

Registration number: 12801073

Rocket Midco Limited

Report and Financial Statements
for the Year Ended 31 December 2021

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Rocket Midco Limited

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Rocket Midco Limited

Company Information

Directors	R M Bibi
	C P Morris
	T R Pirrie-Franks
	E Wann
	J K I Van Gool
	L P Kinsella
Registered office	11th Floor 200 Aldersgate Street London EC1A 4HD
Auditors	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY

Rocket Midco Limited

Strategic Report for the Year Ended 31 December 2021

The Directors present their strategic report for the year ended 31 December 2021.

Principal activity and business review

The parent of Rocket Midco Limited, is Rocket Topco Limited which is the parent company of the Citation Group.

The principal activity of the Group is the provision of Compliance, Quality and Occupational Health solutions to small and medium sized businesses as well as schools and academies in the United Kingdom. Occupational Health solutions represent a new service offering that the Group entered into during the year via the acquisition of Employment Law Advisory Services and its subsidiaries on 31 March 2021. The Group also entered into the international market during the course of the year and now provides Compliance solutions in Australia and New Zealand.

Compliance solutions include: Human Resources, Employment Law, Health and Safety, Fire and Electrical, Payroll and Food Safety services. Quality solutions include: ISO certification, SSIP accreditation and E-learning services. Occupational Health solutions comprise the aforementioned Occupational Health services alongside Health Surveillance services.

The results for the period are set out on page 19 of the financial statements.

In the year ended 31 December 2021, the Group continued to grow via new business acquisitions, with the existing business remaining strong. During the year, the Group made three acquisitions which add complementary services to the Group's product offering: Employment Law Advisory Services Limited and its subsidiaries within the Occupational Health and Health Surveillance sector on 31 March 2021, NT Assure Limited within the Food Safety sector on 9 September 2021 and FCB Group Pty Limited and its subsidiaries within the Human Resources and Employment Law sector, an Australia and New Zealand based Group of entities, on 1 October 2021. The Group acquired 100% of Employment Law Advisory Services Limited and its subsidiaries, 100% of NT Assure Limited and 75% of FCB Group Pty Limited which has a non-controlling interest of 25%.

The Group achieved turnover for the period of £140,075,000 (2020: £99,723,000) and recorded a loss before taxation of £41,727,000 (2020 loss of: £64,178,000). Operating loss was £20,075,000 (2020: £36,371,000) Operating profit after excluding depreciation of £1,366,000 (2020: £312,000), amortisation of £52,544,000 (2020: £42,121,000), transaction costs incurred as part of the sale of the Group formerly headed by Citation Topco Limited of £Nil (2020: £17,839,000), goodwill impairment of £Nil (2020: £1,211,000) and intangibles impairment of £690,000 (2020: £Nil) was £34,526,000 (2020: £25,112,000).

Rocket Midco Limited

Strategic Report for the Year Ended 31 December 2021

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 both domestically and internationally, because of the size of the relevant markets, 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 both bi-annually, as part of the planning and budgeting process, and on an ad-hoc basis to ensure the Group can access sufficient cash resources to meet covenant and funding requirements and liabilities as they fall due. Short-term and long-term cash flow forecasts are regularly performed and reported to the board. Utilisation and headroom of facilities are reported to the board monthly. The Group's finance team monitor cash positions and this is reported at an entity and consolidated level to the Senior Management Team on a weekly basis and the Group maintains 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 to the extent it is owed trade and other receivables from customers. The Group's credit control function manages trade receivable exposure in house and through use of specialist debt recovery lawyers. At risk customers are reported to the Senior Management Team on an ad-hoc basis and action is taken swiftly to reduce risk through measures such as agreeing payment plans with customers. When debt is deemed irrecoverable overdue invoices and any related accrued income balance is written off against the relevant underlying provisions.

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

The Group has considered the impact of Brexit and consider the risk to be minimal. This is due to the Group having a diversified portfolio of over 53,000 clients at the end of 2021 and sales predominantly being either from UK businesses to UK businesses or from Australia and New Zealand businesses to Australia and New Zealand businesses.

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

Rocket Midco Limited

Strategic Report for the Year Ended 31 December 2021

The Group has considered the impact of climate change and considers the risk to be minimal given the nature of the Group's services. The regulatory burden on small and medium sized businesses both domestically and internationally will remain, and indeed likely increase, as the increasing impact of climate change is felt across the globe. The Group also has a widespread geographical presence and can deliver its services remotely, alongside a hybrid working model for employees, therefore it is deemed trading would not be significantly hindered by travel restrictions or climate related disasters. Further, the Group has no significant manufacturing or storage facilities. The Group recognises the importance of issues such as climate change and energy consumption, and that increasing environmental regulation will continue to be a trend going forward. The Group continues to look for ways to minimise its impact on the environment.

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

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, and representatives from both KKR and Hg Capital. The Board regularly reviews the business' principal stakeholders and how the Company engages 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 2021

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, the last time the company entered.

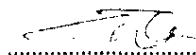
Customers

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 and authorised by the Board on 5 July 2022 and signed on its behalf by:



E Wann
Director

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

The Directors present their report and the consolidated financial statements for the year ended 31 December 2021.

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, which continued in various guises during the course of 2021.

