

Registration number: 12801073

# Rocket Midco Limited

Report and Financial Statements  
for the Year Ended 31 December 2020

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## Rocket Midco Limited

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## **Rocket Midco Limited**

### **Company Information**

<b>Directors</b>	R M Bibi T R Pirrie-Franks C P Morris E Wann
<b>Registered office</b>	11th Floor 200 Aldersgate Street London EC1A 4HD
<b>Auditors</b>	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY

## **Rocket Midco Limited**

### **Strategic Report for the Year Ended 31 December 2020**

The Directors present their strategic report for the year ended 31 December 2020.

#### **Principal activity and business review**

The parent of Rocket Midco Limited, is Rocket Topco Limited and is the new parent company of the Citation Group. The group has undertaken a group reorganisation exercise during the period to 31 December 2020. KKR (via newly formed Rocket Topco Limited) acquired 100% of the share capital of Citation Topco Limited on 15 September 2020 and on 18 September 2020 Hg Pooled Management Limited acting on behalf of the limited partnerships comprising HgCapital 8 then exercised an option to acquire 50% of this shareholding, which completed on 17 December 2020. KKR and Hg have joint control of Rocket Topco Limited and the Citation Group. Rocket Topco Limited is a newly formed joint venture company, incorporated on 7 August 2020 due to the group reorganisation. The results in these accounts represent a continuation of the Citation Group. Rocket Midco Limited was incorporated on 10 August 2020.

The principal activity of the Group is the provision of Compliance and Quality solutions to small and medium sized businesses as well as schools and academies in the United Kingdom. Compliance solutions include; HR, Employment Law, Health and Safety, Fire and Electrical, Payroll and Food Safety Services. Quality solutions include; ISO certification, SSIP accreditation and E-learning.

The results for the period are set out on page 15 of the financial statements.

In the year ended 31 December 2020, the Group continued to grow its new business acquisitions, with renewed business remaining strong. During the year, the Group made two acquisitions which add complementary services to the Group's product offering: Xact Consulting Limited on 6th January 2020 and iHasco Limited on 22nd October 2020.

The Group achieved turnover for the period of £99,723,000 (2019: £83,729,000) and recorded a loss before taxation of £64,178,000 (2019: loss of £42,366,000). Operating loss was £36,371,000 (2019: £13,623,000). Operating profit, after excluding depreciation of £312,000 (2019: £661,000), amortisation of £42,121,000 (2019: £35,588,000), transaction costs of £17,839,000 (2019: £nil) and goodwill impairment of £1,211,000 (2019: £nil) was £25,112,000 (2019: £6,117,000).

## Rocket Midco Limited

### Strategic Report for the Year Ended 31 December 2020

#### Principal risks and uncertainties

The pace of continued growth depends upon the Group continuing to attract new clients for its services and the renewal of existing client contracts. The directors are confident the ongoing strong performance of the Group clearly demonstrates its success and resilience.

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

The Group is confident of meeting the challenges of attracting new business because of the size of the market, the heavy regulatory burden on small and medium sized businesses, the deployment of new routes to market, and the enhanced development of the service offerings using technology and new products. Additional staff will continue to be recruited to match the growth in the business, and to deliver the standards of service as recognised by the various professional bodies the Group is accredited by, including BSI under the ISO accreditation regime.

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

The board reviews the Group's liquidity risks annually as part of the planning process and on an ad-hoc basis. The board considers short-term requirements against available sources of funding taking into account forecast cash flow. The Group manages liquidity risk by maintaining access to a number of sources of funding which are sufficient to meet anticipated funding requirements.

The Group is exposed to credit risk on financial assets, such as trade and other receivables. Trade receivable exposures are managed in house and through specialist debt recovery lawyers. When the debt is deemed irrecoverable, the overdue invoices and accrued income balance is written off against the underlying provision.

The Group is very conscious of the ongoing uncertainty of the impact of Covid-19, including the affect further outbreaks and lockdowns can have on employee's health and wellbeing. The Group has kept in close communication with all its employees and continually reviews policies and procedures to ensure it safeguards employee's wellbeing. The Group continually reviews the government guidance to determine whether the Group's offices can be open. When it is suitable for the offices to be open, the Group has taken appropriate actions to ensure its employees remain safe at all times. The Group also monitors the potential impact of the pandemic on the food division which is managed with tight cost and cash control during periods of lockdown.

The Group have considered the impact of Brexit and consider the risk to be minimal. This is due to the Group having a diversified portfolio of over 40,000 clients and sales predominantly being to UK businesses.

We recognise the importance of issues such as climate change, energy consumption, and increasing environmental regulation will continue to grow. We are continuing to look for ways to minimise our impact on the environment.

## Rocket Midco Limited

### Strategic Report for the Year Ended 31 December 2020

#### Emissions Reporting

The Group's energy usage and emissions are given below:

	2020
Energy Usage - MWh	186
Total Emissions - T CO <sub>2</sub> e	195
Energy Intensity Ratio - T CO <sub>2</sub> e per £m revenue	2.4

The methodology used to calculate this data has been to aggregate consumption from utility companies and employee transport claims, using standard conversion factors to turn them into comparable data.

The Group has taken the following actions to increase energy efficiency:

- Reduce employee travel with remote working and increased working from home where possible. Many of these initiatives will continue post covid with a focus on remote selling and service processes where possible.
- Raising awareness of the "Cycle to Work" scheme throughout the Group and encouraging uptake of this
- Establishment of environmental committees throughout the Group and empowering colleagues to make changes both small and large to increase our energy efficiency.

#### Section 172 Statement

Section 172 of the Companies Act 2006 recognises that while companies are run for the benefit of the shareholders, a business's long-term success and reputation are dependent upon maintaining relationships with stakeholders and an appreciation of the external impact of its activities.

The Directors are fully aware of their responsibilities to promote the success of the Group and the Company in accordance with section 172 of the Companies Act 2006 and are keen to ensure proper reflection on stakeholder engagement and issues at Board level and promote continuous reflection on opportunities for development.

The following serves as Rocket Midco Limited's section 172 statement.

#### Board structure and engagement with stakeholders

The Statutory Board is comprised of the Group Chief Executive Office, Group Chief Financial Officer, Group Chief Commercial Officer, and representatives from both KKR and Hg Capital. The Board regularly reviews the business' principal stakeholders and how we engage with them. The sections below set out a more detailed summary of the Company's relationships with its key stakeholders and how the business engages with those stakeholders.

In addition to a scheduled programme of monthly Statutory Board meetings, there is a Local Board made up of members of the senior management team; including Sales, Service, Client relations, HR, Finance, Product & Marketing, IT and Health & Safety. They meet monthly and work in close proximity with each other. Feedback from various business areas, with particular focus on specific stakeholder groups, is fed back to the wider Board.

The outcome of stakeholder engagement, as fed back to the Board via the channels referred to above and below, influences the formulation and ongoing review of our long-term strategy and financial planning. This ensures our approach continues to deliver sustainable returns and promotes reputational reward.

The Directors aim to take the needs and priorities of each stakeholder group into account as part of their decision-making processes, recognising that the pertinence of a particular stakeholder group may vary depending upon the matter under discussion.

## Rocket Midco Limited

### Strategic Report for the Year Ended 31 December 2020

#### Key Stakeholders

As the Board of Directors, our intention is to behave responsibly toward each of our key stakeholders and treat them fairly and equally so they too may benefit from the successful delivery of our plan.

#### *Investors*

The Board regularly engages with external investors throughout the financial year including the provision of monthly reporting items, monthly meetings and bi-annual results presentations. Investors are kept abreast of major developments in the business, including acquisitions of additional entities, in order that they can sufficiently understand our strategy and objectives.

