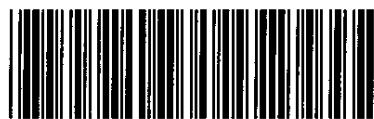


# **ESG-Utiligroup Bidco Limited (formerly Lytham Bidco Limited)**

## **Annual Report and Financial Statements**

Registered number 10708569

THURSDAY



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COMPANIES HOUSE

## ESG-Utiligroup Bidco Limited (formerly Lytham Bidco Limited)

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### **Directors**

M C Hirst  
S Gosling  
P Galati  
C P Durrett

### **Secretary**

Brodies Secretarial Services Limited

### **Independent Auditors**

PricewaterhouseCoopers LLP  
No1 Spinningfields  
Hardman Square  
Manchester M3 3EB

### **Registered Office**

Utilihouse  
East Terrace  
Euxton Lane  
Chorley  
Lancashire PR7 6TE

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## Strategic Report

The directors present their strategic report for the period ended 31 December 2017.

### Principal activity and review of the business

The Company was formed on 4<sup>th</sup> April 2017 with the principal objective to act as the acquisition and financing vehicle to acquire the Utiligroup companies from Northedge Capital. The acquisition was completed on 14<sup>th</sup> April 2017, with the company acting as the principal financing vehicle for the Utiligroup acquisition. It had no trading or employees, only financing transactions.

### Key performance indicators (KPIs)

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

The KPIs of the Company are to:

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

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

### Principal risks and uncertainties

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

#### *Strategic:*

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

#### *Operational:*

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

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

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

#### *Liquidity risk*

The company has a banking relationship with Goldman Sachs Bank where its loan is held.

Interest was payable on the loan at a rate of 7% + LIBOR. The company regularly monitored the LIBOR rate to assess the Company's exposure to interest rate risk. If management deemed it necessary, interest rate hedges would be put in place to fix the financial exposure.

## Strategic Report (continued)

### Principal risks and uncertainties (continued)

#### *Credit risk*

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

The Company's principal financial assets are bank balances and cash. The credit risk on these assets is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

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

Approved by the Board on 20 April 2018 and signed on its behalf by:



Steve Gosling  
Director

## Directors' report

The directors present their report and audited financial statements for the period ended 31 December 2017.

### Results and dividends

The loss for the financial period amounted to £2,432,666. The directors do not recommend payment of a dividend.

### Future developments

Since formation the company has never traded and the directors do not intend to commence trade in the foreseeable future.

### Directors

The directors who served the company during the period were as follows:

S Gosling (appointed 6 October 2017)

P Galati (appointed 13 April 2017)

C P Durrett (appointed 13 April 2017)

J C Voge (appointed 4 April 2017, resigned 13 April 2017)

### Charitable and political donations

No charitable or political donations were made by the company in the period.

### Disclosure of information to the auditor

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

### Independent Auditors

Pursuant to Section 487 of the Companies Act 2006, a new auditor has been appointed and PricewaterhouseCoopers LLP has now taken office.

On behalf of the Board



Steve Gosling  
Director  
20 April 2018

Registered No. 10708569

## Statement of directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

## **Independent auditors' report to the members of ESG-Utiligroup Bidco Limited**

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

#### **Opinion**

In our opinion, ESG-Utiligroup Bidco Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the 9 month period (the "period") then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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 Balance sheet as at 31 December 2017; the Profit and loss account, the Statement of changes in equity for the 9 month 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 company 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**

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

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

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

#### **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



## **Independent auditors' report to the members of ESG-Utiligroup Bidco Limited (*continued*)**

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 the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require 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 2017 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 company and its 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 set out on page 4, 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 company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

#### ***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.

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.

## **Independent auditors' report to the members of ESG-Utiligroup Bidco Limited (*continued*)**

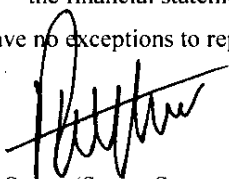
### **Other required reporting**

#### **Companies Act 2006 exception reporting**

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

- we have not received 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 financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Philip Storer (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Manchester  
3 May 2018

## Profit and loss account

for the period ended 31 December 2017

		<i>Period from 4 April 2017 to 31 December 2017</i>
	<i>Note</i>	<i>£</i>
<b>Turnover</b>	2	-
Cost of sales		-
<b>Gross profit</b>		-
Administrative expenses		-
<b>Operating profit</b>	3	-
Interest receivable and similar income		-
Interest payable and similar expenses	6	(2,432,666)
<b>Loss before taxation</b>		(2,432,666)
Tax on loss	7	-
<b>Loss for the financial period</b>		(2,432,666)
Other comprehensive income		-
<b>Total comprehensive expenditure/loss for the financial period</b>		(2,432,666)

All amounts relate to continuing activities.

## Balance sheet

As at 31 December 2017

	Note	Period Ended 31 December 2017 £
<b>Fixed assets</b>		
Investments	8	<u>104,220,178</u>
		<b>104,220,178</b>
<b>Current assets</b>		
Debtors		-
Cash at bank and in hand		-
		-
<b>Creditors: amounts falling due within one year</b>	9	<u>(19,812,364)</u>
<b>Net current liabilities</b>		<u>(19,812,364)</u>
<b>Total assets less current liabilities</b>		<b>84,407,814</b>
<b>Creditors: amounts falling due after more than one year</b>	10	<u>(34,070,780)</u>
<b>Net assets</b>		<u><b>50,337,034</b></u>
<b>Capital and reserves</b>		
Called up share capital	12	2,000
Share premium		47,749,704
Capital contribution		5,017,996
Profit and loss account		(2,432,666)
<b>Total Shareholders' deficit</b>		<u><b>50,337,034</b></u>

