

Company registration number 11635870 (England and Wales)

CATALYST NEWCO 3 LIMITED
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022



CATALYST NEWCO 3 LIMITED
COMPANY INFORMATION
YEAR ENDED 31 DECEMBER 2022

Directors	Mr P Bernard	
	Mr S Freer	(Resigned 29 July 2022)
	Mr T Pilkington	
	Mr B Singh	
	Mr J Wood	(Appointed 29 July 2022)

Company number	11635870
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Registered office	Griffin House 161 Hammersmith Road London United Kingdom W6 8BS
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Auditor	Mercer & Hole LLP Trinity Court Church Street Rickmansworth Hertfordshire WD3 1RT
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YEAR ENDED 31 DECEMBER 2022

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CATALYST NEWCO 3 LIMITED
DIRECTORS' REPORT
FOR THE YEAR ENDED 31 DECEMBER 2022

The directors present their annual report and financial statements for the year ended 31 December 2022.

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.

Results and dividends

The results for the year are set out on page 7.

Dividends of \$3.0m were paid during the year in relation to 2022 to Sandbox Edutainment Holdings Limited.

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

Mr P Bernard	
Mr S Freer	(Resigned 29 July 2022)
Mr T Pilkington	
Mr B Singh	
Mr J Wood	(Appointed 29 July 2022)

Financial Instruments

The main financial risks faced by the company through its normal business activities relate to liquidity risk, credit risk and market risk.

Liquidity Risk

The company manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the company has sufficient liquid resources to meet the operating needs of the business. Details of liquidity risk can be found in Note 14.

Credit Risk

Investments of cash surpluses, borrowings and derivative instruments are made through banks and companies which must fulfil credit rating criteria approved by the Board.

All customers who wish to trade on credit terms are subject to credit verification procedures. Trade receivables are monitored on an ongoing basis and provision is made for doubtful debts where necessary.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices principally comprise interest rate risk, currency risk and equity risk. Financial instruments affected by market risk include bank deposits, investments, debtors and creditors.

Interest Rate Risk

Whilst the company takes steps to minimise its exposure to cash flow interest rate risk, changes in interest rate will have an impact on profit. The company has fixed its interest rate on commercial borrowings through to September 2026 through utilising interest rate swaps (see note 14). The effect of a 10% increase in the interest rate at the reporting date on the variable rate debt carried at that date would, all other variables being held constant, have resulted in a decrease of the company's post-tax profit of the year of \$283,775. A 10% decrease in the interest rate would, on the same basis, have increased post-tax profit by the same amount.

CATALYST NEWCO 3 LIMITED
DIRECTORS' REPORT (*continued*)
FOR THE YEAR ENDED 31 DECEMBER 2022

Foreign Currency Risk

Whilst the company takes steps to minimise its exposure to foreign exchange risk, changes in foreign exchange rates will have a minimal impact on profit. Whilst operating out of the United Kingdom, the company's functional currency is US dollar where majority of transactions are occurred in. Therefore foreign exchange risk is marginally dependent on the movement in the US dollar to sterling exchange rate. The effect of a 10% strengthening in the dollar against sterling at the reporting date on the dollar denominated debt at the date end on the annualised interest on that amount would, all other variables being held constant, have resulted in a decrease in the post-tax profit for the year of \$1,121. A 10% weakening in the exchange rate, would, on the same basis, have increased post-tax profit by the same amount.

Auditor

The company's auditor, Mercer & Hole, incorporated on 1 October 2022 to become Mercer & Hole LLP. The directors have consented to treating the incorporation of Mercer & Hole LLP as a continuation of the existing audit arrangement and in accordance with the company's articles, a resolution proposing that Mercer & Hole LLP be reappointed as auditor of the company will be put at a General Meeting.

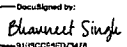
Statement of disclosure to auditor

Each director in office at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- the director has taken all the steps that he / she ought to have taken as a director in order to make himself / herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

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

On behalf of the board

DocuSigned by:

3113CCEP8ED79418

Mr B Singh

Director

30/5/2023
Date:

CATALYST NEWCO 3 LIMITED
DIRECTORS' RESPONSIBILITIES STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2022

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 International Financial Reporting Standards (IFRSs) as adopted by the United Kingdom. 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 and loss of the company for that period. In preparing those financial statements, International Accounting Standard 1 requires that directors:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable the users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern

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 to 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.