#### *Employees*

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Company and are of interest to them as employees. This is done through a monthly Company-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 by being awarded The Sunday Times 100 Best Companies to work for 2020.

#### *Customers*

Our aim as a business is to assist our customers by taking care of the complicated bits of running a business, saving them time and energy, that frees them up to achieve their business ambitions. We pride ourselves on our highly qualified team of consultants in our industry and we work hard to offer an excellent service. This is reflected in our market-leading client retention rate and our customer feedback is overwhelmingly positive.

#### *Suppliers*

The Board recognises the importance of our supply chain and invests in the relationships with suppliers. Updates on key suppliers are included in the monthly Board meetings (both local and statutory) where relevant. The Board reviewed and approved the 2018 Modern Slavery Act statement and followed this up with training across the Company.

Approved by the Board on 30/4/21 and signed on its behalf by:



.....  
E Wann  
Director

## **Rocket Midco Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

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

#### **Covid-19 Update**

In March 2020, the World Health Organisation classified the outbreak of Covid-19 as a global pandemic and the UK was sent into a nationwide lockdown, resulting in a fall in new business and an increase in the number of existing clients being unable to meet their payment obligations during the months of March, April and May. The Group revisited its short-term strategy and enacted available government schemes including HMRC deferrals and the use of the furlough scheme to manage performance and cash during this period.

The Group migrated to a work from home model quickly, including remote servicing of clients where applicable, during the periods of lockdown which has not caused any impact on the financial performance of the Group nor on its ability to deliver quality services and products to its customers.

In the second half of the year, new business throughout the Group returned to pre-covid levels or above with the pandemic also presenting opportunities to bring new products to market including tailored employment law and health and safety advice. With the exception of the Food division, the majority of employees who were furloughed initially returned to work by July 2020 and the vast majority of customers reverted to meeting their payment obligations in the same period.

The Food division has continued to utilise the governments furlough scheme and has seen fluctuating demand for its services dependant on local or national restrictions in place within the sector since the outbreak of the pandemic.

The more recent national lockdown imposed at the beginning of 2021 has not affected the rest of the Group's ability to service existing clients, win new business and implement the long-term business strategy outside of the Food division.

#### **Future Developments**

The company is continuing with its strategy of expanding routes to market, adding additional products and services to the offering, cross selling products and services between individual businesses customer bases and developing the next generation IT platforms for clients. In March 2021 a further acquisition was made that increases both the Group's customer base and product offering, see note 28 for further details.

#### **Results and dividends**

The loss for the period, after taxation, amounted to £63,505,000 (2019: £44,025,000).

The comparative figures represent Citation Topco Limited's reported amounts. For further details on the comparative consolidated figures, refer to note 2.3.

The Directors do not recommend a final dividend (2019: £nil).

#### **Incorporation**

The Company was incorporated on 10 August 2020.

## **Rocket Midco Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **Directors of the Company**

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

R M Bibi (appointed 4 November 2020)

T R Pirrie-Franks (appointed 10 August 2020)

C P Morris (appointed 19 October 2020)

E Wann (appointed 19 October 2020)

#### **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.

#### **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.

#### **Environmental matters**

The Group is committed to minimising the environmental impact of its activities, products and services. The board regularly evaluate the Group's policies in order to ensure compliance with relevant environmental legislation, regulations and other environmental requirements is maintained. During the year, the focus has been on the minimisation of waste through prevention, re-use and recycling and a movement towards working with environmentally responsible suppliers. Consequently, this has seen a reduction in non-recyclable plastic waste used across the Group. Further, the impact of the Covid-19 pandemic has increased the level of remote working across the Group resulting in a reduction in level of employee travel, printing and the environmental footprint of offices. These changes support and sustain a new business model which helps achieve environmental and business goals. The Group's Carbon Emissions are detailed further in the Strategic Report. This represents data from Citation Limited, the Group's only qualifying company based on size.

#### **Going Concern**

The Groups business activities, together with the factors likely to affect its future development and position, are set out in the Directors' report above 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 has restructured its funding arrangements as part of the sale of group companies on 15 September 2020 as set out in note 19. Further changes to our funding arrangements were agreed post year end, as set out in note 28 to provide the group with additional facilities and cash headroom. Forecasts are produced monthly, along with any related sensitivity analysis to allow proactive management of any business risks including liquidity risk. Using these forecasts and sensitivities management have performed a reverse stress test to identify the potential breaking point liquidity and loan covenants.

## Rocket Midco Limited

### Directors' Report for the Year Ended 31 December 2020 (continued)

From the sensitivities that were run, it was determined adjusting the key levers to models as below would still leave significant headroom for forecast covenants and liquidity:

- A 20% reduction in the existing contracted client base including a 25% decrease in take-up on customer renewals; together with
- An average fall of new business across the forecast period of 70% against baseline budgeted growth.

The results of this test indicated no reasonable scenarios in which the group would face potential covenant breaches or liquidity issues in the forecast period.

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 June 2022.

The key factors supporting this are:

- The Group has a contracted and recurring revenue base which is not reliant on any sector, making the business more resilient to demand shocks. Outside of the Food Division the remainder of the business has grown since the outbreak of covid-19 in the UK.
- With cash at the end of 2020 of £15m and a £25m undrawn revolving credit Facility the group had sufficient liquidity at the start of 2020 for the period ahead. The group has increased this facility by a further £10m after the balance sheet date.
- Only interest repayments are required to be made until the maturity of the bank debt in 2027.

#### 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:

- Cash and food donations to a local food bank;
- Capital Toys for Kids Christmas donations, where donations are made by staff and distributed to deprived children in the Manchester area;
- Raising significant funds for the local cancer specialist hospital, The Christie, through a variety of events;
- Supported colleagues in their volunteering activities throughout lockdown such as volunteering at covid test sites and transporting goods for the NHS.

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 2020, 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, mindfulness and 6 monthly Boditrax know your biometric numbers review.

## **Rocket Midco Limited**

### **Directors' Report for the Year Ended 31 December 2020 (continued)**

#### **Future developments**

The Group is continuing with its strategy of expanding routes to market, adding additional products to its offering, either through the existing Group companies or by acquisition, and developing the next generation IT platforms for its clients.

#### **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.

#### **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.

#### **Political donations**

No political contributions/donations/expenditures were made during the year by the company nor any of its subsidiaries.

#### **Post Balance Sheet Events**

On 31 March 2021 the Group acquired Employment Law Advisory Services Limited and its subsidiaries, a provider of Health & Safety, Employment Law, Occupational Health Services and Health Surveillance. The cash consideration on completion was £19,830,000 funded using the Group's acquisition credit facility, with up to a further £5,518,000 of contingent consideration dependant on service and performance milestones.

On the 24th March 2021 the Group extended the limit of its existing Rolling Credit Facility by £10,000,000 to £35,000,000. There have been no drawdowns on this facility.

On 31 March 2021 Citation Limited acquired the entire trade and assets at net book value of Southall Associates Limited.

#### **Disclosure of information to the auditor**

Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed 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 ought to have been taken as a Director to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

**Rocket Midco Limited**

**Directors' Report for the Year Ended 31 December 2020 (continued)**

**Reappointment of auditors**

The auditor, Ernst & Young LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board on 30/4/21 and signed on its behalf by:



.....  
E Wann  
Director

## **Rocket Midco Limited**

### **Statement of Directors' Responsibilities**

The Directors acknowledge their responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## **Rocket Midco Limited**

### **Independent Auditor's Report to the Members of Rocket Midco Limited**

#### **Opinion**

We have audited the financial statements of Rocket Midco Limited ('the parent company') and its subsidiaries (the 'group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Statement of Changes in Equity, the Consolidated and Parent Statement of Financial Position, the Consolidated Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the group's and of the parent company's affairs as at 31 December 2020 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group 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**

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group and parent company's ability to continue as a going concern for a period of 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's ability to continue as a going concern.