The financial statements on pages 8 to 17 were approved by the Board of Directors on 20 April 2018 and are signed on their behalf by:



Steve Gosling

Director

Registered number 10708569

## Statement of changes in equity

for the period ended 31 December 2017

	<i>Called up share capital</i>	<i>Share premium</i>	<i>Capital contribution</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£		£	£	£
At 4 April 2017	-	-	-	-	-
Loss for the financial period	-	-	-	(2,432,666)	(2,432,666)
Capital Contribution	-	-	5,017,996	-	5,017,996
Issue of share capital	2,000	47,749,704	-	-	47,751,704
<b>At 31 December 2017</b>	<b>2,000</b>	<b>47,749,704</b>	<b>5,017,996</b>	<b>(2,432,666)</b>	<b>50,337,034</b>

## Notes to the financial statements

For the period ended 31 December 2017

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

### 1. Accounting policies

#### ***Basis of preparation***

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

The Company's financial statements have been prepared in accordance with FRS 102 the financial reporting standard applicable in the UK and Republic of Ireland and in accordance with the Companies Act 2006.

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

At the period end the Company had net current liabilities of £19,812,364 and net assets of £50,337,034.

The directors believe that the use of the going concern basis of accounting is appropriate. The Company has received confirmation from its ultimate parent, ESG-Utiligroup Holdings LLC, that it will provide the necessary financial support to meet the Company's liabilities as and when they fall due. Accordingly, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future and thus continue to adopt the going concern basis of accounting in preparing the financial statements.

#### ***Group financial statements***

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

#### ***Statement of cash flows***

The company has taken advantage of the disclosure exemption offered by paragraph 1.12 of FRS 102 not to present a statement of cash flows.

#### ***Investments***

Investments are accounted for at the lower of cost or net realisable value.

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

#### ***Basic financial instruments***

##### ***Trade and other debtors / creditors***

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

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

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

##### ***Cash and cash equivalents***

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 1. Accounting policies (continued)

#### **Other financial instruments**

*Financial instruments not considered to be Basic financial instruments (Other financial instruments)*

Other financial instruments not meeting the definition of Basic Financial Instruments, which include derivative assets and liabilities, are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit.

#### **Taxation**

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

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

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

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

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

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

#### **Foreign currencies**

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

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

All differences are taken to the profit and loss account.

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

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

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 1. Accounting policies (continued)

#### *Significant judgements and estimates*

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

#### *Impairment of assets*

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

### 2. Turnover

The company has not traded in the period.

### 3. Operating profit

There has been no trade during the period.

All audit and non-audit costs paid to the company's auditors in the current period was borne by Utilisoft Limited and no recharge was made. Total costs for the period were £71,000, with £1,000 attributing to EGS-Utiligroup Bidco Limited.

### 4. Particulars of employees

The company had no employees and therefore no employee costs during the period.

### 5. Directors' remuneration

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

Other than the Directors disclosed within these financial statements, the company has no employees

### 6. Interest payable and similar expenses

	<i>31 December 2017 £</i>
Bank loans and overdrafts	1,969,641
Other loans	363,503
Amortisation of loan arrangement fees	99,522
	<u>2,432,666</u>



## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 7. Tax on result

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

	<i>Period ended 31 December 2017</i>
	<i>£</i>
<b>Current tax:</b>	
UK corporation tax at 19%	-
Under provision in prior year	-
Total current tax	-
<b>Deferred tax:</b>	
Origination and reversal of timing differences	-
Total deferred tax	-
Total tax	-

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

- (b) Factors affecting current tax charge for the period

The tax assessed for the period ended 31 December 2017: is the same as the standard rate of corporation tax in the UK of 19% (year ended 31 March 2017: 20%). The differences are explained below:

	<i>Period ended 31 December 2017</i>
	<i>£</i>
Result before taxation	<b>(2,432,666)</b>
Result before taxation multiplied by standard rate of corporation tax in the UK of 19% (year ended 31 March 2017: 20%)	<b>(462,207)</b>
<b>Effects of:</b>	
Group relief claimed	<b>462,207</b>
Total tax expense included in the profit and loss account	-

- (c) Factors that may affect future tax charges

The rate of UK corporation tax that was enacted at the balance sheet date was 20%. The UK government has previously announced that the UK corporation tax rate will reduce to 18% (effective 1 April 2020), these reductions were substantively enacted on 26 October 2015. An additional reduction to 17% (effective from 1 April 2020) was confirmed again in the Budget on 8 March 2017.

The impact of the above changes will reduce the company's future current tax charge. There is no impact of these changes on the financial statements.

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 8. Investments

*Subsidiary  
undertakings  
£*

Cost and net book value:

At 4 April 2017

Additions

At 31 December 2017

104,220,178

**104,220,178**

Details of subsidiaries are as follows:

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

\* Denotes held through a subsidiary

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

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

*31 December  
2017  
£*

Current instalments due on loans

Tax Creditor

Amounts owed to group undertakings

2,308,170

49,073

17,455,121

**19,812,364**

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

### 10. Creditors: amounts falling due after more than with a year

*31 December  
2017  
£*

Loans (note 11)

**34,070,780**

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 11. Loans

31 December  
2017  
£

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

Bank loan wholly repayable within 5 years	34,070,780
	<u>34,070,780</u>

Loan arrangement fees included in the above as at 31 December 2017 are £551,765 and are being amortised over the life of the loans.

The Bank loan consist of one facility. The total facility is £36,930,716 and is repayable at a rate of 5% pa with the final bullet payment due in May 2022. The loan attracts interest over the term at a rate of 7% per annum above LIBOR. The bank loans are secured by a floating charge over the group's assets.