**CATALYST NEWCO 3 LIMITED
INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF CATALYST NEWCO 3 LIMITED**

Opinion

We have audited the financial statements of Catalyst Newco 3 Limited (the 'company') for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Financial Position, 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 UK adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the company's affairs as at 31 December 2022, and of its profit for the year then ended;
- have been prepared in accordance with UK adopted international accounting standards; 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 group and parent 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 authorised for issue.

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.

CATALYST NEWCO 3 LIMITED
INDEPENDENT AUDITOR'S REPORT (continued)
TO THE MEMBERS OF CATALYST NEWCO 3 LIMITED

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

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

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 3, 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.

Explanations as to what extent the audit was considered capable of detecting irregularities, including fraud

We gained an understanding of the legal and regulatory framework applicable to the company and the industry in which it operates and considered the risk of acts by the company that were contrary to applicable laws and regulations, including fraud. These included, but were not limited to, the Companies Act 2006 and tax legislation.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements and the financial report (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate entries including journals to overstate revenue or understate expenditure and management bias in accounting estimates.

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

CATALYST NEWCO 3 LIMITED
INDEPENDENT AUDITOR'S REPORT (*continued*)
TO THE MEMBERS OF CATALYST NEWCO 3 LIMITED

Audit procedures performed by engagement team include:

- Our responses to significant audit risks over management override of controls, which are intended to sufficiently address the risk of fraudulent manipulation. Specifically we review the manual adjustments made to the financial statements and evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures;
- Discussions with management, including considerations of known or suspected instances of noncompliance with laws and regulations or the identification of fraud;
- Obtaining an understanding of internal control relevant to the audit 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.; and
- Evaluation of the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing noncompliance and cannot be expected to detect non-compliance with all laws and regulations.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://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.

DocuSigned by:

E:147995CA4FC493

Mark Cassidy (Senior Statutory Auditor)
For and on behalf of Mercer & Hole LLP

Chartered Accountants
Statutory Auditor

30/5/2023
Date:

Mercer & Hole LLP
Trinity Court
Church Street
Rickmansworth
Hertfordshire
WD3 1RT

CATALYST NEWCO 3 LIMITED
STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

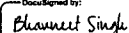
	Notes	2022 \$	2021 \$
Administrative expenses		<u>(197,367)</u>	<u>(295,876)</u>
Operating loss	3	(197,367)	(295,876)
Investment income	6	12,146,510	2,469,385
Finance costs	7	<u>(2,837,747)</u>	<u>(1,476,136)</u>
Profit before taxation		9,111,396	697,373
Income tax expense	8	-	-
Profit and total comprehensive income for the year		9,111,396	697,373

The income statement has been prepared on the basis that all operations are continuing operations.

CATALYST NEWCO 3 LIMITED
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 \$	2021 \$
Non-current assets			
Investments	9	53,418,986	53,418,986
Derivative financial instruments		894,818	-
		<u>54,313,804</u>	<u>53,418,986</u>
Current assets			
Trade and other receivables	11	709,189	789,349
Cash and cash equivalents		4,073,957	15,693
Derivative financial instruments		1,787,514	-
		<u>6,570,660</u>	<u>805,042</u>
Current liabilities			
Trade and other payables	16	228,591	3,936,001
Derivative financial instruments		-	461,054
		<u>228,591</u>	<u>4,397,055</u>
Net current assets / (liabilities)		<u>6,342,069</u>	<u>(3,592,013)</u>
Non-current liabilities			
Trade and other payables		4,547,501	-
Borrowings	13	43,276,667	43,106,667
		<u>47,824,168</u>	<u>43,106,667</u>
Net assets		<u>12,831,705</u>	<u>6,720,306</u>
Equity			
Called up share capital	17	20	20
Share premium account	18	10,999,980	10,999,980
Retained earnings		1,831,705	(4,279,694)
Total equity		<u>12,831,705</u>	<u>6,720,306</u>

The financial statements were approved by the board of directors and authorised for issue on 30/5/2023 and are signed on its behalf by:

DocuSigned by:

 Mr B Singh
 Director

Company registration number 11635870

CATALYST NEWCO3 LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital	Share premium account	Retained earnings	Total
	\$	\$	\$	\$
Balance at 1 January 2020	20	10,999,980	(3,467,829)	7,532,171
Year ended 31 December 2020:				
Loss and total comprehensive income for the year	-	-	(1,509,238)	(1,509,238)
Balance at 31 December 2020	<u>20</u>	<u>10,999,980</u>	<u>(4,977,067)</u>	<u>6,022,933</u>
Year ended 31 December 2021:				
Profit and total comprehensive income for the year	-	-	697,373	697,373
Balance at 31 December 2021	<u>20</u>	<u>10,999,980</u>	<u>(4,279,694)</u>	<u>6,720,306</u>
Year ended 31 December 2022:				
Profit and total comprehensive income for the year	-	-	9,111,396	9,111,396
Dividend paid	-	-	(3,000,000)	(3,000,000)
Balance at 31 December 2022	<u>20</u>	<u>10,999,980</u>	<u>1,831,702</u>	<u>12,831,702</u>

CATALYST NEWCO3 LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022		2021	
	\$	\$	\$	\$
Cash flows from operating activities				
Net cash outflow from operating activities	1,180,218		(1,680,314)	
Investing activities				
Dividends received	6,500,000		-	
Interest received	<u>2,503,124</u>		<u>2,469,385</u>	
Net cash generated from investing activities	9,003,124		2,469,385	
Loan Issue	1,900,000			
Dividends paid	(3,000,000)		-	
Loan repayment	(1,254,992)		(793,333)	
Repayment of derivatives	<u> </u>		<u>82</u>	
Net cash (used in)/generated from financing activities	<u>(2,354,992)</u>		<u>(793,251)</u>	
Net increase/(decrease) in cash and cash equivalents	7,828,350		(4,180)	
Cash and cash equivalents at beginning of year	<u>15,693</u>		<u>19,873</u>	
Cash and cash equivalents at end of year	<u><u>7,844,042</u></u>		<u><u>15,693</u></u>	

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting Policies

Company Information

Catalyst Newco 3 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. The company's principal activities and nature of its operations are disclosed in the directors' report.

1.1 Accounting Convention

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the United Kingdom and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS, except as otherwise stated.

The financial statements have been prepared on the historical cost convention. The principal accounting policies 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 Newco 3 Limited is a wholly owned subsidiary of Sandbox Edutainment Holdings Limited and the results of Catalyst Newco 3 Limited are included in the consolidated financial statements of Sandbox Edutainment Holdings Limited which are available from Companies House Cardiff.

1.2 Going concern

The directors have at the time of approving the financial statements, 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.

1.3 Cash and cash equivalents

Cash and cash equivalents 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.

1.4 Financial assets

Financial assets are recognised in the company's statement of financial position when the company becomes party to the contractual provisions of the instrument. Financial assets are classified into specified categories, depending on the nature and purpose of the financial assets.

At initial recognition, financial assets classified as fair value through profit and loss are measured at fair value and any transaction costs are recognised in profit or loss. Financial assets not classified as fair value through profit and loss are initially measured at fair value plus transaction costs.

Financial assets at fair value through profit or loss

When any of the above-mentioned conditions for classification of financial assets is not met, a financial asset is classified as measured at fair value through profit or loss. Financial assets measured at fair value through profit or loss are recognized initially at fair value and any transaction costs are recognised in profit or loss when incurred. A gain or loss on a financial asset measured at fair value through profit or loss is recognised in profit or loss, and is included within finance income or finance costs in the statement of income for the reporting period in which it arises.

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Financial assets held at amortised cost

Financial instruments are classified as financial assets measured at amortised cost where the objective is to hold these assets in order to collect contractual cash flows, and the contractual cash flows are solely payments of principal and interest. They arise principally from the provision of goods and services to customers (eg trade receivables). They are initially recognised at fair value plus transaction costs directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment where necessary.

Impairment of financial assets

Financial assets, other than those measured at fair value through profit or 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 of the investment 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.

Derecognition of financial assets

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire, or when it 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.

1.5 Financial liabilities

The company recognises financial debt when the company becomes a party to the contractual provisions of the instruments. Financial liabilities are classified as either 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as measured at fair value through profit or loss when the financial liability is held for trading. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of selling or repurchasing it in the near term, or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit taking, or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at fair value through profit or loss are stated at fair value with any gains or losses arising on remeasurement recognised in profit or loss.

