

Registration number: 03041461

Employment Law Advisory Services Limited

Report and Financial Statements

For the Period from 1 February 2021 to 31 December 2021

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Employment Law Advisory Services Limited

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Employment Law Advisory Services Limited

Company Information

Directors C P Morris
E Wann

Registered office Kings Court
Water Lane
Wilmslow
Cheshire
SK9 5AR

Employment Law Advisory Services Limited

Strategic Report for the Period from 1 February 2021 to 31 December 2021

The Directors present their Strategic Report for the period from 1 February 2021 to 31 December 2021.

Principal activity and business review

The principal activity of the Company is the provision of HR and employment law support and advice, and health and safety support, to small and medium sized businesses in the United Kingdom. The company also provides Occupational Health services.

The Company achieved turnover for the period of £7,455,129 (Year ended 31 January 2021: £7,433,798).

On 31 March 2021 Employment Law Advisory Services Limited was acquired by Citation Limited (part of the Group of Companies headed by Rocket Topco Limited) and changed its accounting reference date to 31 December.

At the point of the March 2021 acquisition the Company owned 51% of The Industrial Diagnostics Company Limited, in turn acquired by the Company during 2020, and for which two put and call options relating to the future purchase of the remaining 49% of unowned shares in The Industrial Diagnostics Company Limited were in place. Due to the nature of the put and call options The Industrial Diagnostics Company Limited is recognised as a 100% subsidiary of Citation Limited and the Company with dividends paid out by The Industrial Diagnostics Company to the Company recognised through intercompany.

Following the acquisition, the Company has taken the exemption to not prepare consolidated accounts.

The results for the year are set out on page 10 of the financial statements.

Principal risks and uncertainties

Company specific and market risks

The future growth plan depends upon the Company continuing to attract new clients for its services and the renewal of existing client contracts. The directors are confident of the strategies in place to meet future growth plans.

The servicing of the Company's growing client base requires ongoing recruitment of qualified personnel. The Company is dedicated to being a first-class employer and employing only the best.

The Company is confident of meeting the challenges of attracting new business, because of the size of the relevant markets, the deployment of new routes to market, and the enhanced development of the service offerings using technology and new products.

Changes in legislation

Changes in legislation have a significant impact on the Company through updates to client information and the requirement to ensure that all staff maintain their comprehensive knowledge of the regulations that could affect clients.

Liquidity risk

The board reviews the Company's liquidity risks both bi-annually, as part of the planning and budgeting process, and on an ad-hoc basis to ensure the Company can access sufficient cash resources to meet liabilities as they fall due. Short-term and long-term cash flow forecasts are regularly performed and reported to the board. The Company's finance team monitor cash positions and this is reported at an entity and consolidated level to the Senior Management Team on a weekly basis.

Employment Law Advisory Services Limited

Strategic Report for the Period from 1 February 2021 to 31 December 2021 (continued)

Credit risk

The Company is exposed to credit risk on financial assets to the extent it is owed trade and other receivables from customers. The Company's credit control function manages trade receivable exposure in house and through use of specialist debt recovery lawyers. At risk customers are reported to the Senior Management Team on an ad-hoc basis and action is taken swiftly to reduce risk through measures such as agreeing payment plans with customers. When debt is deemed irrecoverable overdue invoices and any related accrued income balance is written off against the relevant underlying provisions.

Covid-19 risk

The impact of the Covid-19 pandemic on the Company has been minimal as the Company does not actively trade so there has been, and continues to be, minimal disruption caused by the pandemic.

The Group is conscious of the legacy of the impact of Covid-19, including the impact of moving to a hybrid working model. The Group keeps in close communication with all of its employees and continually reviews policies and procedures to ensure it safeguards employee's wellbeing. For those occasions where employees do work from the office the Group has taken appropriate actions to ensure its employees remain safe at all times.

Brexit risk

The Company has considered the impact of Brexit and consider the risk to be minimal. This is due to the Company having a diversified portfolio of customers at the end of 2021 and sales predominantly being to UK based businesses.

Cyber risk

The Company is at risk of a cyber-attack given that it delivers its service offering alongside technology based platforms. Failure to prevent a cyber attack or data breach could negatively impact the Company's customer and employee data, financial reporting systems and stakeholder confidence and could ultimately result in fines levied by ICO. The business continues to proactively manage risks associated with data loss, GDPR non-compliance and data control weaknesses and the Group has hired Data Protection Officers across the Group who have introduced data security training programmes for the Group's employees and are undertaking a full review of the Group's IT structure, systems and procedures to ensure they are fit for purpose.