### 12. Called up share capital

31 December  
2017

<i>Authorised:</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	2,000	<u>2,000</u>

31 December  
2017

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>£</i>
Ordinary shares of £1 each	2,000	<u>2,000</u>

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

	<i>Called up share capital £</i>	<i>Share Premium</i>	<i>Capital Contribution</i>	<i>Profit and loss account £</i>	<i>Total share- holders' funds £</i>
At 14 April 2017	-	-	-	-	-
At 31 December 2017	2,000	47,749,704	5,017,996	(2,432,666)	50,337,034
	<u>2,000</u>	<u>47,749,704</u>	<u>5,017,996</u>	<u>(2,432,666)</u>	<u>50,337,034</u>

### 14. Related party transactions

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

## Notes to the financial statements (continued)

For the period ended 31 December 2017

### 15. Ultimate parent undertaking

In the directors' opinion the company's ultimate parent company is ESG-Utiligroup Holdings LLC, a company incorporated in the US, by virtue of its ownership of ESG-Utiligroup Intermediate Limited. Copies of the financial statements for ESG-Utiligroup Holdings LLC can be obtained from its registered office address: Utilihouse, East Terrace, Euxton Lane, Chorley, Lancashire, England, PR7 6TE.

ESG-Utiligroup Holdings LLC is the only member of the group to prepare consolidated financial statements. The consolidated financial statements of ESG-Utiligroup Holdings LLC are available to the public and may be obtained from Companies house, Crown Way, Maindy, Cardiff.

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

**Consolidated Financial Statements  
December 31, 2017**

107 085 69



COMPANIES HOUSE

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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**December 31, 2017**

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## **Report of Independent Auditors**

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

We have audited the accompanying consolidated financial statements of ESG-Utiligroup Holdings, LLC and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2017, and the related consolidated statements of operations, of comprehensive loss, of changes in members' capital and of cash flows for the year then ended.

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

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

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

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

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



***Opinion***

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of ESG-Utiligroup Holdings, LLC and its subsidiaries as of December 31, 2017, and the results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*PricewaterhouseCoopers LLP*

Boston, Massachusetts  
April 20, 2018



**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statement of Financial Position**  
**December 31, 2017**

*(In thousands)*

**Assets**

**Current assets**

Cash and cash equivalents	\$	11,212
Accounts receivable, net		13,307
Unbilled accounts receivable, net		3,292
Prepaid expenses and other current assets		3,149
Income tax receivable		377

Total current assets		31,337
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Property and equipment, net		5,020
Goodwill, net		171,767
Intangible assets, net		61,618
Other assets		110

Total assets	\$	269,852
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**Liabilities and Members' Capital**

**Current liabilities**

Accounts payable	\$	887
Accrued expenses		9,928
Term loan, current portion		8,188
Deferred revenue, current portion		1,807

Total current liabilities		20,810
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**Long term liabilities**

Term loan, net of current portion		153,629
Deferred revenue, net of current portion		2,864
Deferred tax liability		5,001
Other liabilities		2,580

Total long term liabilities		164,074
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Total liabilities		184,884
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**Members' capital**

Contributed capital		107,640
Accumulated deficit		(32,971)
Currency translation adjustment, net of tax		3,619

Total members' capital - ESG-Utiligroup Holdings, LLC		78,288
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Noncontrolling interest in consolidated subsidiaries		6,680
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Total members' capital		84,968
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Total liabilities and members' capital	\$	269,852
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The accompanying notes are an integral part of these consolidated financial statements.

**ESG-Uttilgroup Holdings, LLC and Subsidiaries**  
**Consolidated Statement of Changes in Members' Capital**  
**Year Ended December 31, 2017**

(In thousands, except per unit amounts)

	ESG Topco, LLC		ESG-Uttilgroup Holdings, LLC				Accumulated Deficit	Contributed Capital	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Members' Capital (Holdings)
	Number of Units	Members' Capital (Topco)	Class A-1 Preferred Units	Class A-2 Preferred Units	Class A-2 Preferred Units	Class A-2 Preferred Units					
<b>Balances at December 31, 2016</b>	50,105,067	\$ 38,529									
Recapitalization in connection with the Uttilgroup Acquisition	(50,105,067)	(38,529)	50,105,067			\$ (8,822)	\$ 47,351	\$ -			\$ 38,529
Preferred units issued in connection with the Uttilgroup Acquisition	-	-	-	21,661,483		-	59,289	-	-	-	59,289
Issuance of noncontrolling interest in ESG-Uttilgroup Limited	-	-	-	-	-	-	-	-	-	7,443	7,443
Issuance of preferred units	-	-	364,964	-	-	-	1,000	-	-	-	1,000
Unit-based compensation expense	-	-	-	-	-	212	-	-	-	-	212
Other comprehensive income, net of tax	-	-	-	-	-	-	-	3,619	-	136	3,755
Distributions	-	-	-	-	-	(491)	-	-	-	-	(491)
Net loss	-	-	-	-	-	(23,870)	-	-	-	(899)	(24,769)
<b>Balances at December 31, 2017</b>	-	\$ -	50,470,031	21,661,483		\$ (32,971)	\$ 107,640	\$ 3,619	\$ 6,880	\$ -	\$ 84,968

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

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statement of Comprehensive Loss**  
**Year Ended December 31, 2017**

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*(In thousands)*

Net loss	\$ (24,769)
Other comprehensive income	
Foreign currency translation adjustments, net of tax of \$1,959	<u>3,755</u>
Comprehensive loss, net of tax	(21,014)
Less: Comprehensive loss attributable to noncontrolling interests, net of tax	<u>(763)</u>
Comprehensive loss attributable to ESG-Utiligroup Holdings, LLC	<u>\$ (20,251)</u>