Having already revisited its strategy in 2020, primarily through a combination of the use of the government's furlough scheme, deferral of HMRC payments, and migration to work from home and remote servicing of clients' models, and with the recovery of new business in all divisions, with the exception of the Food division, to pre-Covid levels by the start of 2021, the Group continued to successfully navigate the impact of the pandemic throughout 2021. The Group continued to deliver quality services and products to clients and continued to benefit from opportunities to bring new products to market including tailored employment law and health and safety advice, and the remaining employees on furlough in the Food and Occupational Health divisions had returned to work by the end of May 2021 and September 2021 respectively, with new business returning to pre-Covid levels or above by the end of September 2021 and December 2021 respectively. The Group has also continued to expand through merger and acquisition activity.

Restrictions in the UK continued to ease throughout 2021, lifting fully in early 2022, and therefore have not affected the Group's ability to service existing clients, win new business, grow via acquisition, or implement the long-term business strategy.

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 2022 three further acquisitions have been made, Consolidated Compliance Holdings Pty Limited and its subsidiaries in February 2022 that increases the Group's international customer base and product offering in Australia, Ucheck Limited in April 2022 that expands the Group's Quality solutions offering in the UK through the provision of criminal record bureau checking services, and Mitigate Cyber Limited in June 2022 that further expands the Group's Quality solutions offering in the UK through the provision of cyber security services. See note 28 for further details.

Results and dividends

The loss for the period, after taxation, amounted to £45,176,000 (2020: £63,505,000).

The Directors do not recommend a final dividend (2020: £nil).

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Directors of the Company

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

R M Bibi

C P Morris

T R Pirrie-Franks

E Wann

The following directors were appointed after the year end:

J K I Van Gool (appointed 7 April 2022)

L P Kinsella (appointed 7 April 2022)

Board composition

The parent of Rocket Midco Limited is Rocket Topco Limited which is owned 46.7% by KKR via Rocket Aggregator LP, 46.7% by HG Capital via HG Capital 8 Nominees Limited and 6.5% by management. Of the above directors, R M Bibi and T R Pirrie-Franks represent KKR, J K I Van Gool and L P Kinsella represent HG Capital, and C P Morris and E Wann represent Rocket Midco Limited.

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 and emissions reporting

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

The Group's Carbon Emissions are detailed further below under Emissions Reporting. This represents data from Citation Limited, the Group's only qualifying company based on size.

	2021	2020
Energy Usage - MWh	170	186
Total Emissions - T CO ₂ e	186	195
Energy Intensity Ratio - T CO ₂ e per £m revenue	1.6	2.4

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

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

Environmental and energy efficiency initiatives undertaken in the year include:

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

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Going Concern

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

The Group participates in a centralised treasury arrangement and so shares banking arrangements with all companies in the Rocket Topco Limited Group. The Group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group restructured its funding arrangements in the prior year as part of the sale of the Group of companies formerly headed by Citation Topco Limited on 15 September 2020 as set out in note 19. Further changes to the Group's funding arrangements were agreed in the year, also set out in note 19, and post year end, as set out in note 28, to provide the Group with additional facilities and cash headroom through an increase in the ceiling of the revolving credit facility from £25,000,000 to £35,000,000 on 22 March 2021, an increase in the ceiling of the acquisition credit facility from £75,000,000 to £140,000,000 on 7 May 2021, an increase in the Unitranche loan from £225,000,000 to £279,939,000 on 31 March 2022 and a further increase in the ceiling of the acquisition credit facility from £140,000,000 to £230,061,000 on 31 March 2022. Post year end the Group also entered into a floating to fixed swap arrangement on a £130,000,000 portion of the Unitranche loan. The arrangement fixed the SONIA portion of the interest at 2.3232% on £70,000,000 and 2.32% on £60,000,000 effective from 31 March 2022.

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

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

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

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

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

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

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

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

The key factors supporting this are:

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

Corporate social responsibility

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

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

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

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

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

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

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 2022 three further acquisitions have been made, Consolidated Compliance Holdings Pty Limited and its subsidiaries in February 2022 that increases the Group's international customer base and product offering in Australia, Ucheck Limited in April 2022 that expands the Group's Quality solutions offering in the UK through the provision of criminal record bureau checking services, and Mitigate Cyber Limited in June 2022 that further expands the Group's Quality solutions offering in the UK through the provision of cyber security services. See note 28 for further details.

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Employee involvement

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

Disabled employees

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

Political donations

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

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Post Balance Sheet Events

On 21 January 2022 a drawdown of £5,518,000 was made on the revolving credit facility.

On 28 January 2022 a drawdown of £6,888,000 (\$13,000,000 AUD) was made on the acquisition credit facility and on 1 February 2022 the Group, via Fire Bidco Australia Pty Limited, acquired Consolidated Compliance Holdings Pty Limited and its subsidiaries, a provider of ISO consultancy services. The headline price was \$12,000,000 AUD with a further \$4,000,000 AUD of deferred consideration and up to a further \$4,000,000 AUD of contingent consideration dependent on service and performance milestones with the final price subject to working capital adjustments.

On 4 March 2022 a drawdown of £6,100,000 was made on the revolving credit facility.

On 31 March 2022 the Group undertook an exercise to increase and re-price the Unitranche loan resulting in a further drawdown of £54,939,000 being made, increasing the total amount outstanding from £225,000,000 to £279,939,000, an uplift in the maximum allowed net debt:EBITDA ratio requirement to 11.00x and a reduction in the Margin rate charged. As part of this exercise the Group extended the ceiling of the acquisition credit facility by £90,061,000 from £140,000,000 to £230,061,000 on 31 March 2022 and repaid the aforementioned revolving credit facility drawdown amounts totalling £11,618,000.