Climate risk

The Company has considered the impact of climate change and considers the risk to be minimal given the nature of the Company's services. The regulatory burden on small and medium sized businesses will remain, and indeed likely increase, as the increasing impact of climate change is felt across the globe. The Company also has a widespread geographical presence and can deliver its services remotely, alongside a hybrid working model for employees, therefore it is deemed trading would not be significantly hindered by travel restrictions or climate related disasters. Further, the Company has no significant manufacturing or storage facilities.

The Company recognises the importance of issues such as climate change and energy consumption, and that increasing environmental regulation will continue to be a trend going forward. The Company continues to look for ways to minimise its impact on the environment.

Other risks

The Group has considered the impacts of the war in Ukraine and the rising cost of living and considers these risks to be minimal. The Group is predominantly trading with customers based in the UK, Australia and New Zealand and largely technology-based offering, not reliant on supply chains. Whilst the Group acknowledges that the same could lead to increased prices, particularly fuel, this is not deemed to have a significant impact on the Group due to the nature of its costs base and due to the Group being able to mitigate an increasing cost base through price rises on its own products and encouraging remote delivery of services and a hybrid working model for employees.

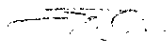
Employment Law Advisory Services Limited

Strategic Report for the Period from 1 February 2021 to 31 December 2021 (continued)

Key performance indicators

The board uses a range of financial and non-financial performance indicators, reported on a regular basis, to monitor performance over time. These Key Performance Indicators include EBITDA, cash, customer service, Net Promoter Score (NPS), new and renewed business, sales growth, order book value and tenure, and net revenue retention.

This report was approved by the Board on 28/12/2021 and signed on its behalf by:


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E Wann
Director

Employment Law Advisory Services Limited

Directors' Report for the Period from 1 February 2021 to 31 December 2021

The Directors present their report and the financial statements for the period from 1 February 2021 to 31 December 2021.

Results and dividends

The loss for the period, after taxation, amounted to £1,903,004 (Year ended 31 January 2021: profit of £1,928,863).

The directors do not recommend the payment of a dividend (Year ended 31 January 2021: £nil).

Directors of the Company

The Directors who held office during the period were as follows:

C P Morris (appointed 31 March 2021)

A G Hewitt (resigned 31 March 2021)

I J Martin (resigned 31 March 2021)

E Wann (appointed 31 March 2021)

Indemnity provision for directors

During the year the Company had third party indemnity insurance for the Directors and Officers. This insurance remains in force as at the date of approving the Directors' Report.

Environmental matters

The Group is committed to minimising the environmental impact of its activities, products and services. The board regularly evaluates the Group's policies in order to ensure compliance with relevant environmental legislation, regulations and other environmental requirements is maintained. This includes conducting annual ESG maturity assessments and the Group is in the process of setting science-based targets to determine a timescale for achieving Net Zero. The Group has recently undertaken a Climate Risk Assessment and collected data to measure the movement in Greenhouse Gas Emissions year on year from 2020 to 2021. This exercise demonstrated that, as a result of the environmental and energy efficiency initiatives listed below, the Group reduced its emissions, despite increasing in size due to organic growth and acquisitions, over the period in question.

Employment Law Advisory Services Limited

Directors' Report for the Period from 1 February 2021 to 31 December 2021 (continued)

Environmental and energy efficiency initiatives undertaken in the year include:

- Reduction in employee travel through remote selling to and servicing of clients and the use of a hybrid working from home model for employees;
- Minimisation of waste through prevention, re-use and recycling such as use of a recycling company for office waste and replacing of plastic milk bottles for glass;
- A movement towards working with environmentally responsible suppliers;
- Planting a tree for each new joiner to the Group's employee base;
- Reduction in printing;
- Full year effect in 2021 of the closure of three offices across the property portfolio in prior years;
- Raising awareness of the Cycle to Work scheme throughout the Group and encouraging uptake of the scheme;
- Establishment of environmental committees throughout the Group and empowering colleagues to make changes both small and large to increase energy efficiency.

Employee involvement

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Group and are of interest to them as employees. This is done via a monthly Group-wide business brief headed up by a member of the Local Board or Group Board. A heavy emphasis is placed on providing a rewarding and fair environment in which employees can come to work and produce their best results which was recognised when Citation Limited was awarded a place in The Sunday Times 100 Best Companies to work for in 2020. The Group measures employee engagement using the robust measure of the Gallup Q12 and places in the top quartile in the UK for employee engagement. All of the Group's qualified employees receive regular and funded CPD. The Group has development schemes in place to take entry level recruits through professional qualifications and as part of a Health and Safety development programme has successfully trained and developed 50 recruits to achieve a nationally recognised qualification across H&S. The Group has launched similar programmes across Human Resources, Employment Law, Finance and Fire Safety. In 2021 the Group launched a Sales Academy and Leadership Development Programme and alongside mandatory training schemes for fire marshals and first aid over 20 colleagues have trained as Mental Health First Aiders. In addition, a number of colleagues have undertaken apprenticeship schemes with us. The Group launched a communication application in 2021 across all businesses to further support communication and involvement.