#### **Other information**

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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 course of 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

## **Rocket Midco Limited**

### **Independent Auditor's Report to the Members of Rocket Midco 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 strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

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

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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 10, 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 group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent 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.

#### ***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the entity and management.

Our approach was as follows:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, the Company has to comply with laws and regulations relating to its own operations, health and safety and GDPR.
- We understood how Rocket Midco Limited is complying with those frameworks by making enquiries of management to understand how the Company maintains and communicates its policies and procedures in these areas, and corroborated this by reviewing supporting documentation and minutes of meetings of those charged with governance. We also reviewed correspondence with relevant authorities.

## Rocket Midco Limited

### Independent Auditor's Report to the Members of Rocket Midco Limited

- We assessed the susceptibility of the Company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and assuming revenue to be a fraud risk. We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition. We tested specific transactions back to the relevant supporting documentation.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals around year-end, and journals indicating large or unusual transactions based on our understanding of the business, enquiries of Group management. In addition, we completed procedures to conclude on the compliance of the disclosures in financial statements with the requirements of the relevant accounting standards and legislation.

A further description of our responsibilities for the audit of the financial statements is located 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.

*Ernst & Young LLP*

.....  
Jamie Dixon  
for and on behalf of Ernst & Young LLP  
Manchester

Date: 30 April 2021

# Rocket Midco Limited

## Consolidated statement of comprehensive income for the Year Ended 31 December 2020

	Note	2020 £ 000	2019 £ 000
Turnover	3	99,723	83,729
Cost of sales		<u>(27,687)</u>	<u>(24,106)</u>
Gross profit		72,036	59,623
Administrative expenses	4, 5	(110,449)	(73,246)
Other operating income	4	<u>2,042</u>	<u>-</u>
Operating loss	4	(36,371)	(13,623)
Interest receivable and similar income	9	55	53
Finance costs	10	<u>(27,862)</u>	<u>(28,796)</u>
Loss before taxation		(64,178)	(42,366)
Taxation	11	<u>673</u>	<u>(1,659)</u>
Loss for the financial year		<u>(63,505)</u>	<u>(44,025)</u>
Total comprehensive expense for the year		<u>(63,505)</u>	<u>(44,025)</u>
Loss for the year attributable to:			
Owners of the parent		<u>(63,505)</u>	<u>(44,025)</u>
		<u>(63,505)</u>	<u>(44,025)</u>

The above results were derived from continuing operations.

# Rocket Midco Limited

(Registration number: 12801073)

## Consolidated Statement of Financial Position as at 31 December 2020

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Intangible assets	12	166,192	147,905
Tangible assets	13	<u>1,585</u>	<u>1,862</u>
		<u>167,777</u>	<u>149,767</u>
<b>Current assets</b>			
Stocks	16	231	225
Cash at bank and in hand		15,250	10,806
Debtors: Amounts falling due within one year	17	38,067	31,347
Debtors: Amounts falling due after more than one year	17	<u>3,246</u>	<u>3,024</u>
		56,794	45,402
Creditors: Amounts falling due within one year	18	<u>(31,691)</u>	<u>(48,835)</u>
Net current assets/(liabilities)		<u>25,103</u>	<u>(3,433)</u>
<b>Total assets less current liabilities</b>		192,880	146,334
Creditors: Amounts falling due after more than one year	18	(265,749)	(297,068)
Provisions for liabilities	21	<u>(14)</u>	<u>(63)</u>
Net liabilities		<u>(72,883)</u>	<u>(150,797)</u>
<b>Capital and reserves</b>			
Called up share capital	23	326,683	10
Share premium reserve		-	808
Merger reserve	24	(184,446)	-
Profit and loss account		<u>(215,120)</u>	<u>(151,615)</u>
Equity attributable to owners of the company		<u>(72,883)</u>	<u>(150,797)</u>
Shareholders' deficit		<u>(72,883)</u>	<u>(150,797)</u>

Approved and authorised by the Board on 30/4/21 and signed on its behalf by:



E Wann  
Director

**Rocket Midco Limited**

**(Registration number: 12801073)**

**Statement of Financial Position as at 31 December 2020**

	Note	2020 £ 000	2019 £ 000
<b>Fixed assets</b>			
Investments	14	<u>326,683</u>	<u>-</u>
<b>Capital and reserves</b>			
Called up share capital	23	<u>326,683</u>	<u>-</u>
Shareholders' funds		<u>326,683</u>	<u>-</u>

The Company reported a profit for the financial year ended 31 December 2020 of nil.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

Approved and authorised by the Board on <sup>30/4/21</sup>..... and signed on its behalf by:



.....  
E Wann  
Director

# Rocket Midco Limited

## Consolidated Statement of Changes in Equity for the Year Ended 31 December 2020 Equity attributable to the parent company

	Called up Share capital £ 000	Share premium account £ 000	Merger reserve (note 24) £ 000	Profit and loss account £ 000	Total Equity £ 000
At 1 January 2020	10	808	-	(151,615)	(150,797)
Loss for the year	-	-	-	(63,505)	(63,505)
Total comprehensive loss	-	-	-	(63,505)	(63,505)
Group reconstruction	(10)	(808)	(184,446)	-	(185,264)
Issue of new Rocket Midco share capital	326,683	-	-	-	326,683
Total transactions with owners	326,673	(808)	(184,446)	(63,505)	77,914
At 31 December 2020	326,683	-	(184,446)	(215,120)	(72,883)

	Called up Share capital £ 000	Share premium account £ 000	Profit and loss account £ 000	Total Equity £ 000
At 1 January 2019	10	808	(107,590)	(106,772)
Loss for the year	-	-	(44,025)	(44,025)
Total comprehensive loss	-	-	(44,025)	(44,025)
Total transactions with owners	-	-	(44,025)	(44,025)
At 31 December 2019	10	808	(151,615)	(150,797)

# Rocket Midco Limited

## Consolidated Statement of Cash Flows for the Year Ended 31 December 2020

	2020 £ 000	2019 £ 000
<b>Cash flows from operating activities</b>		
Loss before tax	(64,178)	(42,366)
Adjustments for:		
Depreciation of tangible assets	312	661
Amortisation of intangible assets	42,121	35,588
Goodwill impairment	1,211	-
Financial income	(55)	(53)
Financial expenses	27,862	28,796
	7,273	22,626
Increase in stocks	(6)	(150)
Increase in debtors	(1,740)	(2,517)
Increase/(decrease) in creditors/provisions	12,282	(11,176)
Increase in accrued interest on loan notes	-	14,389
<b>Cash generated from operations</b>	17,809	23,172
Interest received	55	53
Interest paid	(16,865)	(11,082)
Tax paid	(893)	(1,337)
Deferred remuneration paid	(5,146)	-
<b>Net cash generated from operating activities</b>	(5,040)	10,806
<b>Cash flows from investing activities</b>		
Purchase of tangible assets	(150)	(1,147)
Purchase of intangible assets	(4,645)	(2,307)
Proceeds from sale of assets	-	7
Acquisition of businesses	(54,943)	(33,433)
Acquired cash of new subsidiaries	6,922	6,124
Contingent consideration payments	(5,353)	(1,000)
<b>Net cash flows from investing activities</b>	(58,169)	(31,756)
<b>Cash flows from financing activities</b>		
Capital element of finance lease	(36)	-
Bank loans repaid	(188,820)	(5,000)
Shareholder loans and interest repaid	(145,178)	-
Issue of new loans	267,718	23,400
Debt refinancing costs	(7,451)	-
Issue of share capital	326,683	-
Amount paid to shareholders re group reorganisation (note 24)	(185,263)	-
<b>Net cash flows from financing activities</b>	67,653	18,400
<b>Net increase/(decrease) in cash and cash equivalents</b>	4,444	(2,550)
<b>Cash and cash equivalents at 1 January</b>	10,806	13,356
<b>Cash and cash equivalents at 31 December</b>	15,250	10,806

The notes on pages 20 to 47 form an integral part of these financial statements.