On 31 March 2022 the Group, via Citation Holdings Limited, acquired 100% of the shares of UCheck Limited, a provider of criminal record bureau checking services. The initial cash purchase price was £20,970,047 with a further £4,000,000 of contingent consideration and up to a further £7,100,000 of contingent consideration both of which are dependent on service and performance milestones with the final price subject to working capital adjustments.

On 5 May 2022 the Group entered into a floating to fixed swap arrangement on a £130,000,000 portion of the Unitranche loan. The arrangement fixed the SONIA portion of the interest at 2.3232% on £70,000,000 and 2.32% on £60,000,000 effective from 31 March 2022.

On 6 June 2022 the Group, via Citation Holdings Limited, acquired 100% of the share capital of Mitigate Cyber Limited, a provider of cyber security services. The initial purchase price was £4,047,480 with up to a further £2,375,000 of contingent consideration dependent on service and performance milestones with the final price subject to working capital adjustments.

Rocket Midco Limited

Directors' Report for the Year Ended 31 December 2021 (continued)

Disclosure of information to the auditor

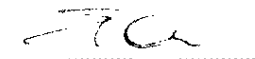
Each of the persons who are Directors at the time when this Directors' Report is approved has confirmed that:

- 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.

Reappointment of auditors

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

Approved and authorised by the Board on ^{5 July 2022} 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 2021 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Parent Statement of Financial Position, the Consolidated and Parent Statement of Changes in Equity, 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 2021 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 to 31 December 2023.

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.

Rocket Midco Limited

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

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.

Opinion on other matter 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 14, 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.

Rocket Midco Limited

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

Auditor 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, including anti-bribery regulations, employment law and regulations, 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.
- We assessed the susceptibility of the Group's financial statements to material misstatement, including how fraud might occur by considering areas of significant judgement and estimation, complex transactions, performance targets, economic or external pressures and the impact these factors have on a likelihood of material misstatement. We considered the risk of management override and assumed revenue to be a fraud risk specifically as a result of manual journals posted.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of the board packs and correspondence with regulator, direct enquiry of management and those charged with governance. Further in respect of the risk of management override we completed testing of specific journals 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.

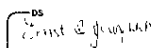
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Rocket Midco Limited

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

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.



Elizabeth Jones (Senior Statutory Auditor)
for and on behalf of Ernst & Young LLP
Manchester

5 July 2022

Rocket Midco Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2021

	Note	2021 £ 000	2020 £ 000
Turnover	3	140,075	99,723
Cost of sales		<u>(41,697)</u>	<u>(27,687)</u>
Gross profit		98,378	72,036
Administrative expenses		(118,908)	(110,449)
Other operating income		<u>456</u>	<u>2,042</u>
Operating loss	4	(20,074)	(36,371)
Other interest receivable and similar income	9	3	55
Interest payable and similar expenses	10	<u>(21,656)</u>	<u>(27,862)</u>
Loss before tax		(41,727)	(64,178)
Tax (expense)/credit on loss	11	<u>(3,449)</u>	<u>673</u>
Loss for the financial year		<u>(45,176)</u>	<u>(63,505)</u>
Loss attributable to:			
Owners of the company		(45,186)	(63,505)
Minority interests		<u>10</u>	<u>-</u>
		<u>(45,176)</u>	<u>(63,505)</u>
 <i>Loss for the year</i>		 (45,176)	 (63,505)
Foreign currency translation losses		<u>(9)</u>	<u>-</u>
Total comprehensive income for the year		<u>(45,185)</u>	<u>(63,505)</u>
Total comprehensive income attributable to:			
Owners of the company		(45,195)	(63,505)
Minority interests		<u>10</u>	<u>-</u>
		<u>(45,185)</u>	<u>(63,505)</u>

The above results were derived from continuing operations.

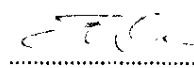
The Group has no recognised gains or losses for the year other than the results above.

The notes on pages 25 to 62 form an integral part of these financial statements.

Rocket Midco Limited**(Registration number: 12801073)****Consolidated Statement of Financial Position as at 31 December 2021**

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Intangible assets	12	185,423	166,192
Tangible assets	13	<u>3,164</u>	<u>1,585</u>
		<u>188,587</u>	<u>167,777</u>
Current assets			
Stocks	16	477	231
Cash at bank and in hand		14,011	15,250
Debtors: Amounts falling due within one year	17	44,648	38,067
Debtors: Amounts falling due after more than one year	17	<u>4,313</u>	<u>3,246</u>
		63,449	56,794
Creditors: Amounts falling due within one year	18	<u>(50,884)</u>	<u>(31,691)</u>
Net current assets		<u>12,565</u>	<u>25,103</u>
Total assets less current liabilities		201,152	192,880
Creditors: Amounts falling due after more than one year	18	(315,936)	(265,749)
Provisions for liabilities	21	<u>(2,457)</u>	<u>(14)</u>
Net liabilities		<u>(117,241)</u>	<u>(72,883)</u>
Capital and reserves			
Called up share capital	23	326,683	326,683
Merger reserve	24	(184,446)	(184,446)
Profit and loss account		<u>(260,315)</u>	<u>(215,120)</u>
Equity attributable to owners of the company		(118,078)	(72,883)
Non-controlling interests		<u>837</u>	<u>-</u>
Shareholders' deficit		<u>(117,241)</u>	<u>(72,883)</u>

Approved and authorised by the Board on 15 July 2022 and signed on its behalf by:



E Wann
Director

The notes on pages 25 to 62 form an integral part of these financial statements.