Disabled employees

Disabled employees are given full and fair consideration for all types of vacancy. Should an existing employee become disabled, such steps as are practical and reasonable are taken to retain him or her in employment. Where appropriate, assistance with rehabilitation and suitable training are given. Disabled persons have equal opportunities for training, career development and promotion, except insofar as such opportunities are constrained by the practical limitations of their disability.

Financial instruments

The Company's main financial instruments are cash and inter-group receivables and payables carried at amortised cost. The Company does not use derivative financial instruments.

Employment Law Advisory Services Limited

Directors' Report for the Period from 1 February 2021 to 31 December 2021 (continued)

Corporate social responsibility

The Group is committed to taking its corporate social responsibilities very seriously and includes social and environmental issues at the heart of all decision-making processes. As the Group continues to grow, it is always looking for ways to increase efficiencies. The Group continues to maintain the ISO 9001 standard from the British Standards Institute, which demonstrates commitment to quality and improved performance.

In addition to organising and supporting charitable activities on an ad hoc basis for charities throughout the UK, the Group's nominated charity is The Seashell Trust who the Group regularly raise funds for.

The Group gives back to the local community through charitable activities such as:

- Local food bank donations;
- Capital Toys for Kids Christmas donations, where donations are made by staff and distributed to deprived children in the Manchester area; and
- Raising significant funds for the local cancer specialist hospital, The Christie, through a variety of events.

In addition to these charitable activities the Group supports various work experience placements, apprentices and industrial placements to help develop young talent.

The Group provides comprehensive training and advice to its employees to keep them safe and healthy. In 2021, Group companies supported colleagues throughout the pandemic by launching wellbeing programs which included support for mental wellbeing, dietary advice, financial advice and delivered mental health training to managers with a focus on updated tools and tips to help support colleagues during lockdown. In addition to this, the Group delivered webinars to clients regarding mental health in lockdown and in the workplace. Mental Health First Aiders were also supported and promoted throughout the year whilst they delivered a range of well-being activities such as yoga and mindfulness.

Political donations

The Company made no political contributions during the period (Year ended 31 January 2021: £nil).

Future developments

The Company is continuing with its strategy of expanding routes to market, adding additional products to its offering and developing the next generation IT platforms for its clients.

Post balance sheet events

On 5 April 2022, Patient Diagnostics Services Limited was dissolved. See Note 17 for further details.

On 28 October 2022, the Company sold the trade and assets relating to the occupational health elements of the Company's services to *Elas Occupational Health Limited*. The transaction had an effective transfer date of 31 July 2022.

Employment Law Advisory Services Limited

Directors' Report for the Period from 1 February 2021 to 31 December 2021 (continued)

Going concern

After preparing projections to 31 December 2023 the directors have assessed the need for continued financial support. The Company is reliant on financial support from its parent company who has confirmed it will provide financial support to assist the Company to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities.

The Company participates in the Group's centralised treasury arrangement and so shares banking arrangements with fellow group companies. There is no external debt or covenants in place at the subsidiary level.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' report including the actions taken to mitigate the impact of Covid-19.

The Group participates in a centralised treasury arrangement and so shares banking arrangements with all companies in the Rocket Topco Limited Group. The group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The group restructured its funding arrangements in the prior year as part of the sale of the Group formerly headed by Citation Topco Limited on 15 September 2020. Further changes to the Group's funding arrangements were agreed in the year and post year end, to provide the group with additional facilities and cash headroom.

Following the Group's refinancing subsequent to year end, the Group is required to meet certain financial covenants to avoid breaching the terms of its facility agreement. Throughout the review period of its assessment, even after sensitising the forecasts for plausible downside scenarios, the Group maintains sufficient cash reserves to pay its liabilities as they fall due, including interest payments, and complies with its financial covenant.

In assessing the going concern assumption for these financial statements, the Directors have prepared a base case cash flow and profit forecast to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due. As part of this exercise, the Directors have reviewed the cost base and built in additional assumptions for increases due to inflation and other market conditions.

As forecasting is inherently difficult in the current environment, and revenues can be potentially impacted by external factors, the Directors have applied sensitivities to the base case, challenging the forecasted values by incorporating severe but plausible downside scenarios which include:

- A 15% reduction in the existing contracted client base including a 20% decrease in take-up on customer renewals; together with
- An average fall of new business across the forecast period of 50% against baseline budgeted growth; and
- A stepped increase up to 5% in 2023 on the unhedged portion of interest charged on the Group's borrowings.