## **Rocket Midco Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **1 General information**

The Company is a private company limited by share capital, incorporated in England.

The address of its registered office is:

11th Floor  
200 Aldersgate Street  
London  
EC1A 4HD

Rocket Midco Limited has issued a parent company guarantee pursuant to Section 479 (C) of the UK Companies Act 2006 for the financial year 2020 on behalf of the subsidiary companies, see below. The parent company guarantee applies to all the outstanding liabilities for the subsidiary companies at the balance sheet date until the obligations have been fulfilled. The subsidiary companies have applied the exemption from statutory audit provided for Section 479 (A) of the UK Companies Act 2006.

Subsidiaries:

Caesar Bidco Limited  
Caesar Midco Limited  
Caesar Topco Limited  
Education Personnel Management Holdings Limited  
Safety Management Advisory Services Limited  
BCAS Consulting Limited  
Citation (NBS) Limited  
Citation Fire & Electrical Limited  
P&R Services (Southampton) Limited  
Solutionhost Group Limited  
EL Direct Ltd  
HS Direct Limited  
Solution Host (UK) Limited  
Southall Associates Ltd  
Avec Partnership Limited  
The Xact Group Limited  
Xact Consulting Limited  
iHasco Limited

#### **2 Accounting policies**

##### **2.1 Summary of significant accounting policies and key accounting estimates**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

## **Rocket Midco Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **2 Accounting policies (continued)**

##### **2.2 Statement of compliance and basis of preparation**

The consolidated financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies (Jersey) Law 1991.

Due to a Group reorganisation in the year ended December 2020, this Annual Report and Financial Statements is the first set of annual financial statements presented for the newly formed Group and the prior period comparison is that of the former Citation Topco Limited group, see note 2.3 for further details on this.

The financial statements are prepared in sterling which is the functional currency of the Group and rounded to the nearest £000.

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

##### **2.3 Group Reorganisation Note**

The group has undertaken a group reorganisation exercise during the period to 31 December 2020. KKR (via newly formed Rocket Topco Limited) acquired 100% of the share capital of Citation Topco Limited on 15 September 2020 and on 18 September 2020 Hg Pooled Management Limited acting on behalf of the limited partnerships comprising Hg Capital 8 then exercised an option to acquire 50% of the shareholding in Rocket Topco Limited, which completed on 17th December 2020. KKR and Hg have joint control over the financial and operating policies through the shareholders agreement which governs the board make up and operation of the Citation group of companies headed up by the newly formed Rocket Topco Limited, which is the parent company of Rocket Midco Limited.

The formation of Rocket Topco Limited as a new joint venture company falls outside of business combination accounting in FRS 102 so it was considered that an appropriate policy for Rocket Topco Limited and Rocket Midco Limited would be to account for the entity as the continuation of the existing Citation Group. The company has therefore elected to apply the pooling of interests method of accounting in its consolidated financial statements and consequently whilst Rocket Midco Limited was incorporated on 10 August 2020 the consolidated income statement reflects the results of the Citation group of companies headed by Citation Topco Limited for the 12 month period to 31 December 2020. The comparative consolidated income statement and consolidated balance sheet reflect the consolidated results and position of the Citation group of companies headed by Citation Topco Limited at 31 December 2019. A merger reserve reflects the equity differences on applying the pooling of interests method.

This Annual Report and Financial Statements is the first set of annual financial statements presented for the newly formed Group and the prior period comparison is that of the former Citation Topco Limited group. The underlying structure of the Group is unchanged and as such the Consolidated Statement of Comprehensive Income, Consolidated balance sheet, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows have been presented on a consistent basis as if the group reorganisation had taken place at the start of the earliest period presented.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

##### 2.4 Basis of consolidation

The consolidated financial statements present the results of Rocket Topco Limited and all its subsidiaries ("the Group") as if they form a single entity drawn up to 31 December each year. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Balance sheet, the acquired identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date.

Subsidiaries are consolidated from the date of acquisition, being the date when the Group obtains control and are consolidated until the date that such control ceases. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities.

In the prior year Southall Associates Ltd, Avec Partnership Limited and Food Alert Limited have been included in the group financial statements using the purchase method of accounting. Accordingly, the group profit and loss account and statement of cash flows include the results and cash flows of:

- Southall Associates Ltd for the eleven-month period from its acquisition on 31 January 2019;
- Avec Partnership Limited for the four-month period from its acquisition 22 August 2019, and;
- Food Alert Limited for the two-month period from its acquisition on 23 October 2019 respectively.

In the current year The Xact Group Limited, Xact Consulting Limited and iHasco Limited have been included:

- The Xact Group Limited & Xact Consulting Limited for the 12 month period from its acquisition on 6 January 2020; and
- iHasco Limited for the 2 month period from its acquisition on 22 October 2020.

The purchase consideration is allocated to the assets and liabilities on the basis of fair value at the date of acquisition.

##### 2.5 Going concern

The Groups business activities, together with the factors likely to affect its future development and position, are set out in the Directors' report above 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 has restructured its funding arrangements as part of the sale of group companies on 15 September 2020 as set out in note 19. Further changes to our funding arrangements were agreed post year end, as set out in note 28 to provide the group with additional facilities and cash headroom.

Forecasts are produced monthly, along with any related sensitivity analysis to allow proactive management of any business risks including liquidity risk. Using these forecasts and sensitivities management have performed a reverse stress test to identify the potential breaking point liquidity and loan covenants.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

From the sensitivities that were run, it was determined adjusting the key levers to models as below would still leave significant headroom for forecast covenants and liquidity:

- A 20% reduction in the existing contracted client base including a 25% decrease in take-up on customer renewals; together with
- An average fall of new business across the forecast period of 70% against baseline budgeted growth.

The results of this test indicated no reasonable scenarios in which the group would face potential covenant breaches or liquidity issues in the forecast period.

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 June 2022.

The key factors supporting this are:

- The Group has a contracted and recurring revenue base which is not reliant on any sector, making the business more resilient to demand shocks. Outside of the food Division the remainder of the business has grown since the outbreak of covid-19 in the UK.
- With cash at the end of 2020 of £15m and a £25m undrawn revolving credit Facility the group had sufficient liquidity at the start of 2020 for the period ahead. The group has increased this limit by a further £10m after the balance sheet date.
- Only interest repayments are required to be made until the maturity of the bank debt in 2027.

#### 2.6 Judgements and estimates 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 balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are estimates that have had the most significant effect on amounts recognised in the financial statements:

##### *Goodwill and intangible assets*

The Group establishes a reliable estimate of the useful life of goodwill and 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.

##### *Accrued Income*

This represents the difference between invoiced sales and work carried out for which revenue must be recognised in line with FRS102 revenue recognition rules. The balance includes a provision to the extent customers fail to complete their contractual obligations. The estimate used in the calculation for the provision for contract cancellations is based on the historical drop off rate trend, being the percentage of Total Contract Value that drops off in any given year. For the provision at December 2020 the estimate used is based on the April to December 2020 period.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

##### *Pooling of assets accounting*

As set out in the basis of preparation one of the key judgements made was that the appropriate accounting for Rocket Topco's acquisition of Citation Topco Limited was a pooling of interests. The rationale is that the transaction falls outside the scope of business combinations and so the pooling of interests method of accounting has been adopted.