Rocket Midco Limited

(Registration number: 12801073)

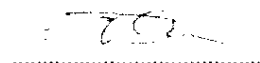
Statement of Financial Position as at 31 December 2021

	Note	2021 £ 000	2020 £ 000
Fixed assets			
Investments	14	326,683	326,683
Creditors: Amounts falling due within one year	18	<u>(167)</u>	<u>-</u>
Net assets		<u>326,516</u>	<u>326,683</u>
Capital and reserves			
Called up share capital	23	326,683	326,683
Profit and loss account		<u>(167)</u>	<u>-</u>
Shareholders' funds		<u>326,516</u>	<u>326,683</u>

The Company reported a loss for the financial year ended 31 December 2021 of £167,000.

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.

Approved and authorised by the Board on 21 January 2022 and signed on its behalf by:



E Wann
Director

Rocket Midco Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2021
Equity attributable to the parent company

	Share capital £ 000	Merger reserve £ 000	Profit and loss account £ 000	Total £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2021	326,683	(184,446)	(215,120)	(72,883)	-	(72,883)
(Loss)/profit for the year	-	-	(45,186)	(45,186)	10	(45,176)
Other comprehensive income	-	-	(9)	(9)	-	(9)
Total comprehensive income	-	-	(45,195)	(45,195)	10	(45,185)
Non controlling interest equity	-	-	-	-	827	827
At 31 December 2021	326,683	(184,446)	(260,315)	(118,078)	837	(117,241)

	Called up Share capital £ 000	Share premium account £ 000	Merger reserve £ 000	Profit and loss account £ 000	Non- controlling interests £ 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)
Issue of share capital	326,683	-	-	-	-	326,683
Merger adjustment, increase/decrease in equity	(10)	(808)	(184,446)	-	-	(185,264)
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)

The notes on pages 25 to 62 form an integral part of these financial statements.

Rocket Midco Limited**Consolidated Statement of Cash Flows for the Year Ended 31 December 2021**

	2021 £ 000	2020 £ 000
Cash flows from operating activities		
Loss before tax	(41,727)	(64,178)
Adjustments for:		
Loss on disposal of tangible assets	45	-
Depreciation of tangible assets	1,366	312
Amortisation of intangible assets	52,544	42,121
Goodwill impairment	-	1,211
Impairment loss on intangible assets	690	-
Financial income	(3)	(55)
Financial expenses	21,656	27,862
Foreign exchange loss	(9)	-
Deferred remuneration expense	1,750	-
	<u>36,312</u>	<u>7,273</u>
Increase in stocks	(188)	(6)
Increase in debtors	(4,869)	(1,740)
Increase in creditors/provisions	<u>7,748</u>	<u>12,282</u>
Cash generated from operations	39,003	17,809
Interest received	3	55
Interest paid	(20,018)	(16,865)
Tax paid	(2,618)	(893)
Deferred remuneration paid	(6,050)	(5,146)
Net cash generated from operating activities	<u>10,320</u>	<u>(5,040)</u>
Cash flows from investing activities		
Purchase of tangible assets	(1,259)	(150)
Purchase of intangible assets	(5,975)	(4,645)
Acquisition of businesses	(58,202)	(54,943)
Acquired cash of new subsidiaries	4,499	6,922
Contingent consideration payments	<u>(3,932)</u>	<u>(5,353)</u>
Net cash flows from investing activities	<u>(64,869)</u>	<u>(58,169)</u>
Cash flows from financing activities		
Capital element of finance lease	(66)	(36)
Bank loans repaid	-	(188,820)
Shareholder loans and interest repaid	-	(145,178)
Issue of new loans	55,048	267,718
Debt refinancing and issue costs	(1,672)	(7,451)
Issue of share capital	-	326,683
Amount paid to shareholders re group reorganisation	<u>-</u>	<u>(185,263)</u>
Net cash flows from financing activities	<u>53,310</u>	<u>67,653</u>

The notes on pages 25 to 62 form an integral part of these financial statements.

Rocket Midco Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2021

	2021	2020
	£ 000	£ 000
Net (decrease)/increase in cash and cash equivalents	(1,239)	4,444
Cash and cash equivalents at 1 January	<u>15,250</u>	<u>10,806</u>
Cash and cash equivalents at 31 December	<u>14,011</u>	<u>15,250</u>

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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:

Entity (name per Companies House)	Company number
Safety Management Advisory Services Limited	05900081
Citation Fire & Electrical Limited	04580764
Solutionhost Group Limited	10816675
EL Direct Ltd	08090005
HS Direct Limited	05066720
Solution Host (UK) Limited	04103391
Southall Associates Ltd	05751804
Avec Partnership Limited	07387728
Food Alert Limited	02490317
The Xact Group Limited	SC203416
Caesar Topco Limited	08319737
Caesar Midco Limited	08319789
Caesar Bidco Limited	08319877
Education Personnel Management Holdings Limited	07982303
BCAS Consulting Limited	04093343
Citation (NBS) Limited	08336890
P. & R. Services (Southampton) Limited	03267718
Xact Consulting Limited	SC235636
Employment Law Advisory Services Limited	03041461
Simply Safe Worldwide Ltd	06001455
ELAS Occupational Health Limited	09990325

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

1 General information (continued)

S&ASH Ltd	03763541
Health and Safety Management Consultants Limited	05244866
Sound Advice Health & Safety Limited	06290543
Support, Training & Services Limited	02075562
The Industrial Diagnostics Company Limited	04819173
Occupational Medicals Enterprise Ltd	06221455
Fire Finco Limited	13481462

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.