From the sensitivities that were run it was determined that adjusting these key levers to the base case model would still leave headroom for forecast liquidity and loan covenants.

In assessing the going concern assumption for these financial statements, the Directors have prepared cash flow and profit forecasts to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due.

Employment Law Advisory Services Limited

Directors' Report for the Period from 1 February 2021 to 31 December 2021 (continued)

The Directors are therefore satisfied they have a reasonable basis upon which to conclude that the group is able to continue as a going concern to 31 December 2023.

The key factors supporting this are:

- The Group has a contracted and recurring revenue base which is not reliant on any one sector, making the business more resilient to demand shocks. The Group's business has grown since the outbreak of Covid-19 in the UK and Australia and New Zealand with new business across all divisions having returned to pre-Covid levels or above before the end of 2021.
- With Group cash at the end of 2021 of £14,011,459 and a £35,000,000 undrawn revolving credit Facility the Group had sufficient liquidity at the start of 2021 for the period ahead.
- Only interest repayments are required to be made until the maturity of the bank debt in 2027.

This report was approved by the Board on and signed on its behalf by:



.....
E Wann
Director

Employment Law Advisory Services Limited

Statement of Comprehensive Income for the Period from 1 February 2021 to 31 December 2021

		Period ended 31 December 2021 £	Year ended 31 January 2021 £
	Note		
Turnover	3	7,455,129	7,433,798
Cost of sales		<u>(2,549,026)</u>	<u>(2,097,702)</u>
Gross profit		4,906,103	5,336,096
Administrative expenses	4	(7,056,000)	(5,054,280)
Other operating income	4	<u>432,903</u>	<u>1,881,050</u>
Operating (loss)/profit	4	(1,716,994)	2,162,866
Interest payable and similar expenses	5	<u>(4,283)</u>	<u>(54,418)</u>
(Loss)/profit before taxation		(1,721,277)	2,108,448
Tax on (loss)/profit	6	<u>(181,727)</u>	<u>(179,585)</u>
(Loss)/profit for the period		<u><u>(1,903,004)</u></u>	<u><u>1,928,863</u></u>
 Total comprehensive (loss)/income for the period		 <u><u>(1,903,004)</u></u>	 <u><u>1,928,863</u></u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the period other than the results above.

Employment Law Advisory Services Limited

(Registration number: 03041461)

Statement of Financial Position as at 31 December 2021

	Note	31 December 2021 £	31 January 2021 £
Fixed assets			
Investments	8	3,326,292	6,002,536
Tangible assets	7	<u>238,661</u>	<u>369,217</u>
		<u>3,564,953</u>	<u>6,371,753</u>
Current assets			
Cash at bank	9	1,053,824	422,525
Debtors	10	<u>3,835,934</u>	<u>2,875,942</u>
		4,889,758	3,298,467
Creditors: Amounts falling due within one year	11	<u>(5,659,124)</u>	<u>(4,326,131)</u>
Net current liabilities		<u>(769,366)</u>	<u>(1,027,664)</u>
Total assets less current liabilities		2,795,587	5,344,089
Creditors: Amounts falling due after more than one year	11	<u>-</u>	<u>(645,498)</u>
Net assets		<u>2,795,587</u>	<u>4,698,591</u>
Capital and reserves			
Called up share capital	14	2	2
Profit and loss account		<u>2,795,585</u>	<u>4,698,589</u>
Shareholders' funds		<u>2,795,587</u>	<u>4,698,591</u>

These financial statements have been prepared in accordance with the special provisions relating to companies subject to the small companies regime within Part 15 of the Companies Act 2006.

For the financial period ending 31 December 2021 the Company was entitled to exemption from audit under section 479A of the Companies Act 2006 relating to subsidiary companies.

Directors' responsibilities:

- the members have not required the Company to obtain an audit of its accounts for the period in question in accordance with section 476; and
- the Directors acknowledge their responsibilities for complying with the requirements of the Act with respect to accounting records and the preparation of accounts.

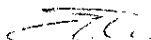
The notes on pages 14 to 28 form an integral part of these financial statements.

Employment Law Advisory Services Limited

(Registration number: 03041461)

Statement of Financial Position as at 31 December 2021 (continued)

The financial statements were approved and authorised for issue by the Board on ~~22/12/2021~~ and signed on its behalf by:



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E Wann
Director

Employment Law Advisory Services Limited

Statement of Changes in Equity for the Period from 1 February 2021 to 31 December 2021

	Called up Share capital £	Profit and loss account £	Total Equity £
At 1 February 2021	2	4,698,589	4,698,591
Loss for the period	-	(1,903,004)	(1,903,004)
Total comprehensive loss	-	(1,903,004)	(1,903,004)
At 31 December 2021	2	2,795,585	2,795,587

	Called up Share capital £	Profit and loss account £	Total Equity £
At 1 February 2020	2	2,769,726	2,769,728
Profit for the period	-	1,928,863	1,928,863
Total comprehensive income for the year	-	1,928,863	1,928,863
At 31 January 2021	2	4,698,589	4,698,591

The notes on pages 14 to 28 form an integral part of these financial statements.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021

1 General information

The Company is a limited liability company, incorporated in England and Wales.

