Company Registration No. 11635870 (England and Wales)

CATALYST NEWCO3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE PERIOD ENDED 31 DECEMBER 2019

CATALYST NEWCO3 LIMITED

DIRECTORS' REPORT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the period ended 31 December 2019.

Principal activities
The principal activity of the company throughout the period was acting as holding company of the Digital Education Holdings, Inc. group of companies.

Directors
The directors who held office during the period and up to the date of signature of the financial statements were as follows:

Mr P Bernard	(Appointed 9 November 2018)
Mr S Freer	(Appointed 22 October 2018)
Mr T Pilkington	(Appointed 22 October 2018)
Mr B Singh	(Appointed 9 November 2018)

Results and dividends
The results for the period are set out on page 5.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Auditor
In accordance with the company's articles, a resolution proposing that Arnold Hill & Co LLP be reappointed as auditor of the company will be put at a General Meeting.

Statement of disclosure to auditor
So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, the directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

....
Mr T Pilkington
Director

Date: 23/11/20

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE PERIOD ENDED 31 DECEMBER 2019

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards 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 these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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. They 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.

CATALYST NEWCO3 LIMITED

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF CATALYST NEWCO3 LIMITED

Opinion

We have audited the financial statements of Catalyst Newco3 Limited (the 'company') for the period ended 31 December 2019 which comprise the profit and loss account, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its loss for the period then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

- 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

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial period for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

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

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

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Justin Moore

Mr Justin Moore (Senior Statutory Auditor)
for and on behalf of Arnold Hill & Co LLP

23/11/20.

Chartered Accountants
Statutory Auditor

Craven House
16 Northumberland Avenue
London
United Kingdom
WC2N 5AP

CATALYST NEWCO3 LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Period ended 31 December 2019 $
Administrative expenses		(337,514)
Interest receivable and similar income	5	2,825,915
Interest payable and similar expenses	6	(3,986,656)
Change in fair value of derivatives	7	(1,969,574)
Loss before taxation		(3,467,829)
Tax on loss	8	-
Loss for the financial period		(3,467,829)

The profit and loss account has been prepared on the basis that all operations are continuing operations.

CATALYST NEWCO3 LIMITED

BALANCE SHEET

AS AT 31 DECEMBER 2019

		2019	
	Notes	**$**	**$**
Fixed assets			
Investments	9		53,418,986
Current assets			
Debtors	11	1,515,181	
Cash at bank and in hand		10,909	
		1,526,090	
Creditors: amounts falling due within one year	12	(7,635,904)	
Net current liabilities			(6,109,814)
Total assets less current liabilities			47,309,172
Creditors: amounts falling due after more than one year	13		(39,777,001)
Net assets			7,532,171
Capital and reserves			
Called up share capital	15		20
Share premium account			10,999,980
Profit and loss reserves			(3,467,829)
Total equity			7,532,171

The financial statements were approved by the board of directors and authorised for issue on 23/11/20 and are signed on its behalf by:

....
Mr B Singh
Director

COMPANY REGISTRATION NUMBER 11635870

CATALYST NEWCO3 LIMITED

STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	Share capital $	Share premium account $	Profit and loss reserves $	Total $
Period ended 31 December 2019:					
Loss and total comprehensive income for the period		-	-	(3,467,829)	(3,467,829)
Issue of share capital	15	20	*10,999,980*	-	*11,000,000*
Balance at 31 December 2019		20	10,999,980	(3,467,829)	7,532,171

CATALYST NEWCO3 LIMITED

STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 DECEMBER 2019

	Notes	2019 $	 $
Cash flows from operating activities			
Cash generated from/(absorbed by) operations	17		1,590,636
Interest paid			(3,986,656)
Net cash outflow from operating activities			(2,396,020)
Investing activities			
Purchase of subsidiaries		(53,418,986)	
Interest received		2,825,915	
Net cash used in investing activities			(50,593,071)
Financing activities			
Proceeds from issue of shares		11,000,000	
Receipts from bank loans		42,000,000	
Net cash generated from/(used in) financing activities			53,000,000
Net increase in cash and cash equivalents			10,909
Cash and cash equivalents at beginning of period			-
Cash and cash equivalents at end of period			10,909

1 Accounting policies

Company information

Catalyst Newco3 Limited is a private company limited by shares incorporated in England and Wales. The registered office is Griffin House, 161 Hammersmith Road, London, W6 8BS.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in United States Dollars, which is the functional currency of the company. Monetary amounts in these financial statements are rounded to the nearest $.

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of freehold properties and to include investment properties and certain financial instruments at fair value. The principal accounting policies adopted are set out below.

The company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare consolidated accounts. The financial statements present information about the company as an individual entity and not about its group.

Catalyst Newco3 Limited is a wholly owned subsidiary of Sandbox Edutainment Holdings Limited and the results of Catalyst Newco3 Limited are included in the consolidated financial statements of Sandbox Edutainment Holdings Limited which are available from Companies House, Cardiff.

1.2 Business combinations

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

The cost of the combination includes the estimated amount of contingent consideration that is probable and can be measured reliably, and is adjusted for changes in contingent consideration after the acquisition date.

Provisional fair values recognised for business combinations in previous periods are adjusted retrospectively for final fair values determined in the 12 months following the acquisition date.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is *expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill or negative* goodwill.

1.3 Going concern

At the time of approving the financial statements, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus the directors continue to adopt the going concern basis of accounting in preparing the financial statements.