##### **2.7 Revenue recognition**

Revenue is stated net of value-added tax, discounts, rebates and after the elimination of intercompany transactions within the Group. The Group operates a number of different businesses offering a range of products and services and accordingly applies a variety of methods for revenue recognition, based on the principles set out in FRS102. For contractual revenue this is recognised in line with the service delivered to customers across the contract length which can be between 12 months and 10 years depending on the product or service. The cost of service delivery is allocated to the performance obligations in the contract and revenue recognised in line with this cost allocation and at the point these performance obligations are satisfied over the course of the contract. For any non-contract revenue this is recognised at the point the control of goods or services is transferred to the customer.

To the extent that invoices are raised to a different pattern than the revenue recognition based on service delivery appropriate adjustments are made through accrued and deferred income to account for this.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

##### 2.8 Intangible assets

###### Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis to the Profit and loss account over its useful economic life.

Goodwill is being amortised over 7 years.

If a subsidiary is subsequently sold or discontinued, any goodwill arising on acquisition that has not been amortised through the profit and loss account is taken into account in determining the profit or loss on sale or discontinuance.

Intangible assets acquired separately from a business are capitalised at cost.

Intangible assets, excluding development costs, created within the business are not capitalised and expenditure is charged against profits in the year in which it is incurred.

Prior to 1st January 2018, intangible assets acquired as part of an acquisition of a business are recognised separately from goodwill if:

- (a) it was probable that the expected future economic benefits that are attributable to the asset will flow to the group; and the fair value can be measured reliably; and either
- (b) the intangible asset arises from contractual or legal rights; or
- (c) the intangible asset is separable.

The Triennial Review 2017 amended the requirements of FRS 102 to require entities to recognise intangible assets acquired in a business combination separately from goodwill only where all three conditions (a), (b) and (c) above are met and to allow an accounting policy choice, applied prospectively, to separately recognise additional intangible assets that meet condition (a) and only one of condition (b) or (c) above.

In the year ended 31 December 2017 the company elected to early adopt the revised FRS102 guidance following the Triennial review and recognised intangible assets separately from goodwill only if criteria a, b and c were met. Consequently in the current and preceding year this has resulted in no intangible assets recognised separately to goodwill.

###### Other intangible assets (development costs)

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets relate to external or internal development. Internal development refers to work carried out internally on specific projects which will deliver future economic benefit over the lifetime of the asset being generated and the costs can be measured reliably. External development refers to purchased intangible assets.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life is three to five years.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

##### 2.9 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 Consolidated 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.

Asset class	Depreciation method and rate
Short-term leasehold property	the lower of the lease life or 10 years
Motor vehicles	3 to 4 years
Fixtures and fittings	3 to 10 years
Office equipment and computers	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 Consolidated statement of comprehensive income.

##### 2.10 Impairment of non-financial assets

Where there are indicators of impairment of individual assets, the Group performs impairment tests based on fair value less costs to sell or a value in use calculation. The fair value less costs to sell calculation is based on the available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and discounted at the companies weighted average cost of capital, with a perpetuity calculation being made on the year 5 cash flows to determine each CGUs terminal value. The cash flows do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the assets performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes. Further details of the discount rate and growth rate assumptions mentioned above used are given in note 12.

##### 2.11 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis.

At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in the Consolidated Statement of Comprehensive Income.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

##### 2.12 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.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

##### 2.13 Accrued income

Accrued income represents recognised turnover less amounts invoiced. A provision against accrued income is recognised to the extent customers fail to complete their contractual obligations based on past evidence.

##### 2.14 Financial instruments

The Group only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, 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 debtors and creditors, 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 outright 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 amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated statement of comprehensive income.

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 of the recoverable amount, which is an approximation of the amount that the Group 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 Consolidated 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.

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

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

##### 2.15 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.

##### 2.16 Finance costs

Finance costs are charged to the Consolidated 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.

##### 2.17 Operating leases

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

##### 2.18 Defined contribution pension plan

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

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Consolidated Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

##### 2.19 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

##### 2.20 Borrowing costs

The arrangement costs for the bank loans are charged to the Consolidated Statement of Comprehensive Income over the term of the loans.

##### 2.21 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Consolidated Statement of Financial Position date of the expenditure required to settle the obligation, considering relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Consolidated Statement of Financial Position.

##### 2.22 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge 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 Consolidated Statement of Financial Position date in the countries where the Group operate and generate income.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 2 Accounting policies (continued)

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Consolidated Statement of Financial Position date, 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;
- Any deferred tax balances are reversed when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

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 Consolidated Statement of Financial Position date.

#### 2.23 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight-line basis over their useful economic lives of 3 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

#### 2.24 Deferred remuneration

When amounts payable to former owners of businesses are conditional on remaining in employment within the Group these amounts are treated as remuneration and recognised over the remaining service.

#### 2.25 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.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 3 Analysis of turnover

All turnover is achieved in the United Kingdom and is from one class of business.

	2020	2019
	£ 000	£ 000
Rendering of services	99,723	83,729
	<u>99,723</u>	<u>83,729</u>

#### 4 Operating loss

Arrived at after charging/(crediting)

	2020	2019
	£ 000	£ 000
Depreciation of tangible fixed assets (see note 13)	312	661
Amortisation of intangible assets, including goodwill (see note 12)	42,121	35,588
Operating lease rentals (buildings)	1,092	995
Operating lease expense - plant and machinery	21	32
Operating lease expense - other	187	122
Goodwill Impairment (see note 12)	1,211	-
Defined contribution pension cost (see note 22)	1,255	904
Deferred remuneration	<u>5,994</u>	<u>2,200</u>

Within operating loss are amounts totalling £5,994,000 (2019: £2,200,000) relating to deferred remuneration payments as charged in the current year and as included within Notes 15 and 18 of these financial statements where applicable. Also included are amounts totalling £2,042,000 (2019: £nil) for other operating income which are government grants for furlough.

Within administrative expenses are £17,839,000 of transaction costs as included in note 5.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 5 Transaction costs

The following transaction costs have been included in administrative expenses in the statement of comprehensive income:

	2020 £ 000	2019 £ 000
Professional and legal expenses	12,622	-
Fees paid to new investors	813	-
Bonus and incentive plans paid to senior management team on transaction	4,404	-
	<u>17,839</u>	<u>-</u>

Transaction related costs of £17,839,000 were incurred as part of the sale of the Citation Topco Group, these are costs that are directly attributable to the transaction and include; legal and professional fees, fees paid to new investors and bonus and incentive arrangements paid to senior management.

#### 6 Auditors' remuneration

	2020 £ 000	2019 £ 000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	242	234
Other services relating to taxation	-	49
All other non-audit services	-	20
	<u>242</u>	<u>303</u>

#### 7 Employees

Staff costs, including Directors' remuneration for the Group were as follows:

	2020 £ 000	2019 £ 000
Wages and salaries	45,818	35,613
Social security costs	4,909	3,730
Pension costs, defined contribution scheme	1,255	904
	<u>51,982</u>	<u>40,247</u>

The average monthly number of employees for the Group, including Directors during the year was as follows:

# Rocket Midco Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 7 Employees (continued)

	2020 No.	2019 No.
Sales	272	219
Consultants	572	480
Administration	265	188
	<u>1,109</u>	<u>887</u>

### 8 Directors' remuneration

	2020 £ 000	2019 £ 000
Remuneration for services to the Group	3,372	2,090
Company pension contributions to defined contribution schemes	106	86
	<u>3,478</u>	<u>2,176</u>

During the year retirement benefits were accruing to 26 Directors (2019: 20) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £682,000 (2019: £282,000) with £18,000 (2019: £nil) company pension contributions to defined contribution schemes.