The address of its registered office is:

Kings Court
Water Lane
Wilmslow
Cheshire
SK9 5AR

2 Accounting policies

2.1 Statement of compliance and basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and the Companies Act 2006, as it applies to the financial statements of the company for the period ended 31 December 2021. The financial statements are prepared in sterling which is the functional currency of the Company.

Following the Company's acquisition by Citation Limited, the Company has taken the exemption to not prepare consolidated accounts. The Company is a subsidiary undertaking and is exempt from the requirement to prepare consolidated accounts by virtue of section 9.3 (g) of FRS 102. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

2.2 Going concern

After preparing projections to 31 December 2023 the directors have assessed the need for continued financial support. The Company is reliant on financial support from its parent company who has confirmed it will provide financial support to assist the Company to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the Company to meet such liabilities.

The Company participates in the Group's centralised treasury arrangement and so shares banking arrangements with fellow group companies. There is no external debt or covenants in place at the subsidiary level.

The Group's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' report including the actions taken to mitigate the impact of Covid-19.

The Group participates in a centralised treasury arrangement and so shares banking arrangements with all companies in the Rocket Topco Limited Group. The group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The group restructured its funding arrangements in the prior year as part of the sale of the Group formerly headed by Citation Topco Limited on 15 September 2020. Further changes to the Group's funding arrangements were agreed in the year and post year end, to provide the group with additional facilities and cash headroom.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

2 Accounting policies (continued)

Following the Group's refinancing subsequent to year end, the Group is required to meet certain financial covenants to avoid breaching the terms of its facility agreement. Throughout the review period of its assessment, even after sensitising the forecasts for plausible downside scenarios, the Group maintains sufficient cash reserves to pay its liabilities as they fall due, including interest payments, and complies with its financial covenant.

In assessing the going concern assumption for these financial statements, the Directors have prepared a base case cash flow and profit forecast to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due. As part of this exercise, the Directors have reviewed the cost base and built in additional assumptions for increases due to inflation and other market conditions.

As forecasting is inherently difficult in the current environment, and revenues can be potentially impacted by external factors, the Directors have applied sensitivities to the base case, challenging the forecasted values by incorporating severe but plausible downside scenarios which include:

- A 15% reduction in the existing contracted client base including a 20% decrease in take-up on customer renewals; together with
- An average fall of new business across the forecast period of 50% against baseline budgeted growth; and
- A stepped increase up to 5% in 2023 on the unhedged portion of interest charged on the Group's borrowings.

From the sensitivities that were run it was determined that adjusting these key levers to the base case model would still leave headroom for forecast liquidity and loan covenants.

In assessing the going concern assumption for these financial statements, the Directors have prepared cash flow and profit forecasts to consider the Group's ability to comply with its financial covenant, and to continue to pay its debts as they fall due.

The Directors are therefore satisfied they have a reasonable basis upon which to conclude that the group is able to continue as a going concern to 31 December 2023.

The key factors supporting this are:

- The Group has a contracted and recurring revenue base which is not reliant on any one sector, making the business more resilient to demand shocks. The Group's business has grown since the outbreak of Covid-19 in the UK and Australia and New Zealand with new business across all divisions having returned to pre-Covid levels or above before the end of 2021.
- With Group cash at the end of 2021 of £14,011,459 and a £35,000,000 undrawn revolving credit Facility the Group had sufficient liquidity at the start of 2021 for the period ahead.
- Only interest repayments are required to be made until the maturity of the bank debt in 2027.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

2 Accounting policies (continued)

2.3 Summary of disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- Reconciliation of the number of shares outstanding from the beginning to the end of the period;
- Transactions between wholly-owned members of the Group;
- Cashflow Statement and related notes; and
- Key Management Personnel compensation.

As the consolidated financial statements of Rocket Midco Limited include the equivalent disclosures, the Company has also taken the exemption under FRS 102 available in respect of the following disclosure.

- The disclosures required by FRS 102.11 Basic Financial Instruments and FRS 102.12 Other Financial Instrument Issues in respect of financial instruments not falling within the fair value accounting rules of paragraph 36(4) of Schedule 1.