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

# ESG-Utiligroup Holdings, LLC and Subsidiaries

## Consolidated Statement of Changes in Members' Capital

### Year Ended December 31, 2017

(In thousands, except per unit amounts)

	ESG Topco, LLC		ESG-Utiligroup Holdings, LLC			Accumulated Deficit	Contributed Capital	Accumulated Other Comprehensive Income	Noncontrolling Interest	Total Members' Capital (Holdings)
	Number of Units	Members' Capital (Topco)	Class A-1 Preferred Units	Class A-2 Preferred Units						
<b>Balances at December 31, 2016</b>	50,105,067	\$ 38,529								
Recapitalization in connection with the Utiligroup Acquisition	(50,105,067)	(38,529)	50,105,067	-	\$ (8,822)	\$ 47,351	\$ -	-	\$ -	\$ 38,529
Preferred units issued in connection with the Utiligroup Acquisition	-	-	-	21,661,483	-	-	59,289	-	-	59,289
Issuance of noncontrolling interest in ESG-Utiligroup Limited	-	-	-	-	-	-	-	-	7,443	7,443
Issuance of preferred units	-	-	364,964	-	-	1,000	-	-	-	1,000
Unit-based compensation expense	-	-	-	-	212	-	-	-	-	212
Other comprehensive income, net of tax	-	-	-	-	-	-	3,619	-	136	3,755
Distributions	-	-	-	-	(491)	-	-	-	-	(491)
Net loss	-	-	-	-	(23,870)	-	-	-	(899)	(24,769)
<b>Balances at December 31, 2017</b>	-	\$ -	50,470,031	21,661,483	\$ (32,971)	\$ 107,640	\$ 3,619	\$ 6,680	\$ -	\$ 84,968

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

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Consolidated Statement of Cash Flows**  
**Year Ended December 31, 2017**

*(In thousands)*

<b>Cash flows from operating activities</b>	
Net loss	\$ (24,769)
<i>Adjustments to reconcile net loss to net cash provided by operating activities</i>	
Depreciation and amortization	32,729
Bad debt expense	108
Unit-based compensation expense	212
Noncash interest expense	840
Deferred taxes	(1,215)
<i>Changes in operating assets and liabilities</i>	
(Increase) decrease in	
Billed and unbilled accounts receivable	(4,714)
Prepaid expenses and other current assets	(1,743)
Income tax receivable	(377)
Other assets	(109)
Increase (decrease) in	
Accounts payable and accrued expenses	5,080
Other liabilities	2,395
Deferred revenue	1,345
Net cash provided by operating activities	<u>9,782</u>
<b>Cash flows from investing activities</b>	
Purchases of property and equipment	(2,165)
Acquisition of Utiligroup Limited	(111,828)
Acquisition of iSIGMA	(25,895)
Net cash used in investing activities	<u>(139,888)</u>
<b>Cash flows from financing activities</b>	
Distributions	(491)
Issuance of preferred units in conjunction with the Utiligroup Acquisition	53,039
Issuance of preferred units	1,000
Borrowings on related party notes payable	49,011
Repayments of related party notes payable	(47,525)
Proceeds from term loan	88,097
Payments on term loan	(986)
Payments of financing costs	(1,645)
Net cash provided by financing activities	<u>140,500</u>
Effect of foreign exchange rates on cash and cash equivalents	<u>(4,058)</u>
Net increase in cash and cash equivalents	6,336
<b>Cash and cash equivalents</b>	
Beginning of the year	<u>4,876</u>
Ending of the year	<u>\$ 11,212</u>
<b>Supplemental disclosures of cash flow information</b>	
Cash paid for interest	\$ 10,312
Cash paid for taxes	1,895
<b>Supplemental non-cash financing activity</b>	
Rollover equity associated with the Utiligroup Acquisition	\$ 13,693

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

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

## **Notes to Consolidated Financial Statements**

### **Year Ended December 31, 2017**

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*(In thousands)*

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

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

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

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

The consolidated financial statements include the accounts of the Company and its wholly owned and majority-owned subsidiaries.

All intercompany balances and transactions have been eliminated in consolidation.

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

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

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

##### **Noncontrolling Interests**

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

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

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

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

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

#### **Year Ended December 31, 2017**

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*(In thousands)*

#### **Foreign Currency Translation**

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

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

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

#### **Accounts Receivable**

Accounts receivable are stated at the amount management expects to collect from outstanding balances. An allowance for doubtful accounts is provided for those accounts receivable considered to be uncollectible based upon historical experience and management's evaluation of outstanding accounts receivable at the end of the year. Bad debts are written off against the allowance when identified. Bad debts expense for the year ended December 31, 2017 was \$108. The allowance for doubtful accounts balance as of December 31, 2017 was \$352.

#### **Unbilled Accounts Receivable**

Revenues from subscription services and monthly usage fees that are earned by the Company, but not yet billed to customers are reported within unbilled accounts receivable.

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

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. The Company maintains its cash and cash equivalents balance in bank accounts, which at times may exceed federally insured limits. Certain amounts on deposit during the year ended December 31, 2017 exceeded the \$250,000 federally insured limit. The Company has not experienced any losses in such accounts and believes that it is not exposed to any significant credit risk on its cash and cash equivalents.

There was no significant concentration of credit or sales to any one customer at December 31, 2017. During the period ended December 31, 2017, approximately 66%, 33% and 1% of the Company's consolidated revenue was concentrated with sales to customers within the U.S., U.K. and other geographies, respectively.

