified to profit and loss</b>				
Currency translation differences	26,348			26,348
<b>Other comprehensive (loss)/income</b>	<b>26,348</b>			<b>26,348</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(40,808)</b>	-	-	<b>(40,808)</b>

# **AI Sky UK Holdco Limited** **Notes to the Financial Statements**

## **31 Prior period remeasurement and reclassification adjustments (continued)**

### **Closing Balance Sheet - Period ending 31 March 2020**

	Original	Measurement period adjustment	Reclass*	Adjusted
	AUS000s	AUS000s	AUS000s	AUS000s
<b>NON-CURRENT ASSETS</b>				
Property, plant and equipment	8,130			8,130
Right of use assets	12,427			12,427
Goodwill	1,036,210	5,565		1,041,775
Intangible assets	636,178			636,178
Deferred tax asset	-		12,203	12,203
	<u>1,692,945</u>	<u>5,565</u>	<u>12,203</u>	<u>1,710,713</u>
<b>CURRENT ASSETS</b>				
Cash and cash equivalents	117,887			117,887
Collection deposits	35,913			35,913
Trade and other receivables	14,534		1,700	16,234
Income tax receivable	4,426			4,426
	<u>172,760</u>	<u>-</u>	<u>1,700</u>	<u>174,460</u>
<b>Total Assets</b>	<b>1,865,705</b>	<b>5,565</b>	<b>13,903</b>	<b>1,885,174</b>
<b>NON-CURRENT LIABILITIES</b>				
Deferred tax liability	108,110		12,203	120,313
Lease liabilities	8,593			8,593
Borrowings	754,648			754,648
	<u>871,351</u>	<u>-</u>	<u>12,203</u>	<u>883,554</u>
<b>CURRENT LIABILITIES</b>				
Trade and other payables	144,360			144,360
Deferred income	9,934		1,700	11,634
Collection liabilities	35,913			35,913
Lease liabilities	3,742			3,742
Income tax payable	1,079			1,079
	<u>195,028</u>	<u>-</u>	<u>1,700</u>	<u>196,728</u>
<b>Total Liabilities</b>	<b>1,066,379</b>	<b>-</b>	<b>13,903</b>	<b>1,080,282</b>
<b>Net Assets</b>	<b>799,326</b>	<b>5,565</b>	<b>-</b>	<b>804,891</b>
<b>EQUITY</b>				
Share capital and Share premium	840,134			840,134
Other reserves	26,348	5,565		31,913
Accumulated losses	(67,156)			(67,156)
<b>Total Equity</b>	<b>799,326</b>	<b>5,565</b>	<b>-</b>	<b>804,891</b>



## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 31 Prior period remeasurement and reclassification adjustments (continued)

##### Measurement period adjustment: Share based consideration

During the fiscal period ended 31 March 2020, UK Midco II D shares were issued to a vendor of one of the businesses that the Group acquired. The D shares have economics that are tied to a synthetic valuation of certain companies within the Group that the holder now leads as a manager. The holder acquired the D shares through 'rollover' investment, paying an upfront subscription price that was set according to a valuation agreed between UK Midco II and the holder at the time of the acquisition.

The Group has reassessed the consideration paid for that acquisition based on an IFRS 13 valuation of the D shares. This has had the effect of increasing goodwill, and capital contribution reserve.

The key assumptions in valuing the D shares were as follows:

	31-Dec-2022 to 31-Mar-23
Anticipated liquidity event date at the time of award	
Successor EV volatility	33.1%
Sub-Group EV Volatility (i)	32.2%
Risk free rate	0.63%
Expected dividends	Nil

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

(i) - Sub-Group refers to those companies in the Successor on which the payoff on the D shares are partly based.

##### \*Reclassifications

In preparing these financial statements, the Group has made certain presentational changes in order to more clearly report on underlying performance.

## AI Sky UK Holdco Limited

### Notes to the Financial Statements

#### 31 Prior period remeasurement and reclassification adjustments (continued)

##### Statement of Cashflows - Period 4 June to 31 March 2020

	Original AUS000s	Reclass* S'000	Adjusted S'000
<b>Cash flows from operating activities</b>			
Cash receipts from customers	88,722		88,722
Cash receipts from other income	-		-
Interest income	88		88
<b>Cash generated from operations</b>	<b>88,810</b>	<b>-</b>	<b>88,810</b>
Cash payments to suppliers and employees	(79,141)		(79,141)
Acquisition costs	-	(6,624)	(6,624)
Interest paid	(20,357)	20,357	-
Income tax received/(paid)	(2,786)		(2,786)
<b>Net cash flows used in operating activities</b>	<b>(13,474)</b>	<b>13,733</b>	<b>259</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(1,236)		(1,236)
Acquisition costs	(6,624)	6,624	-
Proceeds from disposals of property, plant and equipment	33		33
Acquisition of intangible assets	(359)		(359)
Capitalisation of software development assets	(9,125)		(9,125)
Acquisition of subsidiaries, net of cash acquired	(1,047,114)	-	(1,047,114)
<b>Net cash flows used in investing activities</b>	<b>(1,064,425)</b>	<b>6,624</b>	<b>(1,057,801)</b>
<b>Cash flows from financing activities</b>			
Shares issued	840,134	(298,204)	541,930
Shares issued for rollover of sellers shareholding	(298,204)	298,204	-
Redeemable preference shares issued	-		-
Receipt of cash held on behalf of related parties	77,659		77,659
Repayment of cash held on behalf of related parties	-		-
Proceeds from borrowings (net of funding costs)	754,648		754,648
Repayments on borrowings	(175,983)		(175,983)
Payment for lease liabilities	(2,468)		(2,468)
Interest paid	-	(20,357)	(20,357)
<b>Net cash flows generated from financing activities</b>	<b>1,195,786</b>	<b>(20,357)</b>	<b>1,175,429</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>117,887</b>	<b>-</b>	<b>117,887</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>117,887</b>	<b>-</b>	<b>117,887</b>

##### **\*Reclassifications**

In preparing these financial statements, the Group has made certain presentational changes in order to more clearly report on underlying performance.