2.4 Judgements and key sources of estimation uncertainty

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year end and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The estimates that have had the most significant effect on amounts recognised in the financial statements are:

Intangible assets

The Company establishes a reliable estimate of the useful life of intangible assets arising on business combinations. This estimate is based on a variety of factors such as the expected use of the acquired business, the expected useful life of the cash generating units to which the goodwill is attributed, any legal, regulatory or contractual provisions that can limit useful life and assumptions that market participants would consider in respect of similar businesses.

2.5 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Repairs and maintenance are charged to the statement of comprehensive income during the period in which they are incurred.

Depreciation

Depreciation is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method. This reflects a change in accounting policy, moving away from a reducing balance basis.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

2 Accounting policies (continued)

Short-term leasehold property	- the lower of the lease life or 10 years
Motor vehicles	- 3 years
Fixtures & fittings	- 3 years
Office and computer equipment	- 3 to 5 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Statement of comprehensive income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

2.8 Finance costs

Finance costs are charged to the Statement of comprehensive income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.9 Debtors

Current debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.10 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

2.11 Impairment of non-financial assets

The Company assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

2 Accounting policies (continued)

2.12 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other accounts receivable and payable, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade payables or receivables, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration, expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortise.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the year end.

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an 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.

2.13 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.14 Deferred income

The difference between invoiced sales or cash received in advance of work carried out, for which revenue must be recognised in line with FRS 102 revenue recognition rules, is recognised as deferred income.

2.15 Defined contribution pension plan

The Company operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. Once the contributions have been paid the Company has no further payment obligations.

The contributions are recognised as an expense in the statement of comprehensive income when they fall due. Amounts not paid are shown in accruals as a liability in the statement of financial position. The assets of the plan are held separately from the Company in independently administered funds.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

2 Accounting policies (continued)

2.16 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the statement of comprehensive income, except that a change attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the year end, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed when all conditions for retaining associated tax allowances have been met.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end.

2.17 Operating leases

Rentals paid under operating leases are charged to the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.18 Government grants

Government grants are recognised when it is reasonable to expect that the grants will be received and that all the related conditions will be met, usually on submission of a valid claim for payment.

Grants of a revenue nature are credited to income so as to match them with the expenditure to which they relate.

Furlough amounts received during the year represent government grants of a revenue nature and have been accounted for accordingly in other operating income.

3 Turnover

All turnover takes place in the UK:

	Period ended 31 December 2021 £	Year ended 31 January 2021 £
Rendering of services	<u>7,455,129</u>	<u>7,433,798</u>

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

4 Operating (loss)/profit

The operating profit is stated after charging/(crediting):

	Period ended 31 December 2021 £	Year ended 31 January 2021 £
Depreciation of tangible fixed assets	288,762	139,378
Operating lease expense	198,000	198,000
Loss on disposal of property, plant and equipment	-	2,672
Impairment of investments	<u>2,676,244</u>	<u>-</u>

Within operating profit, is £423,903 (Year ended 31 January 2021: £1,881,050) of other operating income which are government grants for furlough.

5 Interest payable and similar expenses

	Period ended 31 December 2021 £	Year ended 31 January 2021 £
Interest on bank overdrafts and borrowings	136	34,810
Interest on obligations under finance leases and hire purchase contracts	<u>4,147</u>	<u>19,608</u>
	<u>4,283</u>	<u>54,418</u>

6 Taxation

Tax charged/(credited) in the statement of comprehensive income

	Period ended 31 December 2021 £	Year ended 31 January 2021 £
Corporation tax		
Current tax on profits for the year	175,442	184,963
Tax on profits related to prior year	<u>36,195</u>	<u>-</u>
Total corporation tax	<u>211,637</u>	<u>184,963</u>
Deferred tax		
Current tax on profits for the year	(39,113)	(5,378)
Rate adjustment	<u>9,203</u>	<u>-</u>
Total deferred tax	<u>(29,910)</u>	<u>(5,378)</u>
Taxation on profit/(loss) on ordinary activities	<u>181,727</u>	<u>179,585</u>

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

6 Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (Year ended 31 January 2021 - lower than the standard rate of corporation tax in the UK) of 19% (Year ended 31 January 2021 - 19%).

The differences are reconciled below:

	Period ended 31 December 2021 £	Year ended 31 January 2021 £
(Loss)/profit before tax	<u>(1,721,277)</u>	<u>2,108,448</u>
Corporation tax at standard rate 19% (Year ended 31 January 2021: 19%)	(327,043)	400,605
Permanent differences	614,038	185,956
Adjustments in respect of prior years	(36,195)	-
Deferred tax rate change	9,203	-
Group relief	<u>(78,276)</u>	<u>(406,976)</u>
Total tax charge	<u>181,727</u>	<u>179,585</u>

Finance (No.2) Act 2015 reduced the main rate of UK corporation tax to 19%, effective from 1 April 2017. A further reduction in the UK corporation tax rate to 17% was expected to come into effect from 1 April 2020 (as enacted by Finance Act 2016 on 15 September 2016). However, legislation introduced in Finance Act 2020 (enacted on 22 July 2020) repealed the reduction of the corporation tax rate, thereby maintaining the current rate of 19%.