#### **Accounting for Acquisitions**

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

## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### Year Ended December 31, 2017

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(In thousands)

#### Property and Equipment

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

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

#### Income Taxes

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

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

#### Revenue and Cost Recognition

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

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



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

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

#### **Year Ended December 31, 2017**

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*(In thousands)*

#### **Revenue Recognition Policy**

All of the following criteria must be met before revenue is recognized:

- Persuasive evidence of an arrangement exists;
- Delivery has occurred or services have been rendered;
- The price to the buyer is fixed or determinable; and
- Collectibility is reasonably assured.

Revenue recognition commences when the customer has the ability to use the hosted application as intended, which is generally the point where the set-up activities are complete.

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

The Company first determines whether it can account for these elements as separate units of accounting. The following conditions must be satisfied in order for a delivered element to be separated from undelivered elements for accounting:

- The delivered service has value to the customer on a standalone basis;
- There is objective and reliable evidence of fair value of the undelivered service(s); and
- If the arrangement includes a general right of return relative to the delivered service, the performance of the undelivered service is considered probable and substantially in the control of the vendor.

The standard of "objective and reliable evidence" refers to third-party evidence of fair value (for example, prices of the vendor's or any competitor's largely interchangeable products or services in sales to similarly situated customers when vendor specific evidence of fair value is not available).

Professional services the Company provides typically have value on a stand-alone basis because such services are sold separately by the Company and its competitors (i.e. without hosted services).

If the above conditions are satisfied, the Company allocates the arrangement consideration to each of the elements based upon their respective relative fair values, or, using the residual method, if verifiable specified objective evidence exists for the undelivered units of accounting but not for the delivered units.

If the above conditions are not satisfied, the element(s) are recognized on straight-line basis over the customer relationship period - unless evidence suggests that the revenue is earned or obligations are fulfilled in a different pattern than straight line.

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

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

#### **Year Ended December 31, 2017**

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*(In thousands)*

The customer relationship period for the Company ranges between 3-7 years depending on the nature of the customer, contract period and service type - taking into account probable renewal periods. However, the Company is not required to amortize an up-front fee over the customer relationship period if the initial contract period is substantive and the customer does not continue to benefit from payment of the up-front fees during future renewal periods.

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

If in a reporting period subsequent to when the revenue was recognized, it is determined that the receivable is not collectible (for example, a customer goes bankrupt), the related receivable would be reserved or written off to bad debt expense. Revenue recognition in the prior period is not revisited or restated for events that could not have been foreseen at the time the original judgments were made.

The Company regularly assesses its ability to collect the related receivables and if it is determined that collection is no longer probable, ratable revenue recognition ceases at that time. Revenue would then only be recognized as the payments are considered collectible (which may in fact be when the cash is received).

There would be no need to establish an allowance for doubtful accounts in excess of the revenue recognized up to that point less any cash received, as any remaining receivable would be offset by the amount of remaining deferred revenue.

#### ***Treatment of Costs***

Costs associated with acquiring a customer are expensed as incurred.

Software development costs are capitalized when both of the following occur: preliminary project stage is completed and management authorizes funding a computer software project that is probable that the project will be completed.

Capitalizable costs of computer software include the following: external direct costs of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with and who devote time to the software project.

Internal costs incurred for upgrades and enhancements are capitalized when they result in additional functionality to the software. Costs related to preliminary project activities, post-implementation activities, and internal costs incurred for maintenance are expensed as incurred.

#### ***Advertising Costs***

Costs related to advertising are expensed as incurred. Advertising expense for the year ended December 31, 2017 was \$307.

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

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

#### **Year Ended December 31, 2017**

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*(In thousands)*

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

Long-lived assets to be held and used are reviewed for impairment whenever circumstances indicate that the carrying amount of an asset may not be recoverable. Long-lived assets to be disposed of are reported at the lower of carrying amount or fair value less cost to sell. Long-lived assets consist primarily of property, equipment, and intangible assets. No impairment losses were recorded during the period ended December 31, 2017.

#### **Debt Issuance Costs**

Loan origination fees and related expenses are capitalized and amortized over the term of the long-term debt under the effective interest method of accounting. Amortization expense recorded during 2017 was \$840. At December 31, 2017, \$2,689 has been recorded as a reduction to the Company's long-term debt balance.

#### **Fair Value Measurements**

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

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

The Company's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of financial assets and liabilities and their placement within the fair value hierarchy. There were no changes in the valuation techniques used during the year ended December 31, 2017.

At December 31, 2017, the Company maintained a money market account of approximately \$5,000. The Company determined this to be a Level 1 financial instrument based on the availability of quoted prices for similar financial instruments.

The Company determined the fair value of the contingent consideration associated with the iSIGMA Acquisition based upon a probability weighted assessment with respect to the likelihood of achieving the defined criteria. The measurement is based upon significant inputs not observable in the market and therefore the estimate has been classified as Level 3 in the fair value hierarchy. Changes in the fair value of the Company's contingent consideration are recorded as income or expense within earnings.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### Year Ended December 31, 2017

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(In thousands)

#### **Comprehensive Loss**

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

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

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

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

On January 16, 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-02 *Intangibles – Goodwill and Other (Topic 350): Accounting for Goodwill*, which provides an accounting alternative for private companies related to the subsequent accounting for goodwill. During the year ended December 31, 2016, the Company adopted the accounting alternative provided in ASU No. 2014-02. As such, the Company amortizes goodwill on a straight-line basis over a period of 10 years (Note 5). Also pursuant to the accounting alternative, the Company will test its goodwill for impairment at the entity level only upon the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its carrying amount. During the year ended December 31, 2017, there were no events or circumstances identified by the Company which would be indicative of potential goodwill impairment.