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 Act 2006.

Due to a group reorganisation in the year ended 31 December 2020, this Annual Report and Financial Statements is the second set of annual financial statements presented for the Group headed by Rocket Midco Limited and the prior period comparison reflects the results of the Citation Group of companies headed by Citation Topco Limited to 31 December 2020. The results for the year ended 31 December 2021 represent the results for the Group headed by Rocket Midco Limited for the whole year. See note 2.3 for further details.

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.

The group has taken advantage of the exemption afforded by FRS 102.33.1A not to disclose transactions between wholly owned members of the group.

The parent company is a qualifying entity as defined by FRS 102 and has taken advantage of the following exemptions available to qualifying entities which are relevant to its financial statements:

- the requirement to prepare a cash flow statement;
- the requirement to disclose information about key management personnel compensation.
- the disclosure requirements of Section 11 paragraphs 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) in respect of financial instruments of the parent (as equivalent disclosures are included in respect of the consolidated financial statements).

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

2.3 Group Reorganisation

In the prior year the Group undertook a group reorganisation exercise during the year 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 17 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 Rocket Topco Limited, which is the parent company of Rocket Midco Limited.

The formation of Rocket Topco Limited as a new joint venture company fell 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 therefore elected to apply the pooling of interests method of accounting in its comparative consolidated financial statements and consequently whilst Rocket Midco Limited was incorporated on 10 August 2020 the comparative consolidated income statement for the year ended 31 December 2020 reflects the results of the Citation Group of companies headed by Citation Topco Limited. A merger reserve reflects the equity differences on applying the pooling of interests method.

This Annual Report and Financial Statements is the second set of annual financial statements presented for the newly formed Group. The underlying structure of the Group was unchanged following the reorganisation in the year ended 31 December 2020 and as such the comparatives in respect of the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity and Consolidated Statement of Cash Flows are 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 2021

2 Accounting policies (continued)

2.4 Basis of consolidation

The consolidated financial statements present the results of Rocket Midco 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 consolidated statement of financial position the acquired identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date less any non-controlling interest.

Subsidiaries are consolidated from the date of incorporation or 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 The Xact Group Limited, Xact Consulting Limited and iHasco 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:

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

In the current year Employment Law Advisory Services Limited and its subsidiaries NT Assure Limited and FCB Group Pty Limited and its subsidiaries have been included:

- Employment Law Advisory Services Limited and its subsidiaries for the 9 month period from its acquisition on 31 March 2021;
- NT Assure Limited for the 4 month period from its acquisition on 9 September 2021; and
- FCB Group Pty Limited and its subsidiaries for the 3 month period from its acquisition on 30 September 2021.

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

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

2.5 Going concern

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

The Group participates in a centralised treasury arrangement and so shares banking arrangements with all companies in the Rocket Topco Limited Group. The Group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group restructured its funding arrangements in the prior year as part of the sale of the Group of companies formerly headed by Citation Topco Limited on 15 September 2020 as set out in note 19. Further changes to the Group's funding arrangements were agreed in the year, also set out in note 19, and post year end, as set out in note 28, to provide the Group with additional facilities and cash headroom through an increase in the ceiling of the revolving credit facility from £25,000,000 to £35,000,000 on 22 March 2021, an increase in the ceiling of the acquisition credit facility from £75,000,000 to £140,000,000 on 7 May 2021, an increase in the Unitranche loan from £225,000,000 to £279,939,000 on 31 March 2022 and a further increase in the ceiling of the acquisition credit facility from £140,000,000 to £230,061,000 on 31 March 2022. Post year end the Group also entered into a floating to fixed swap arrangement on a £130,000,000 portion of the Unitranche loan. The arrangement fixed the SONIA portion of the interest at 2.3232% on £70,000,000 and 2.32% on £60,000,000 effective from 31 March 2022.

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

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

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

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

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

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

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

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

The key factors supporting this are:

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

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 is recognised in line with the contract delivery profile. 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 historical drop off trends adjusted for average settlement income receipts, this blended percentage is then applied to the Total Contract Value to arrive at the provision. For the provision at December 2021 the estimate used is based on the April 2020 to December 2021 period.

Pooling of assets accounting

As set out in the basis of preparation one of the key judgements made in the prior period was that the appropriate accounting for Rocket Topco's acquisition of Citation Topco Limited on 15th September 2020 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.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

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 2021

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 1 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.

In the prior and current year this resulted in instances in which intangible assets have been recognised separately to goodwill. See note 15 for details.

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 Mideco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

Asset class	Amortisation method and rate
Technology	6 years
Brands	1 to 5 years
Customer contracts	Dependent on the life of the individual contracts ranging from an average of 1 to 3 years

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.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

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.

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.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

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.*

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.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

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 Mideco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

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.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

2 Accounting policies (continued)

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.

2.27 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in 'sterling', which is the Group's presentation currency.

On consolidation, the results of overseas operations are translated into sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date, including any goodwill in relation to that entity. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

Transactions and balances

Foreign currency transactions are translated into the Group entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in profit or loss within interest receivable and similar income for gains and finance costs for losses. All other foreign exchange gains and losses are presented in profit or loss within administrative expenses.