The UK Budget 2021 announcements on 3 March 2021 included measures to support the economic recovery as a result of the ongoing Covid-19 pandemic. These included an increase to the UK's main corporation tax rate to 25%, which is due to be effective from 1 April 2023. Finance Act 2021 (which legislated the changes) was substantively enacted on 24 May 2021. Since the rate increase was substantively enacted at the balance sheet date, deferred tax has been provided at a blended rate of 19% and 25%, or 25%, as appropriate, based on the company's best estimate of the timing of the unwind of existing temporary differences.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

7 Tangible assets

	Motor vehicles £	Fixtures and fittings £	Total £
Cost or valuation			
At 1 February 2021	311,209	982,559	1,293,768
Additions	-	158,206	158,206
Disposals	(31,540)	-	(31,540)
At 31 December 2021	<u>279,669</u>	<u>1,140,765</u>	<u>1,420,434</u>
Depreciation			
At 1 February 2021	158,521	766,030	924,551
Charge for the period	124,156	164,606	288,762
Eliminated on disposal	(31,540)	-	(31,540)
At 31 December 2021	<u>251,137</u>	<u>930,636</u>	<u>1,181,773</u>
Carrying amount			
At 31 December 2021	<u>28,532</u>	<u>210,129</u>	<u>238,661</u>
At 31 January 2021	<u>152,688</u>	<u>216,529</u>	<u>369,217</u>

8 Investments

	Investment in a subsidiary company £
Subsidiaries	
Cost or valuation	
At 1 February 2021	6,002,536
Impairment	(2,676,244)
At 31 December 2021	<u>3,326,292</u>
Carrying amount	
At 31 December 2021	<u>3,326,292</u>
At 31 January 2021	<u>6,002,536</u>

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

8 Investments (continued)

In line with the methodology outlined in note 2.7, the Company has assessed whether there are any indicators of impairment for each investment. For those where indicators were identified, a value in use assessment was performed and compared to the investment's carrying value. The model forecasts discounted cashflows for the next 5 years and uses a perpetuity calculation thereafter to quantify the investments value in use. The key assumptions in the value in use model are forecast EBITDA, discount rate of 10% and the long term growth rate of 1%. As part of the impairment test, downside sensitivities were run including a reduction of the long-term growth rate to nil and an increase in the company's discount rate to 15%. This has led to an impairment charge of £2,676,244 being recognised in the statement of comprehensive income for the period ended 31 December 2021.

Details of undertakings

Details of the investments in which the Company holds 20% or more of the nominal value of any class of share capital are as follows:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Support, Training & Services Limited	England & Wales**	Ordinary shares	100%	Food Accreditation Services
Simply Safe Worldwide Limited	England & Wales**	Ordinary shares	100%	Dormant
Occupational Medicals Enterprise Limited*	England & Wales**	Ordinary shares	100%	Occupational Health Services
S&ASH Ltd*	England & Wales**	Ordinary shares	100%	Occupational Health Services
ELAS Occupational Health Limited	England & Wales**	Ordinary shares	100%	Occupational Health Services
Health and Safety Management Consultants Limited*	England & Wales**	Ordinary shares	100%	Occupational Health Services
The Industrial Diagnostics Company Limited ****	England & Wales**	Ordinary shares	100%	Occupational Health Services
Patient Diagnostic Services Limited	England & Wales***	Ordinary shares	100%	Dormant

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

8 Investments (continued)

*held by subsidiary undertaking

** registered at Kings Court, Water Lane, Wilmslow, Cheshire, SK9 5AR

***registered at Charles House, Albert Street, Eccles, Manchester, M30 0PW

**** On 31 March 2021, at the point the Company was acquired by Citation Limited, the Company owned 51% of The Industrial Diagnostics Company Limited, in turn acquired by the Company during 2020, and for which two put and call options relating to the future purchase of the remaining 49% of unowned shares in The Industrial Diagnostics Company Limited were in place. Due to the nature of the put and call options, The Industrial Diagnostics Company Limited is recognised as a 100% subsidiary of Citation Limited, with dividends paid out by The Industrial Diagnostics Company to the Company recognised through intercompany.

Post year end, on 5 April 2022, Patient Diagnostics Services Limited was dissolved.