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

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

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

# ESG-Utiligroup Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

### Year Ended December 31, 2017

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(In thousands)

#### Equity-Based Compensation

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

#### Recent Accounting Pronouncements

In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers*, which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The update will supersede most current revenue recognition guidance. Under the new standard, entities are required to identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize the appropriate amount of revenue when (or as) the entity satisfies each performance obligation. For the Company, this standard is effective for its annual reporting periods beginning on January 1, 2019. The Company has the option of using either retrospective transition or a modified approach in applying the new standard. The Company is currently evaluating the impact that the adoption of the standard will have on its consolidated financial statements.

In January 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. This standard is intended to improve financial reporting about leasing transactions. Amongst other changes, the standard will require both operating and capital leases to be recognized on the balance sheet and require incremental disclosures around the amount, timing, and uncertainty of cash flows arising from leases. The new standard is effective for the Company for its annual reporting periods beginning after January 1, 2020. Early adoption of the entire standard is permitted. The Company is currently evaluating the impact the adoption of the standard will have on its consolidated financial statements.

#### Subsequent Events

The Company has evaluated subsequent events through April 20, 2018, which is the date the consolidated financial statements were issued. No items for measurement or disclosure were identified.

#### 4. Property and Equipment

Property and equipment consist of the following at December 31, 2017:

Furniture and fixtures	\$	823
Equipment		4,912
Leasehold improvements		921
		<hr/> 6,656
Less: Accumulated depreciation		(1,636)
	\$	<hr/> 5,020

Depreciation expense was \$1,197 during the year ended December 31, 2017.

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
**Notes to Consolidated Financial Statements**  
**Year Ended December 31, 2017**

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(In thousands)

**5. Goodwill**

The following is a summary of the Company's goodwill balance as of December 31, 2017:

Beginning balance	\$	51,932
Additions		126,325
Amortization		(14,726)
Currency translation adjustment		8,236
	\$	<u>171,767</u>

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

2018	\$	19,075
2019		19,075
2020		19,075
2021		19,075
2022		19,075
Thereafter		76,392
	\$	<u>171,767</u>

Amortization expense related to goodwill for the year ended December 31, 2017 was \$14,726.

**6. Intangible Assets**

Intangibles at December 31, 2017 consisted of the following:

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Currency Translation Adjustments</b>	<b>Net Book Value</b>
Trademarks and tradenames	\$ 13,725	\$ (6,349)	\$ 157	\$ 7,533
Customer relationships	18,290	(4,474)	-	13,816
Developed technology	47,480	(10,876)	822	37,426
Noncompete agreements	6,780	(3,937)	-	2,843
	<u>\$ 86,275</u>	<u>\$ (25,636)</u>	<u>\$ 979</u>	<u>\$ 61,618</u>

Amortization expense related to intangible assets for the year ended December 31, 2017 was \$16,969.

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

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

2018	\$	18,758
2019		14,746
2020		11,447
2021		7,082
2022		5,420
Thereafter		4,165
	\$	<u>61,618</u>

**7. Commitments and Contingencies**

**Operating Leases**

The Company leases its facilities under noncancellable operating leases that extend through 2025. These leases include fixed rental agreements as well as agreements with rent escalation clauses. The effects of variable rent disbursements have been expensed on a straight-line basis over the life of the leases.

Rent expense for the year ended December 31, 2017 was \$1,177 and is included in Selling, general and administrative expenses in the consolidated statement of operations. As of December 31, 2017, there was \$72 of deferred rent included in Accrued expenses in the consolidated statement of financial position.

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

2018	\$	1,036
2019		1,046
2020		997
2021		994
2022		1,099
Thereafter		1,137
	\$	<u>6,309</u>

**Litigation**

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

**8. Profit Interest Units**

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

**ESG-Uttiligroup Holdings, LLC and Subsidiaries**  
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(In thousands)

During the year ended December 31, 2017, the Company issued 4,985,675 profit interest units all of which were subject to time based vesting provisions. Vesting for these awards may be subject to acceleration upon a qualified sale of the Company and the achievement of a specified return on investment for the Company's members.

Profit interest unit activity for the year ended December 31, 2017 was as follows:

	Number of Shares	Weighted Average Fair Value per Unit	Aggregate Intrinsic Value
Outstanding at December 31, 2016	3,911,318	\$ 0.11	
Granted	4,985,675	0.18	
Exercised	-		
Forfeited	(143,763)	0.11	
Outstanding at December 31, 2017	8,753,230		
Vested at December 31, 2017	753,511	\$ 0.11	
Nonvested expected vest at December 31, 2017	7,999,719	\$ 0.15	\$ 1,200

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

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

- *Exercise Price* – Each award contains a distribution threshold, as defined in the award, which establishes a price level at which the share will begin to participate in the event of a liquidity event.
- *Term* – Management estimates the term to be 4 years for shares granted in 2017.
- *Volatility* – Management has determined the volatility for awards based on analysis of reported data for a group of peer guideline companies over a period that matches the term assumption for these units. Management has determined the volatility for awards to be 35% for shares granted in 2017.
- *Risk-Free Rate* – A risk-free rate for a security with a 5 year maturity was used based on an interpolation of the U.S. Treasury bond rates for securities with 5 year maturities for shares granted in 2017.
- *Dividend Rate* – The Company does not anticipate paying regular dividends, other than dividends to members for tax obligations, in the foreseeable future; therefore the expected dividend yield is expected to be zero.

Based on the above factors the Company determined the weighted average fair value of its profit interest units granted in 2017 to be \$0.18.