2.28 Dividends

Equity dividends are recognised when approved by the shareholders at a board meeting. Dividends on preference shares recognised as liabilities are recognised as expenses and classified within finance costs.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

3 Analysis of turnover

Turnover is analysed as follows.

	2021 £ 000	2020 £ 000
Rendering of services, UK	137,101	99,723
Rendering of services, Australia	2,974	-
	<u>140,075</u>	<u>99,723</u>

4 Operating loss

Arrived at after charging/(crediting)

	2021 £ 000	2020 £ 000
Amortisation of intangible assets, including goodwill (see note 12)	52,544	42,121
Goodwill impairment (see note 12)	-	1,211
Intangibles impairment (see note 12)	690	-
Depreciation of tangible fixed assets (see note 13)	1,366	312
(Profit)/loss on disposal of tangible fixed assets	(45)	-
Operating lease rentals (buildings)	1,533	1,092
Operating lease expense - plant and machinery	2	21
Operating lease expense - other	195	187
Defined contribution pension cost (see note 22)	1,861	1,255
Deferred remuneration	2,246	5,994
Other operating income	<u>(456)</u>	<u>(2,042)</u>

Within operating loss are amounts totalling £2,246,000 (2020: £5,994,000) relating to deferred remuneration payments as charged in the current being an amount of £1,750,000 relating to the prior year acquisition of Avec Partnership Limited and an amount of £496,000 relating to the current year acquisition of NT Assure Limited and as included within Notes 15 and 18 of these financial statement where applicable. Also included are amounts totalling £456,000 (2020: £2,042,000) for other operating income which are government grants for furlough and amounts totaling £690,000 in relation to the impairment of previously capitalised spend due to a change in strategy regarding a client-facing service system in Education Personnel Management Limited.

Within administrative expenses are £Nil (2020: £17,839,000) of transaction costs incurred as part of the sale of the Group formerly headed by Citation Topco Limited as included in note 5.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

5 Transaction costs

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

	2021 £ 000	2020 £ 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>-</u>	<u>17,839</u>

Transaction related costs of £17,839,000 were incurred in the prior period as part of the sale of the Group formerly headed by Citation Topco Limited, 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

	2021 £ 000	2020 £ 000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	434	242
	<u>434</u>	<u>242</u>

7 Employees

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

	2021 £ 000	2020 £ 000
Wages and salaries	60,130	45,818
Social security costs	6,467	4,909
Pension costs, defined contribution scheme	1,861	1,255
	<u>68,458</u>	<u>51,982</u>

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

7 Employees (continued)

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

	2021	2020
	No.	No.
Sales	344	272
Consultants	705	572
Administration	482	265
	<u>1,531</u>	<u>1,109</u>

8 Directors' remuneration

	2021	2020
	£ 000	£ 000
Remuneration for services to the Group	3,185	3,372
Company pension contributions to defined contribution schemes	173	106
	<u>3,358</u>	<u>3,478</u>

During the year retirement benefits were accruing to 27 Directors (2020: 26) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £557,000 (2020: £682,000) with £22,000 (2020: £18,000) company pension contributions to defined contribution schemes.

Key management compensation is equal to the directors' compensation above.

9 Interest receivable

	2021	2020
	£ 000	£ 000
Interest income on bank deposits	3	55
	<u>3</u>	<u>55</u>

10 Finance costs

	2021	2020
	£ 000	£ 000
Bank interest payable	19,266	14,158
Other loan interest payable	-	10,881
Amortisation of capitalised facility costs	1,231	2,823
Foreign exchange loss on retranslation of AUD loan	156	-
Deferred consideration discounting unwind	1,003	-
	<u>21,656</u>	<u>27,862</u>

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

10 Finance costs (continued)

In the prior year, 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. In the current year, amortisation of capitalised facility costs relate solely to amortisation of costs capitalised as part of the refinance at the time of the Group reorganisation or on subsequent drawdowns.

11 Taxation

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

	2021 £ 000	2020 £ 000
Current taxation		
Current tax charge for the year	1,388	294
Tax charge/(credit) related to prior year	2,015	(1,037)
Total corporation tax charge/(credit)	<u>3,403</u>	<u>(743)</u>
Deferred taxation		
Current tax charge for the year	132	41
Tax charge/(credit) related to prior year	(212)	29
Tax rate adjustment	126	-
Total deferred tax charge	<u>46</u>	<u>70</u>
Taxation charge/(credit) on loss	<u><u>3,449</u></u>	<u><u>(673)</u></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 (2020 - higher than the standard rate of corporation tax in the UK) of 19% (2020 - 19%).

The differences are explained below:

	2021 £ 000	2020 £ 000
Loss before tax	<u>(41,727)</u>	<u>(64,178)</u>
Loss multiplied by standard rate of corporation tax of 19% (2020: 19%)	(7,928)	(12,194)
Utilisation of brought forward losses	59	(102)
Difference in overseas tax rate	67	-
UK deferred tax expense relating to changes in tax rates or laws	126	10
Adjustments in respect of prior years	1,833	(1,008)
Permanent differences	<u>9,292</u>	<u>12,621</u>
Total tax charge/(credit)	<u><u>3,449</u></u>	<u><u>(673)</u></u>

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

11 Taxation (continued)

At 31 December 2021 the Group had £3,428,000 (2020: £3,115,000) of unrecognised tax losses carried forward and £17,881,000 (2020: £17,881,000) of corporate interest deductions not recognised as deferred tax assets.

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

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

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.