Other financial liabilities

Other financial liabilities, including borrowings, trade payables and other short-term monetary liabilities, are initially measured at fair value net of transaction costs directly attributable to the issuance of the financial liability. They are subsequently measured at amortised cost using the effective interest method. For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

1 Accounting policies

(Continued)

Derecognition of financial liabilities

Financial liabilities are derecognised when, and only when, the company's obligations are discharged, cancelled, or they expire.

1.6 Equity instruments

All equity investments are to be measured at fair value in the statement of financial position, with value changes recognised in profit or loss.

1.7 Derivatives

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to fair value at each reporting end date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset, whereas a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are classified as current.

1.8 Foreign exchange

Transactions in currencies other than pounds sterling are recorded at the rates of exchange prevailing at the dates of the transactions. At each reporting end date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the reporting end date. Gains and losses arising on translation in the period are included in profit or loss.

2 Critical accounting estimates and judgements

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, if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are outlined below.

Critical judgements

Investment in subsidiary

The estimates and assumptions made around the carrying value of the Company's investment in subsidiaries have a significant risk of causing a material adjustment. They are initially measured at cost and subsequently reviewed for impairment. Directors assess any potential impairment charge annually, or more frequently if events or changes in circumstances indicate that the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use.

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

3 Operating loss

Operating loss for the year is stated after charging/(crediting):

	2022	2021
	\$	\$
Fees payable to the company's auditor for the audit of the company's financial statements	9,207	9,056
	<u>9,207</u>	<u>9,056</u>

4 Auditor's remuneration

	2022	2021
	\$	\$
For audit services		
Audit of the financial statements of the company	9,207	9,056

5 Employees

The average monthly number of persons (excluding directors) employed by the company during the year was nil.

	2022	2021
Total	<u>-</u>	<u>-</u>

6 Investment income

	2022	2021
	\$	\$
Interest income		
Bank deposits	-	550
Other interest income on financial assets	2,503,124	2,468,835
	<u>2,503,124</u>	<u>2,469,385</u>
Gain/(loss) on hedging instrument in a fair value hedge	3,143,386	1,970,379
Dividends received from Coolmaths.com LLC	6,500,000	-
Total Investment income	<u>12,146,510</u>	<u>4,439,764</u>

Income above relates to assets held at amortised cost, unless stated otherwise.

7 Finance costs

	2022	2021
	\$	\$
Interest on bank overdrafts and loans	2,837,746	3,429,917
Other interest payable	<u>2</u>	<u>16,681</u>
Total interest expense	<u>2,837,748</u>	<u>3,446,598</u>

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

8 Income tax expense

	2022	2021
	\$	\$
The charge for the year can be reconciled to the profit/(loss) per the income statement as follows:		
	2022	2021
	\$	\$
Profit/(loss) before taxation	<u>9,111,396</u>	<u>697,373</u>
Expected tax charge/(credit) based on a corporation tax rate of 19%	1,731,165	132,501
Exempt income	(1,235,000)	(132,501)
Losses brought forward utilised	(496,165)	
	<u>-</u>	<u>-</u>
Taxation charge for the year	<u>-</u>	<u>-</u>

9 Investments

	Current		Non-current	
	2022	2021	2022	2021
	\$	\$	\$	\$
Investments in subsidiaries	-	-	26,872,374	26,872,374
Loans to subsidiaries	<u>-</u>	<u>-</u>	<u>26,546,612</u>	<u>26,546,612</u>
	<u>-</u>	<u>-</u>	<u>53,418,986</u>	<u>53,418,986</u>

Fair value of financial assets carried at amortised cost

Except as detailed below the directors believe that the carrying amounts of financial assets carried at amortised cost in the financial statements approximate to their fair values.

10 Subsidiaries

Details of the company's subsidiaries at 31 December 2022 are as follows:

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

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

11 Trade and other receivables

	2022	2021
	\$	\$
Amount owed by parent undertaking	158,424	158,424
Amounts owed by fellow group undertakings	545,016	630,925
Other receivables	5,749	-
	<u>709,189</u>	<u>789,349</u>

12 Liabilities

		Current		Non-current	
	Notes	2022	2021	2022	2021
		\$	\$	\$	\$
Borrowings	13	-	-	43,276,667	43,106,667
Trade and other payables	16	228,591	3,935,999	4,547,501	-
Derivative financial instruments		-	461,056	-	-
		<u>228,591</u>	<u>4,397,055</u>	<u>47,824,168</u>	<u>43,106,667</u>

13 Borrowings

		Current		Non-current	
		2022	2021	2022	2021
		\$	\$	\$	\$
Borrowings held at amortised cost:					
Bank loans		-	-	41,376,667	41,206,667
Related party loans	19	-	-	1,581,759	2,836,751
Loans from parent undertaking		-	-	4,088,326	1,900,000
		<u>-</u>	<u>-</u>	<u>47,046,752</u>	<u>45,943,418</u>

On 13 September 2021 the Company entered into an amended and restated 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 Term Loan Facility is repayable on the final maturity date in September 2026. The Revolving Loan Facility was not drawn as at 31 December 2022.