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

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

#### **Year Ended December 31, 2017**

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*(In thousands)*

The Company has determined the fair value of the time based profit interest units at the grant date to be \$1,263 and is recognizing the expense over the vesting period of five years. The grant date fair value of the 537,040 performance-based awards issued in 2016 was determined to be \$61 and expense recognition will begin once management determines that it is probable that the performance criteria will be met. The Company recognized \$212 of unit-based compensation expense associated with grants during the year ended December 31, 2017. As of December 31, 2017, unrecognized compensation expense was \$1,030 and will be recognized over a weighted average period of approximately four years. During 2017, 143,763 profit interest units with a remaining unrecognized compensation expense of \$9 were forfeited. The Company has elected to account for forfeitures as they occur.

#### **9. Related Party Transactions**

Pursuant to the Utiligroup Acquisition, the Company entered into a note payable arrangement in the amount of approximately \$47,525 with their majority member to provide a bridge loan to finance a portion of the consideration paid as part of the acquisition transactions. The Company repaid this amount, as well as \$298 of accrued interest, on May 4, 2017 with proceeds from the Company's long-term debt agreement. Because Utiligroup's functional currency is the Great British Pound, the Company recognized a foreign transaction gain of \$1,486 within its consolidated statement of operations.

During the year ended December 31, 2017, the Company also made payments of totaling \$1,382 to a related party for consulting and management services provided, including \$900 for services rendered as part of the Utiligroup Acquisition and \$82 as part of the iSIGMA Acquisition. As of December 31, 2017, the Company had recorded a prepaid expense balance of approximately \$136 for future consulting services.

#### **10. Employee Benefits**

The Company has defined contribution benefit plans covering substantially all full-time employees. For the year ended December 31, 2017, the Company made contributions to the plans totaling \$499.

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

**11. Income Taxes**

The income tax benefit for the year ended December 31, 2017 is as follows:

<b>Current</b>	
Federal	\$ -
State	(63)
Foreign	(388)
Total current	<u>(451)</u>
<b>Deferred</b>	
Federal	-
State	-
Foreign	(1,455)
Total deferred	<u>(1,455)</u>
Total benefit from income taxes	<u>\$ (1,906)</u>

The income tax benefit differs from the amount of income tax determined by applying the statutory U.S. Federal income tax rate to pre-tax loss as a result of goodwill amortization, non-deductible transaction expenses and changes in the valuation allowance. In jurisdictions where the Company operates its businesses, management analyzes the ability to utilize its deferred tax assets arising from losses in its business. The Company has recorded a valuation allowance of \$6,389 in the United States, based on their determination that it is more likely than not that the deferred tax assets will not be utilized.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Company's deferred tax assets and liabilities at December 31, 2017 are as follows:

<b>Deferred tax assets</b>	
Accruals and reserves	\$ 144
Deferred revenue	248
Net operating loss carryforwards	930
U.S. intangibles	5,299
Other state deferreds	21
Foreign deferred taxes	161
Total deferred tax assets	<u>6,803</u>
<b>Deferred tax liabilities</b>	
Depreciation	(253)
Currency translation adjustment	(1,210)
Foreign intangibles	(3,952)
Total deferred tax liabilities	<u>(5,415)</u>
Valuation allowance	<u>(6,389)</u>
Net deferred tax liabilities	<u>\$ (5,001)</u>

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

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

#### **Year Ended December 31, 2017**

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*(In thousands)*

At December 31, 2017, the Company had federal and state net operating loss carryforwards of \$930, which will start to expire in 2037. Net operating losses generated after 2017 will have an unlimited carryforward.

The Tax Cuts and Jobs Act was enacted on December 22, 2017 changing existing U.S. tax law impacting businesses, including a one-time deemed repatriation of cumulative undistributed foreign earnings and a permanent reduction in the U.S. Federal statutory rate from 34% to 21%, effective January 1, 2018. Under U.S. GAAP, changes in tax rate and tax law are accounted for in the period of enactment and deferred tax assets and liabilities are remeasured at the enacted tax rate. The remeasurement of U.S. net deferred tax assets as a result of the rate change was offset by a change in the valuation allowance, except for the impact on currency transaction adjustments of \$749, which has been recorded in earnings in the consolidated statement of operations. Based on information available, the Company estimates the net cumulative undistributed foreign earnings to be a cumulative loss and therefore recorded no additional income tax expense related to the one-time deemed repatriation toll charge. As a result of the Tax Cuts and Jobs Act, the Company can repatriate the cumulative undistributed foreign earnings back to the U.S. when needed with minimal additional taxes other than state income and foreign withholding tax.

Tax years 2017 and 2016 for Federal taxes and certain U.S. state jurisdictions remain open for examination.

The Company performed an analysis of its tax positions and determined that no material uncertain tax positions exist, and therefore there is no liability for uncertain tax positions as of December 31, 2017.

#### **12. Members' Capital**

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

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

##### **Preferred Yield**

Holders of Class A-1 and Class A-2 preferred units are entitled to a preferred yield. The preferred yield is calculated at a rate of 10% per annum, compounded on the last day of each calendar quarter, on the preferred unreturned capital of the preferred units plus the preferred unpaid yield from all prior quarters. The preferred yield totaled \$14,399 as of December 31, 2017.

##### **Liquidation and Distributions**

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

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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**Year Ended December 31, 2017**

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(In thousands)

**13. Debt**

Long-term debt consists of the following at December 31, 2017:

U.S. Term Loans	\$ 114,650
U.K. Term Loans	49,856
Less: Debt issuance costs, net	<u>(2,689)</u>
	161,817
Less: Current portion	<u>(8,188)</u>
	<u>\$ 153,629</u>

Principal maturities on outstanding borrowings are as follows at December 31, 2017:

2018	\$ 8,188
2019	8,188
2020	8,188
2021	8,188
2022	<u>131,754</u>
	<u>\$ 164,506</u>

**2017 Amended Credit Agreement**

In April 2016, the Company entered into a Credit Agreement ("Agreement") with a syndicate of lenders. In May 2017, the Agreement was amended and restated ("Restated Agreement") primarily to increase availability and broaden the syndicate of lenders.