Fire Bidco Australia Pty Limited, FCB Group Pty Limited, FCB Professional Services Pty Limited, enableHR Pty Limited and HR Assured Pty Limited, FCB Smart Visa Solutions Pty Limited, enableHR Pty Limited and HR Assured Pty Limited are incorporated in Australia. enableHR Pty Limited New Zealand and HR Assured Pty Ltd New Zealand are incorporated in New Zealand. The central management and control of each is exercised in Australia and therefore each company is deemed a tax resident in Australia.

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 Mideo Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Intangible assets						
Group		Software Development £ 000	Goodwill £ 000	Technology £ 000	Customer Contracts £ 000	Brands £ 000
Cost or valuation						Total £ 000
At 1 January 2021		16,360	307,968	-	-	-
Additions		5,975	56,079	4,282	4,515	1,613
Disposals		(625)	-	-	-	-
At 31 December 2021		21,710	364,047	4,282	4,515	1,613
Amortisation						
At 1 January 2021		10,117	148,018	-	-	-
Charge for the year		3,636	47,353	321	801	433
Amortisation eliminated on disposals		(625)	-	-	-	-
Impairment		690	-	-	-	-
At 31 December 2021		13,818	195,371	321	801	433
Net book value						
At 31 December 2021		7,892	168,676	3,961	3,714	1,180
At 31 December 2020		6,242	159,950	-	-	-

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

12 Intangible assets (continued)

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.

For all CGUs the key assumptions in the value in use model are forecast EBITDA growth which for the five year period from 2021 to 2026 averages 21% 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 Group's 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.

The Group has recognised an impairment of £690,000 in relation to previously capitalised spend due to a change in strategy regarding a client-facing service system in Education Personnel Management Limited.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

13 Tangible assets

Group

	Leasehold Improvements £ 000	Office equipment £ 000	Fixtures & fittings £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation					
At 1 January 2021	504	1,013	854	172	2,543
Additions	13	966	107	173	1,259
Acquired through business combinations	476	273	204	776	1,729
Disposals	<u>(29)</u>	<u>(460)</u>	<u>(54)</u>	<u>(197)</u>	<u>(740)</u>
At 31 December 2021	<u>964</u>	<u>1,792</u>	<u>1,111</u>	<u>924</u>	<u>4,791</u>
Depreciation					
At 1 January 2021	115	478	306	58	957
Charge for the year	64	637	255	410	1,366
Eliminated on disposal	<u>(17)</u>	<u>(459)</u>	<u>(54)</u>	<u>(166)</u>	<u>(696)</u>
At 31 December 2021	<u>162</u>	<u>656</u>	<u>507</u>	<u>302</u>	<u>1,627</u>
Net book value					
At 31 December 2021	<u>802</u>	<u>1,136</u>	<u>604</u>	<u>622</u>	<u>3,164</u>
At 31 December 2020	<u>389</u>	<u>534</u>	<u>548</u>	<u>114</u>	<u>1,585</u>

14 Investments - Company only

Subsidiaries

£ 000

Cost or valuation

Carrying amount

At 31 December 2021	<u>326,683</u>
At 31 December 2020	<u>326,683</u>

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Investments - Company only (continued)

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
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

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Investments - Company only (continued)

Citation Fire and Electrical Limited*	England & Wales***	Ordinary shares	100%	Fire Safety services
P&R Services (Southampton) Limited*	England & Wales***	Ordinary shares	100%	Dormant
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%	Dormant
Avec Partnership Limited*	England and Wales***	Ordinary shares	100%	Dormant
Food Alert Limited*	England and Wales***	Ordinary shares	100%	Food Safety Services
The Xact Group Limited*	Scotland****	Ordinary shares	100%	Dormant
Xact Consulting Limited*	Scotland****	Ordinary shares	100%	Dormant
iHASCO Limited*	England & Wales ***	Ordinary shares	100%	Elearning Services
NT Assure Limited*	England & Wales ***	Ordinary shares	100%	Food Safety Services
Employment Law Advisory Services Limited*	England & Wales ***	Ordinary shares	100%	Health & Safety and Employment Legislation
Simply Safe Worldwide Limited*	England & Wales ***	Ordinary shares	100%	Dormant
ELAS Occupational Health Limited*	England & Wales ***	Ordinary shares	100%	Occupational Health Services
S&ASH Ltd*	England & Wales ***	Ordinary shares	100%	Occupational Health Services
Health and Safety Management Consultants Limited*	England & Wales ***	Ordinary shares	100%	Occupational Health Services
Patient Diagnostic Services Limited*	England & Wales *****	Ordinary shares	100%	Dormant
Sound Advice Health & Safety Limited	England & Wales ***	Ordinary shares	100%	Dormant
Support, Training & Services Limited*	England & Wales ***	Ordinary shares	100%	Food Accreditation Services

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Investments - Company only (continued)

The Industrial Diagnostics Company Limited*	England & Wales ***	Ordinary shares	100%	Occupational Health Services
Occupational Medicals Enterprise Ltd*	England & Wales ***	Ordinary shares	100%	Occupational Health Services
Fire Finco Limited*	England & Wales ***	Ordinary shares	100%	Holding Company
Fire Bidco Australia Pty Limited*	Australia*****	Ordinary shares	75%	Holding Company
FCB Group Pty Limited*	Australia*****	Ordinary shares	75%	Holding Company
FCB Professional Services Pty Limited*	Australia*****	Ordinary shares	75%	Employment Law Services
FCB Smart Visa Solutions Pty Limited*	Australia*****	Ordinary shares	75%	Visa Application Administration Services
enableHR Pty Limited*	Australia*****	Ordinary shares	75%	Human Resource Services
enableHR Limited New Zealand*	New Zealand*****	Ordinary shares	75%	Human Resource Services
HR Assured Pty Limited*	Australia*****	Ordinary shares	75%	Human Resource Services
HR Assured Pty Limited New Zealand*	New Zealand*****	Ordinary shares	75%	Human Resource Services