The interest rate margin within the Agreement for both the Term Loan Facility and the Revolving Loan Facility is **4.0% p.a.** above Libor (previously was 4.0% p.a. 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.

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

14 Liquidity risk

The following table details the remaining contractual maturity for the company's financial liabilities with agreed repayment periods. The contractual maturity is based on the earliest date on which the company may be required to pay.

	Interest rate	Maturity	Less than 1 year \$	More than 1 year \$	Total \$
At 31 December 2021					
Related party loans	6.91%	On demand	2,836,751	1,900,000	4,736,751
Derivatives			461,054	-	461,054
Bank loans	4.0% above Libor	Sep-26 Libor	<u>-</u>	<u>42,000,000</u>	<u>42,000,000</u>
At 31 December 2022					
Related party loans	6.91%	On demand	2,836,751	1,900,000	4,736,751
Derivatives			-	-	-
Bank loans	4.0% above Libor	Sep-26 Libor	<u>-</u>	<u>42,000,000</u>	<u>42,000,000</u>
			<u>2,836,751</u>	<u>43,900,000</u>	<u>46,736,751</u>

15 Market risk

Market risk management

Market risk arises from the use of interest bearing, tradable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk). Detail of the market risk can be found in the Director's Report.

16 Trade and other payables

	2022 \$	2021 \$
Amounts owed to fellow group undertakings	3,770,085	2,836,751
Accruals	795,114	28,388
Other payables	<u>210,894</u>	<u>1,070,862</u>
	<u>4,776,093</u>	<u>3,936,001</u>

The directors consider that the carrying amount of trade payables approximates to their fair value.

CATALYST NEWCO 3 LIMITED
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2022

17 Share capital

	2022	2021
	\$	\$
2,000 Ordinary shares of \$0.01 each	20.00	20.00

The Company has one class of ordinary shares which have attached to them full voting, dividend and capital distribution (including winding up rights). These ordinary shares do not confer any rights of redemption.

As at the end of the current and previous accounting year all classes of shares have been issued and fully paid.

18 Share premium account

	2022	2021
	\$	\$
At the beginning and end of the year	<u>10,999,980</u>	<u>10,999,980</u>

19 Related party transactions

As at 31 December 2022, the company was owed \$158,424 (2021: \$158,424) from Sandbox Edutainment Holdings Limited, the parent company as a result of net expenses paid on the parents behalf. As a separate amount, the company owed \$1,900,000 (2021: nil) to Sandbox Edutainment Holdings Limited with regards to dividends payable from the prior year as well as \$2,188,326 (2021: \$1,900,000) to Sandbox Edutainment Holdings Limited with regards to loans paid to the company.

During the year the company received \$2,503,124 (2021: \$2,468,835) of income from Digital Education Acquisition Inc, a wholly owned subsidiary, with regards to interest receivable on the loan with this company. As at 31 December 2022, there was \$914,136 (2021: \$867,336) of interest accrued for outstanding interest income.

As at 31 December 2022 the company owed \$ 2,836,751 (2021: \$2,836,751) to Coolmaths.com LLC, a wholly owned subsidiary with regards to various legal and professional fee's and other expenses paid on the company's behalf.

20 Capital risk management

The company is not subject to any externally imposed capital requirements

21 Cash generated from/(absorbed by) operations

	2022	2021
	\$	\$
Profit/(loss) for the year before income tax	9,111,396	697,373
Adjustments for:		
Finance costs	3,125,081	1,476,136
Investment income	(12,146,510)	(2,469,385)
Amortization	170,000	
Movements in working capital:		
(Increase) /Decrease in trade and other receivables	80,160	625,832
Increase/(decrease) in trade and other payables	<u>840,091</u>	<u>1,407,356</u>
Cash (absorbed by) / generated from operations	<u>1,180,218</u>	<u>1,737,312</u>