### 9 Interest receivable

	2020 £ 000	2019 £ 000
Interest income on bank deposits	55	53
	<u>55</u>	<u>53</u>

### 10 Finance costs

	2020 £ 000	2019 £ 000
Bank interest payable	14,158	13,615
Other loan interest payable	10,881	14,389
Amortisation of capitalised facility costs	2,823	792
	<u>27,862</u>	<u>28,796</u>

Amortisation of capitalised facility costs includes a £1,579,000 release in relation to the loans that were repaid as part of the Group reorganisation when debt was settled in full following restructure on 15 September 2020.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 11 Taxation

Tax is charged/(credited) in the income statement as follows:

	2020 £ 000	2019 £ 000
<b>Corporation tax</b>		
Current tax on profits for the year	294	1,119
Tax on profits related to prior year	<u>(1,037)</u>	<u>134</u>
Total corporation tax	<u>(743)</u>	<u>1,253</u>
<b>Deferred tax</b>		
Current tax on profits for the year	41	181
Tax on profits related to prior year	<u>29</u>	<u>225</u>
Total deferred taxation	<u>70</u>	<u>406</u>
<b>Taxation on profit</b>	<u>(673)</u>	<u>1,659</u>

#### Factors affecting tax charge for the year

The tax on profit before tax for the year is higher than the standard rate of corporation tax in the UK (2019 - higher than the standard rate of corporation tax in the UK) of 19% (2019 - 19%).

The differences are explained below:

	2020 £ 000	2019 £ 000
<b>Loss before tax</b>	<u>(64,178)</u>	<u>(42,366)</u>
Loss multiplied by standard rate of corporation tax of 19% (2019: 19%)	(12,194)	(8,050)
Permanent differences	12,621	9,537
Utilisation of brought forward losses	(102)	(102)
Adjustments in respect of prior years	(1,008)	358
Deferred tax rate change	10	(21)
Research and development credits	<u>-</u>	<u>(63)</u>
<b>Total tax (credit)/charge for the year</b>	<u>(673)</u>	<u>1,659</u>

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 11 Taxation (continued)

At 31 December 2020 the Group had £3,115,000 (2019 - £3,116,000) of unrecognised tax losses carried forward and not recognised as deferred tax assets

Within the Group each of *Rocket Topco Limited*, *Citation Topco, Limited*, *Citation Midco Limited*, *Citation Pikco Limited*, *Citation Holdco* and *Citation Bidco Limited* are incorporated in Jersey however the central management and control of each is exercised in the UK and therefore each company is deemed to be tax resident in the UK.

The remainder of the subsidiaries within the Group as listed in note 14 of these financial statements are UK incorporated and therefore subject to UK tax as default.

# Rocket Midco Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 12 Intangible assets

#### Group

	Software Development £ 000	Goodwill £ 000	Total £ 000
<b>Cost or valuation</b>			
At 1 January 2020	10,856	251,863	262,719
Additions	3,024	56,105	59,129
Acquired on acquisition	899	-	899
Disposals	(40)	-	(40)
Reclassification	1,621	-	1,621
At 31 December 2020	16,360	307,968	324,328
<b>Amortisation</b>			
At 1 January 2020	6,285	108,529	114,814
Charge for the year	2,906	38,278	41,184
Amortisation eliminated on disposals	(10)	-	(10)
Impairment	-	1,211	1,211
Reclassifications	937	-	937
At 31 December 2020	10,118	148,018	158,136
<b>Net book value</b>			
At 31 December 2020	6,242	159,950	166,192
At 31 December 2019	4,571	143,334	147,905

The Group has performed an impairment test based on the value in use model in line with the methodology outlined in note 2.10.

The Group has performed an impairment test based on value in use calculation for each CGU and comparing it to the carrying value of the CGUs underlying assets base including its allocated goodwill and other intangibles. The model forecasts discounted cashflows for the next 5 years and uses a perpetuity calculation thereafter to quantify the CGUs value in use.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 12 Intangible assets (continued)

For all CGUs with the exception of Food (see below) the key assumptions in the value in use model are forecast EBITDA growth which for the five year period from 2020 to 2025 averages 13% per annum, a discount rate of 10% has been applied and from year 5 a long-term growth rate of 1% into perpetuity. 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 groups discount rate to 15%, both of which did not indicate any goodwill impairment.

The board acknowledges that there are additional factors that could impact the risk profile of the CGUs, which has been considered by way of sensitivity analysis performed as part of the annual impairment test. Significant headroom exists in the CGUs. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections, however there are no reasonably possible changes to these assumptions that would result in an impairment. As a result of this analysis, management has not recognised an impairment.

Further downside sensitivities were run for our food division, given its customers operate solely in the food & hospitality sector which has been significantly impacted by the covid-19 pandemic. These sensitivities focussed on the return of the businesses EBITDA to pre-covid levels and the speed at which that may happen over the forecast period. The worst of these sensitivities included EBITDA for year one and year two remaining consistent with our 2020 EBITDA after which there was growth of 16% per annum on EBITDA as the business recovers from the covid-19 pandemic. The discount rate and long-term growth rate used in this sensitivity remained consistent with those used in the original model. Although the Directors believe this situation is unlikely, the decision was made to impair the carrying value of goodwill in the Food CGU due to the uncertainty surrounding the Food & Hospitality sector its customer base operates in, using the results of this sensitivity. This has led to an impairment charge of £1,211,000 being recognised in the statement of comprehensive income for the year ended 31 December 2020.

# Rocket Midco Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 13 Tangible assets

#### Group

	Leasehold Improvements £ 000	Office equipment £ 000	Fixtures & fittings £ 000	Motor vehicles £ 000	Total £ 000
<b>Cost or valuation</b>					
At 1 January 2020	260	1,731	839	126	2,956
Additions	230	1,117	94	329	1,770
Disposals	-	(264)	(90)	(283)	(637)
Acquired on acquisitions	14	50	11	-	75
Reclassifications	-	(1,621)	-	-	(1,621)
At 31 December 2020	<u>504</u>	<u>1,013</u>	<u>854</u>	<u>172</u>	<u>2,543</u>
<b>Depreciation</b>					
At 1 January 2020	50	798	232	13	1,093
Charge for the year	65	818	151	217	1,251
Eliminated on disposal	-	(198)	(77)	(172)	(447)
Reclassifications	-	(939)	-	-	(939)
At 31 December 2020	<u>115</u>	<u>479</u>	<u>306</u>	<u>58</u>	<u>958</u>
<b>Net book value</b>					
At 31 December 2020	<u>389</u>	<u>534</u>	<u>548</u>	<u>114</u>	<u>1,585</u>
At 31 December 2019	<u>210</u>	<u>933</u>	<u>606</u>	<u>113</u>	<u>1,862</u>

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 14 Investments - Company only

Subsidiaries	£ 000
Cost or valuation	
Additions	326,683
Provision	
Carrying amount	
At 31 December 2020	<u>326,683</u>

#### Details of undertakings

The following are subsidiary undertakings of Rocket Midco Limited:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Rocket Bidco Limited	England and Wales*****	Ordinary shares	100%	Holding company
Citation Topco Limited	Jersey**	Ordinary shares	100%	Holding company
Citation Midco Limited	Jersey**	Ordinary shares	100%	Holding company
Citation PIKco Limited*	Jersey**	Ordinary shares	100%	Holding company
Citation Holdco Limited *	Jersey**	Ordinary shares	100%	Holding company
Citation Bidco Limited*	Jersey**	Ordinary shares	100%	Holding company
Caesar Topco Limited*	England and Wales ***	Ordinary shares	100%	Holding company
Caesar Midco Limited*	England and Wales***	Ordinary shares	100%	Holding company
Caesar Bidco Limited*	England and Wales***	Ordinary shares	100%	Holding company
Citation Holdings Limited*	England and Wales***	Ordinary shares	100%	Holding company
Citation Limited*	England and Wales***	Ordinary shares	100%	Health & Safety and Employment Legislation
QMS International Limited*	England and Wales***	Ordinary shares	100%	Provision of ISO Consultancy
Education Personnel Management Holdings Limited*	England and Wales***	Ordinary shares	100%	Holding company