The Restated Agreement consists of aggregate term loan capacity of \$174,000, and a revolving line-of-credit facility of \$1,500. Interest rates for borrowing under the Restated Agreement are based upon several factors including the Company's availability, LIBOR rates and applicable base rates, as defined in the Restated Agreement.

The Restated Agreement is secured by substantially all of the Company's assets including the capital stock of the domestic subsidiaries and 65% of the capital stock of the foreign subsidiaries, and requires the Company to comply with a fixed charge coverage ratio, net leverage ratio, adjusted EBITDA thresholds, and a minimum liquidity amount. The Company was in compliance with financial covenants for the fiscal year ended December 31, 2017.

The term loans and revolving line-of-credit bear interest at the rate of LIBOR plus the applicable margin, as defined in the agreement (7% at December 31, 2017). The Company deferred \$1,617 of financing costs in connection with the Restated Agreement. The amortization of deferred financing costs, in the amount of \$840, was recorded as noncash interest expense in the accompanying consolidated statement of operations.

## ESG-Utiligroup Holdings, LLC and Subsidiaries

### Notes to Consolidated Financial Statements

#### Year Ended December 31, 2017

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#### 14. Acquisitions

##### Utiligroup Acquisition

On April 13, 2017, pursuant to a Share Purchase Agreement ("SPA") and through a series of transactions (the "Utiligroup Acquisition"), the Company, through its wholly owned subsidiary ESG-Utiligroup Bidco Limited, acquired all of the net assets, operations, and outstanding units of Utiligroup Limited ("Utiligroup"), a leading provider of innovative SaaS solutions to the utilities industry in the United Kingdom.

The total consideration for the transaction was as follows:

Cash consideration paid	\$ 111,828
Rollover equity, at fair value	13,693
Total consideration	<u>\$ 125,521</u>

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

The estimated fair values of assets acquired and liabilities assumed, including goodwill, at April 13, 2017, are as follows:

Accounts receivable and other current assets	\$ 4,921
Property and equipment	1,391
Intangible assets	23,875
Goodwill	103,864
Total assets acquired	<u>134,051</u>
Accounts payable and accrued expenses	(3,018)
Deferred revenue	(1,556)
Deferred taxes	(3,956)
Total liabilities assumed	<u>(8,530)</u>
Fair value of assets acquired less liabilities assumed	<u>\$ 125,521</u>

**ESG-Utiligroup Holdings, LLC and Subsidiaries**  
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The fair value of accounts receivable and other current assets and accounts payable and accrued expenses were determined to approximate stated or carrying values due to their nature and frequent settlement. The estimated fair value of deferred revenue was calculated as the estimated cost of the Company to fulfill the contractual obligations acquired under various customer contracts plus a normal profit margin. The fair value of property and equipment approximates carrying value based upon its nature and remaining utility. The amounts assigned to identifiable intangible assets acquired, which comprised of tradenames and developed technology, were based on their respective fair values determined using the relief from royalty method as of the acquisition date.

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

Direct acquisition costs incurred by the Company totaled \$4,703. These costs have been recorded within Selling, general and administrative expenses in the consolidated statement of operations.

**iSIGMA Acquisition**

On May 16, 2017, pursuant to an Asset Purchase Agreement ("APA"), the Company acquired certain assets of iSIGMA Inc. ("iSIGMA"), a web-based customer care, billing, and workflow management SaaS solution provider with operations primarily in the South and Midwest regions of the United States. The acquisition of iSIGMA was structured as a taxable transaction ("iSIGMA Acquisition").

The total consideration for the transaction was as follows:

Cash consideration paid	\$ 19,983
Contingent consideration, at fair value	5,912
<b>Total consideration</b>	<b>\$ 25,895</b>

The iSIGMA acquisition has been accounted for using the acquisition method of accounting.

The estimated fair values of assets acquired and liabilities assumed, including goodwill, at May 16, 2017 are as follows:

Accounts receivable and other assets	\$ 1,135
Intangible assets	2,500
Goodwill	22,461
<b>Total assets acquired</b>	<b>26,096</b>
Accounts payable and other liabilities	(201)
<b>Total liabilities assumed</b>	<b>(201)</b>
<b>Fair value of assets acquired less liabilities assumed</b>	<b>\$ 25,895</b>

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

The fair value of accounts receivable and other current assets and accounts payable and other liabilities were determined to approximate stated or carrying values due to their nature and frequent settlement. The amounts assigned to identifiable intangible assets acquired, which comprised of tradenames and developed technology, were based on their respective fair values determined using the relief from royalty method as of the acquisition date. Goodwill is primarily attributable to the value of customer relationships, the assembled workforce, and synergies. The value of customer relationships has not been separately identified and is included in goodwill in accordance with the Company's accounting policy (Note 3). Goodwill attributed to iSIGMA is deductible for income tax purposes.

The iSIGMA acquisition includes contingent consideration associated with certain revenue milestones being achieved. The range of undiscounted amounts the Company could pay under the contingent consideration arrangements is between zero and \$10,000. The fair value of contingent consideration in the amount of \$5,912 has been recorded within Other liabilities within the consolidated statement of financial position.

Additionally, the APA called for contingent payments to be made to the sellers, and certain employees of the sellers, based upon their providing future service to the Company for a specified term. During the period ended December 31, 2017, the Company recorded \$993 of contingent compensation expense in Selling, general and administrative expenses within the consolidated statement of operations.