1.4 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

1 Accounting policies

A subsidiary is an entity controlled by the company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

An associate is an entity, being neither a subsidiary nor a joint venture, in which the company holds a long-term interest and where the company has significant influence. The company considers that it has significant influence where it has the power to participate in the financial and operating decisions of the associate.

Entities in which the company has a long term interest and shares control under a contractual arrangement are classified as jointly controlled entities.

1.5 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.6 Financial instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the company's balance sheet when the company becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset, with the net amounts presented in the financial statements, when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Other financial assets

Other financial assets, including investments in equity instruments which are not subsidiaries, associates or joint ventures, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

1 Accounting policies

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the company transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities

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

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or finance income as appropriate, unless hedge accounting is applied and the hedge is a cash flow hedge.

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through profit or loss. Debt instruments may be designated as being measured at fair value through profit or loss to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

1 Accounting policies

Derecognition of financial liabilities
Financial liabilities are derecognised when the company's contractual obligations expire or are discharged or cancelled.

1.7 Equity instruments
Equity instruments issued by the company are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the company.

2 Judgements and key sources of estimation uncertainty

In the application of the company's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3 Operating loss

	2019
Operating loss for the period is stated after charging:	**$**
Fees payable to the company's auditor for the audit of the company's financial statements	3,600

4 Employees

The Company did not have any employees during the period.

5 Interest receivable and similar income

	2019
	$
Interest income	
Interest on bank deposits	471
Interest receivable from group companies	2,825,444
Total income	2,825,915

6 Interest payable and similar expenses

	2019
	$
Interest on financial liabilities measured at amortised cost:	
Interest on bank overdrafts and loans	3,986,656

7 Profit / (loss) arising on the fair value measurement of hedging instruments

	2019
	$
Fair value gains/(losses) on financial instruments	
Loss on hedging instrument in a fair value hedge	(1,969,574)

8 Taxation

The actual charge for the period can be reconciled to the expected credit for the period based on the profit or loss and the standard rate of tax as follows:

	2019
	$
Loss before taxation	(3,467,829)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00%	(658,888)
Tax effect of expenses that are not deductible in determining taxable profit	61,945
Unutilised tax losses carried forward	596,943
Taxation charge for the period	-

9 Fixed asset investments

	Notes	2019
		$
Investments in subsidiaries	10	26,872,374
Loans to subsidiaries	10	26,546,612
		53,418,986

9 Fixed asset investments

Movements in fixed asset investments

	Shares in group undertakings	Loans to group undertakings	Total
	$	$	$
Cost or valuation			
At 22 October 2018	-	-	-
Additions	26,872,374	26,546,612	53,418,986
At 31 December 2019	26,872,374	26,546,612	53,418,986
Carrying amount			
At 31 December 2019	26,872,374	26,546,612	53,418,986

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Country	Class of shares held	% Held Direct	Indirect
Digital Education Holdings, Inc.	USA	Common Stock	100.00	-
Digital Education Acquisition, Inc.	USA	Common Stock	-	100.00
Constructive Media, LLC	USA	Common stock	-	100.00
Coolmath.com LLC	USA	Common Stock	-	100.00

11 Debtors

	2019
Amounts falling due within one year:	$
Amounts owed by group undertakings	1,509,650
Other debtors	5,531
	1,515,181

12 Creditors: amounts falling due within one year

	Notes	2019 $
Bank loans	14	3,000,000
Amounts owed to group undertakings		544,033
Derivative financial instruments		1,184,243
Other creditors		2,000,000
Accruals and deferred income		907,628
		7,635,904

13 Creditors: amounts falling due after more than one year

	Notes	2019 $
Bank loans and overdrafts	14	39,000,000
Derivative financial instruments		777,001
		39,777,001

14 Loans and overdrafts

	2019 $
Bank loans	42,000,000
Payable within one year	3,000,000
Payable after one year	39,000,000

On 9 November 2018 the Company entered into a Senior Facilities Agreement ("the Agreement") with National Westminster Bank PLC ("the Bank"). The Agreement provides a $42 million Term Loan Facility and a revolving loan facility of up to $500,000. The proceeds of the Agreement were used to fund the acquisition of Digital Education Holdings, Inc. and subsidiaries. The Term Loan Facility is repayable in seven consecutive semi-annual instalments commencing in September 2020. The revolving loan facility was not drawn as at 31 December 2019.

The interest rate within the Agreement for both the Term Loan Facility and the revolving loan facility is 5.5% above LIBOR. Interest is paid semi-annually in March and September.

As part of the Agreement the Company provided security over its investments in its subsidiaries.

15 Share capital

	2019 $
Ordinary share capital	
Issued and fully paid	
2,000 Ordinary shares of $0.01 each	20

16 Events after the reporting date

Since the end of the reporting period an outbreak of the coronavirus ("COVID-19") has emerged in the principal markets of the company's subsidiaries. It is not possible to determine the full impact that COVID-19 will have on the subsidiaries but as at the date of approval of the financial statements the directors consider the company and its group to be a going concern.

17 Cash generated from/(absorbed by) operations

	2019
	$
Loss for the period after tax	(3,467,829)
Adjustments for:	
Finance costs	3,986,656
Investment income	(2,825,915)
Amounts written off investments	1,969,574
Movements in working capital:	
Increase in debtors	(1,515,181)
Increase in creditors	3,443,331
Cash generated from/(absorbed by) operations	1,590,636