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 14 Investments - Company only (continued)

Education Personnel Management Limited*	England and Wales***	Ordinary shares	100%	Employment Legislation and payroll services
Safety Management Advisory Services Limited*	England and Wales***	Ordinary shares	100%	SSIP accreditation
BCAS Consulting Limited*	England and Wales***	Ordinary shares	100%	Dormant
Citation (NBS) Limited*	England and Wales***	Ordinary shares	100%	Dormant
Citation Fire and Electrical Limited*	England & Wales***	Ordinary shares	100%	Fire Safety services
Solutionhost Group Limited*	England and Wales***	Ordinary shares	100%	Holding company
HS Direct Limited*	England and Wales***	Ordinary shares	100%	Health & Safety services
Solution Host (UK) Limited*	England and Wales***	Ordinary shares	100%	Software hosting
EL Direct Ltd*	England and Wales***	Ordinary shares	100%	Employment Law services
Southall Associates Ltd*	England and Wales***	Ordinary shares	100%	Health & Safety services
Avec Partnership Limited*	England and Wales***	Ordinary shares	100%	Professional support services to schools and academies
Food Alert Limited*	England and Wales***	Ordinary shares	100%	Food Safety Services
The Xact Group Limited****	Scotland	Ordinary shares	100%	HR and Finance Services
Xact Consulting Limited****	Scotland	Ordinary shares	100%	Health and Safety services
iHasco Limited*	England & Wales ***	Ordinary shares	100%	Elearning Services

The Group, via Citation Limited, acquired The Xact Group Limited on 6 January 2020 and, via Citation Holdings Limited, acquired iHasco Limited on 22 October 2020.

\*held by subsidiary undertaking

\*\*registered at 22 Grenville Street, St Helier, Jersey, JE4 8PX

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

\*\*\*\* registered at Xact House, 258 Main Street, Bellshill, Lanarkshire, ML4 1AB

\*\*\*\*\* 11th Floor 200 Aldersgate Street, London, United Kingdom, EC1A 4HD

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 15 Group acquisitions

##### The Xact Group Limited

	2020 Book value £ 000	2020 Revaluation adjustments £ 000	2020 Fair value to Group £ 000
Tangible assets	21	-	21
Intangible assets	81	-	81
Debtors	533	-	533
Cash	1,549	-	1,549
Creditors within one year	(988)	9	(979)
Provisions	(1)	-	(1)
Deferred income	(224)	-	(224)
Net assets	<u>971</u>	<u>9</u>	<u>980</u>
Purchase consideration			7,550
Costs associated with acquisition			<u>217</u>
Current cost of investment			<u>7,767</u>
Net assets acquired			<u>980</u>
Goodwill arising on acquisition			<u>6,787</u>

As part of the acquisition 100% of the voting equity was acquired.

No intangible assets, other than those recorded above, were acquired that meet the criteria for separate recognition with no intangible assets arising from contractual or other legal rights and no intangible assets that are capable of being separated or divided from the entity and sold either individually or together with a related contract, asset or liability. A fair value adjustment was made in relation to the brought forward tax provision of £9,000.

The goodwill generated from the acquisition is to be amortised over 7 years in line with the goodwill already in the Group.

Deferred remuneration of £1,000,000 (present value of £996,000) is expected to be paid in January 2021 based on certain employees remaining in employment or consultancy arrangements with the Group until the expected payment date. Failure to satisfy these conditions results in no payment. As at 31 December 2020, £1,000,000 with regard to the deferred remuneration amounts is accrued for, with an equivalent amount charged in the profit and loss account to date, as noted within Notes 4 and 18 of these financial statements.

Since acquisition The Xact Group Limited has contributed £2,579,000 in revenue, and a profit after tax of £785,000, in the financial period to 31st December 2020.

# Rocket Midco Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 15 Group acquisitions (continued)

#### iHasco Limited

	2020 Book value £ 000	2020 Revaluation adjustments £ 000	2020 Fair value to Group £ 000
Tangible assets	54	-	54
Intangible assets	-	818	818
Debtors	3,111	-	3,111
Cash	5,373	-	5,373
Creditors within one year	<u>(3,157)</u>	<u>(3,375)</u>	<u>(6,532)</u>
Net assets	<u>5,381</u>	<u>(2,557)</u>	<u>2,824</u>
Purchase consideration			46,614
Costs associated with acquisition			561
Contingent consideration			<u>4,966</u>
Current cost of investment			<u>52,141</u>
Net assets acquired			<u>2,824</u>
Goodwill arising on acquisition			<u>49,317</u>

As part of the acquisition 100% of the voting equity was acquired.

No intangible assets, other than those recorded above, were acquired that meet the criteria for separate recognition with no intangible assets arising from contractual or other legal rights and no intangible assets that are capable of being separated or divided from the entity and sold either individually or together with a related contract, asset or liability.

The goodwill generated from the acquisition is to be amortised over 7 years in line with the goodwill already in the Group.

An adjustment of £2,940,000 for deferred income related to the fair value of outstanding performance obligations consistent with the Group's revenue recognition policy. Adjustments were also made to intangible assets to capitalise previously expensed development costs of £818,000 and to the brought forward tax provision of £435,000 to true up to the tax computation at acquisition date.

Contingent consideration of £5,579,000 (present value of £4,966,000) is expected to be paid in March 2022. This is contingent on EBITDA targets which are forecast to be met.

Since acquisition iHasco Limited has contributed £1,819,000 in revenue, and a profit after tax of £2,200,000, in the financial period to 31st December 2020.

# Rocket Midco Limited

## Notes to the Financial Statements for the Year Ended 31 December 2020

### 16 Stocks

	2020	2019
	£ 000	£ 000
Stock	231	225
	<u>231</u>	<u>225</u>

### 17 Debtors

	2020	2019
	£ 000	£ 000
<b>Due within one year</b>		
Trade debtors	5,133	3,267
Other debtors and prepayments	4,130	2,037
Accrued income	26,694	24,621
Corporation tax	2,110	1,422
<b>Due after more than one year</b>	38,067	31,347
Accrued income	3,246	3,024
	<u>41,313</u>	<u>34,371</u>

### 18 Creditors

	2020	2019
	£ 000	£ 000
<b>Due within one year</b>		
Trade creditors	2,287	1,763
Bank loans	-	27,500
Taxation and social security	5,030	4,546
Obligations under finance leases and HP	-	36
Other creditors	570	623
Accruals and deferred income	19,183	8,270
Contingent consideration	3,869	6,013
Accrued interest on bank loans	752	84
	<u>31,691</u>	<u>48,835</u>
<b>Due after one year</b>		
Loan notes and associated interest	-	134,297
Bank loans	267,718	161,320
Capitalised facility costs (amortised)	(7,160)	(2,533)
Contingent consideration	5,043	3,984
Deferred income	148	-
	<u>265,749</u>	<u>297,068</u>

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 18 Creditors (continued)

Within the accruals and deferred income balance are accruals totalling £4,298,000 (2019: £2,050,000) relating to deferred remuneration payments due and are included in Notes 4 and 15 of these financial statements where applicable. This balance is made up of accruals for; Solution Host Group Limited of £1,923,000 (2019: £961,000), Southall Associates Limited of £1,379,000 (2019: £634,000), The Xact Group Limited of £996,000 (2019: £nil), and Food Alert of £nil (2019: £455,000). In addition deferred remuneration payments have been made in 2020 for Food Alert Limited of £2,496,000, for Avec Partnership Limited of £1,250,000 and £1,400,000 into an Escrow account for Southall Associate Limited (included within other debtors and prepayments in note 17).