9 Cash and cash equivalents

	31 December 2021 £	31 January 2021 £
Cash at bank and in hand	1,053,824	422,525
	<u>1,053,824</u>	<u>422,525</u>

10 Debtors

	31 December 2021 £	31 January 2021 £
Due within one year		
Trade debtors	364,407	491,726
Amounts owed by group undertakings	3,267,897	2,116,347
Prepayments	165,283	259,432
Deferred tax asset	38,347	8,437
	<u>3,835,934</u>	<u>2,875,942</u>

The amounts owed by group undertakings relate to intercompany loans to ELAS Occupational Health Limited and S&ASH Ltd. The amounts are repayable on demand.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

11 Creditors

	31 December 2021 £	31 January 2021 £
Due within one year		
Loans and borrowings	8,284	33,820
Trade creditors	519,931	464,019
Amounts owed to group undertakings	4,288,158	2,410,127
Taxation and social security	-	426,485
Other creditors	2,043	260,604
Accruals	631,456	512,649
Corporation tax	209,252	218,427
	<u>5,659,124</u>	<u>4,326,131</u>
Due after one year		
Loans and borrowings	<u>-</u>	<u>645,498</u>

The amounts owed to group undertakings relate to intercompany loans from Citation Limited, Health and Safety Management Consultants Limited, Occupational Medicals Enterprise Limited, Simply Safe Worldwide, Support Training & Services Limited and The Industrial Diagnostics Company Limited. The amounts are repayable on demand.

12 Financial instruments

Categorisation of financial instruments

	31 December 2021 £	31 January 2021 £
Financial assets		
Financial assets measured at fair value through profit or loss	<u>3,632,304</u>	<u>2,867,505</u>
Financial liabilities		
Financial liabilities measured at fair value through profit or loss	<u>5,804,589</u>	<u>4,107,704</u>

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

12 Financial instruments (continued)

Financial assets measured at amortised cost comprise trade debtors, prepayments and amounts owed from group undertakings.

Financial liabilities measured at amortised cost comprise trade creditors, accruals, deferred income, social security and other taxes, other creditors and amounts owed to group undertakings.

13 Deferred tax and other provisions

	31 December 2021 £	31 January 2021 £
At beginning of period	8,437	3,059
Current year movement	39,113	5,378
Rate adjustment	(9,203)	8,437
At end of period	38,347	16,874

The deferred tax asset is made up as follows:

	31 December 2021 £	31 January 2021 £
Difference between accumulated depreciation and amortisation and capital allowances	38,347	8,437
Other timing differences	-	-
	38,347	8,437

14 Called up share capital

Authorised, allotted and fully paid shares

	31 December 2021		31 January 2021	
	No.	£	No.	£
2 Ordinary shares of £1 each	2	2	2	2

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

15 Loans and borrowings

	31 December 2021 £	31 January 2021 £
Non-current loans and borrowings		
Bank borrowings	-	617,500
Hire purchase contracts	-	27,998
	<u>-</u>	<u>645,498</u>

	31 December 2021 £	31 January 2021 £
Current loans and borrowings		
Hire purchase contracts	<u>8,284</u>	<u>33,820</u>

The £617,500 outstanding as at the end of January 2021, in respect of a bank loan with Santander UK Plc, was fully settled upon 31 March 2021 upon the acquisition of the Company by Citation Limited.

16 Commitments under operating leases

Finance leases

The total of future minimum lease payments is as follows:

	31 December 2021 £	31 January 2021 £
Not later than one year	216,000	302,287
Later than one year and not later than five years	8,285	879,097
Later than five years	-	853,200
	<u>224,285</u>	<u>2,034,584</u>

17 Post balance sheet events

On 5 April 2022, as part of a wider group reorganisation, Patient Diagnostics Services Limited, a wholly owned subsidiary of the Company, was dissolved.

On 28 October 2022, the Company sold the trade and assets relating to the occupational health elements of the Company's services to Elas Occupational Health Limited. The transaction had an effective transfer date of 31 July 2022.

Employment Law Advisory Services Limited

Notes to the Financial Statements for the Period from 1 February 2021 to 31 December 2021 (continued)

18 Controlling party

At 31 December 2021, the Company was a wholly owned subsidiary undertaking of Rocket Topco Limited, a Company registered and incorporated in Jersey. The largest Group in which the results of the Company are consolidated is that headed by Rocket Topco Limited. The smallest Group in which they are consolidated is that headed by Rocket Midco Limited. Copies of the financial statements of Rocket Topco Limited are available from 2nd Floor, Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey, JE2 3QB and copies of the financial statements of Rocket Midco Limited are available from 11th Floor 200 Aldersgate Street, London, United Kingdom, EC1A 4HD.

The Company's immediate parent undertaking is Citation Limited.

The ultimate parent undertakings and controlling parties at 31 December 2021 are Rocket Aggregator L.P. incorporated in Canada and HGC Capital 8 Nominees Limited.