Refer to note 19 for details of settled and existing loan notes and bank loans.

#### 19 Loans and borrowings

	2020 £ 000	2019 £ 000
Amounts falling due between 2 and 5 years		
Bank loans (net of deferred arrangement costs)	<u>-</u>	<u>158,787</u>
Amounts falling due after more than five years:		
	2020 £ 000	2019 £ 000
Loan notes and associated interest	263,105	134,297
Bank loans (net of deferred arrangement costs)	<u>260,588</u>	<u>-</u>
	<u>523,693</u>	<u>134,297</u>

The £88,956,000 of 12% unsecured series A Loan Notes listed on The International Stock Exchange outstanding as at the end of December 2020 was fully settled on 15th September 2020 upon the sale of the Group of Companies.

The £44,468,000 outstanding as at the end of December 2019 in respect of Bank Loan A, with HSBC Bank Plc, National Westminster Bank Plc and Santander UK Plc was fully settled on 15th September 2020 upon the sale of the Group of Companies headed by Citation Topco Limited to KKR.

The £93,303,000 outstanding as at the end of December 2019 in respect of Bank Loan B, with Alcentra UK DLF Sarl, CEDL1 (levered) Sarl and CEDL1 Sarl was fully settled on 15th September 2020 upon the sale of the Group of Companies headed by Citation Topco Limited to KKR.

The £7,500,000 outstanding at the end of December 2019 in respect of the £10,000,000 revolving credit facility with HSBC Bank Plc, National Westminster Bank Plc and Santander UK Plc in March 2020, an additional £2,500,000 of the available revolving credit facility was drawn down. In May 2020 the ceiling for the facility was extended from £10,000,000 to £15,000,000 with National Westminster Bank Plc. The outstanding balance of £10,000,000 was then subsequently settled on 15th September 2020 upon the sale of the Group of Companies headed by Citation Topco Limited to KKR and the facility closed.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 19 Loans and borrowings (continued)

The £20,000,000 outstanding as at the end of December 2019 in respect of the £20,000,000 acquisition credit facility with CEDLI Sarl and CEDLI (levered) Fund II (Holding) SCSp was fully settled on 15th September 2020 upon the sale of the Group of Companies headed by Citation Topco Limited to KKR.

The £20,734,000 outstanding as at the end of December 2019 in respect of PIK notes with Alcentra UK DLF Sarl was fully settled on 15th September 2020 upon the sale of the Group of Companies headed by Citation Topco Limited to KKR.

An amount of £225,000,000 in respect of the Unitranche loan, with HPS and KKR Credit, was issued upon the sale of the Group of Companies headed by Citation Topco Limited. The loan is due for repayment on 15 Sept 2027. Interest is charged at LIBOR + 6.25%.

An amount of £42,718,000 is outstanding in respect of the £75,000,000 acquisition credit facility with HPS and KKR Credit. Interest is charged at LIBOR + 6.25%.

An amount of £25,000,000 is available in respect to the revolving credit facility with National Westminster Bank Plc. Interest is charged at LIBOR + 3%. No drawdowns have been made on this facility.

#### 20 Financial instruments

##### Categorisation of financial instruments

	2020	2019
	£ 000	£ 000
Financial assets that are debt instruments measured at amortised cost	5,133	3,267
Financial liabilities that are measured at amortised cost	295,306	340,736

Financial assets that are debt instruments measured at amortised cost comprise trade debtors.

Financial liabilities measured at amortised cost comprise bank loans, trade creditors, accruals and loan notes.

#### 21 Deferred taxation

	2020	2019
	£ 000	£ 000
At beginning of period	(63)	419
Credited in profit or loss	(41)	(181)
Arising on business combinations	118	(76)
Prior year adjustment	(28)	(225)
At end of period	<u>(14)</u>	<u>(63)</u>

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 21 Deferred taxation (continued)

	2020 £ 000	2019 £ 000
Difference between accumulated depreciation and amortisation and capital allowances	(931)	(691)
Other timing differences	917	628
	<u>(14)</u>	<u>(63)</u>

#### 22 Pension and other schemes

##### Defined contribution pension scheme

The group operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the group to the scheme and amounted to £1,255,000 (2019: £904,000).

Contributions totalling £211,000 (2019: £153,000) were payable to the scheme at the end of the year and are included in creditors.

#### 23 Share capital

##### Shares classified as equity

##### Authorised, allotted, called up and fully paid shares

	2020 No. 000	£ 000	2019 No. 000	£ 000
840,840 Ordinary A shares of £0 (2019 - £0.01) each	-	-	841	8.41
200,000 Ordinary B shares of £0 (2019 - £0.0001) each	-	-	200	0.02
15,000 Ordinary C shares of £0 (2019 - £0.10) each	-	-	15	1.50
326,682,949 Ordinary shares of £1 (2019 - £0) each	326,683	326,683	-	-
	<u>326,683</u>	<u>326,683</u>	<u>1,056</u>	<u>10</u>

326,682,949 Ordinary shares with aggregate nominal value of £326,683,000 were issued upon incorporation.

The comparative share capital in 2019 of £10,000 represents the share capital of Citation Topco Limited in line with note 2.3.

#### 24 Merger reserve

The merger reserve arises on the group reorganisation and represents the difference in the cash paid to shareholders for the acquisition of the Citation group and the original share capital of the Citation group.

## Rocket Midco Limited

### Notes to the Financial Statements for the Year Ended 31 December 2020

#### 25 Controlling party

The company's parent undertaking is Rocket Topco Limited, incorporated in Jersey. Accounts are available from; Sir Walter Raleigh House, 48-50 Esplanade Street, Jersey, JE2 3QB. The Group has no ultimate controlling party. It is jointly owned by KKR, via Rocket Aggregator LP, incorporated in Canada and Hg Capital and Nominees Limited, incorporated in England.

#### 26 Commitments under operating leases

##### Operating leases

The total of future minimum lease payments is as follows:

	2020 £ 000	2019 £ 000
Not later than one year	1,338	971
Later than one year and not later than five years	3,168	2,188
Later than five years	636	864
	<u>5,142</u>	<u>4,023</u>

#### 27 Related party transactions

##### Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £3,478,000 (2019: £2,176,000).

	2020 £ 000	2019 £ 000
Amounts due to key management personnel		
Loan notes outstanding	-	9,585
Accrued interest rolled over	-	3,731
	<u>-</u>	<u>13,316</u>

##### Parent and connected companies

During the year the company entered into transactions with related parties, in the ordinary course of business. Transactions entered, and trading balances outstanding at 31 December, are as follows:

	2020 £ 000	2019 £ 000
Loan notes outstanding	-	79,372
Accrued interest rolled over	-	41,609
	<u>-</u>	<u>120,981</u>

During 2020 loan notes and associated interest have been repaid to holders as detailed in note 19.

## **Rocket Midco Limited**

### **Notes to the Financial Statements for the Year Ended 31 December 2020**

#### **28 Non adjusting events after the financial period**

On 31 March 2021 the Group acquired *Employment Law Advisory Services Limited* and its subsidiaries, a provider of Health & Safety, Employment Law and Occupational Health services. The cash consideration on completion was £19,830,000 funded using the Group's acquisition credit facility, with up to a further £5,518,000 of deferred consideration dependent on service and performance milestones.

On the 24th of March the Group extended the limit of its existing Rolling Credit Facility by £10,000,000 to £35,000,000. There have been no drawdowns on this facility.

On 31 March 2021 *Citation Limited* acquired the entire trade and assets at net book value of *Southall Associates Limited*.