* 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 Addleshaw Goddard, Canning Street, Edinburgh, Scotland, EH3 8EH

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

***** registered at Level 11, 83 Mount Street, North Sydney NSW 2060

***** registered at 1268 Robert's Line, RD8, Palmerston North, New Zealand, 4478

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

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

14 Investments - Company only (continued)

The Group has made the following acquisitions in the period 1 January 2021 to 31 December 2021:

On 31 March 2021 the Group, via Citation Limited, acquired Employment Law Advisory Services Limited and its subsidiaries: Simply Safe Worldwide Limited, ELAS Occupational Health Limited, S&ASH Ltd, Health and Safety Management Consultants Limited, Patient Diagnostic Services Limited, Sound Advice Health & Safety Limited, Support, Training & Services Limited, The Industrial Diagnostics Company Limited and Occupational Medicals Enterprise Limited.

On 9 September 2021 the Group, via Citation Holdings Limited, acquired 100% of the shares of NT Assure Limited.

On 1 October 2021 the Group, via Fire Bidco Australia Pty Limited, acquired 75% of the shares in FCB Group Pty Limited and its subsidiaries: FCB Professional Services Pty Limited, FCB Smart Visa Solutions Pty Limited, enableHR Pty Limited, enableHR Pty Limited New Zealand, HR Assured Pty Limited and HR Assured Pty Ltd New Zealand.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Group acquisitions

Employment Law Advisory Services Limited

	2021 Book value	2021 Fair value adjustments	2021 Fair value to Group
	£ 000	£ 000	£ 000
Tangible assets	1,469	-	1,469
Intangible assets	-	4,227	4,227
Stock	58	-	58
Debtors	2,510	-	2,510
Cash	1,748	-	1,748
Creditors	(3,309)	(237)	(3,546)
Provisions	-	(1,057)	(1,057)
Net Assets	<u>2,476</u>	<u>2,933</u>	<u>5,409</u>
Purchase consideration			20,737
Costs associated with acquisition			506
Contingent and deferred consideration			<u>6,551</u>
			27,794
Net assets acquired			(5,409)
Goodwill arising on acquisition			<u>22,385</u>

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Group acquisitions (continued)

On 31 March 2021 the Group, via Citation Limited, acquired Employment Law Advisory Services Limited and its subsidiaries: Simply Safe Worldwide Limited, ELAS Occupational Health Limited, S&ASH Ltd, Health and Safety Management Consultants Limited, Patient Diagnostic Services Limited, Sound Advice Health & Safety Limited, Support, Training & Services Limited, The Industrial Diagnostics Company Limited and Occupational Medicals Enterprise Limited.

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

Intangible assets from contractual or other legal rights were identified at the acquisition and have been recognised as a fair value adjustment to the acquisition balance sheet. The book value of all assets and liabilities acquired were adjusted due to the following fair value adjustments:

- £1,567,000 in relation to technology with a useful life of 6 years
- £209,000 in relation to brands with a useful life of 2 years
- £2,451,000 in relation to acquired customer contracts with an average useful life of 3 years

An adjustment of £237,000 was made to the brought forward tax provision to true up the tax computation at acquisition date. A further fair value adjustment of £1,057,000 arises in relation to the notional deferred tax provision at 25% of the uplift on the intangible asset values mentioned above.

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

Deferred consideration of £773,000 was paid in November 2021 and a further £5,500,000 of contingent consideration was paid in February 2022 which was dependent on the seller not breaching restrictive covenants before the consideration date. As at 31 December 2021, a further deferred consideration balance of £743,000 was outstanding, due to be paid in February 2023. The deferred consideration payment is to settle a put and call option that was in place at the acquisition date in respect of the non-controlling interest in The Industrial Diagnostics Company Limited. The existence of the put and call option has resulted in The Industrial Diagnostics Company Limited being accounted for as a 100% subsidiary with no non-controlling interest arising.

Since acquisition Employment Law Advisory Services Limited and its subsidiaries have contributed £13,527,000 in revenue, and a profit after tax of £1,368,000 in the financial period to 31 December 2021.

Rocket Mideco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Group acquisitions (continued)

NT Assure Limited

	2021 Book value	2021 Fair value adjustments	2021 Fair value to Group
	£ 000	£ 000	£ 000
Tangible assets	5	-	5
Intangible assets	-	1,729	1,729
Debtors	1,090	-	1,090
Cash	1,873	-	1,873
Creditors	(978)	(1)	(979)
Provisions	-	(432)	(432)
Net Assets	1,990	1,296	3,286
Purchase consideration			11,736
Costs associated with acquisition			239
Contingent consideration			4,977
			16,952
Net assets acquired			(3,286)
Goodwill arising on acquisition			13,666

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Group acquisitions (continued)

On 9 September 2021 the Group, via Citation Holdings Limited, acquired 100% of the shares of NT Assure Limited.

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

Intangible assets from contractual or other legal rights were identified at the acquisition and have been recognised as a fair value adjustment to the acquisition balance sheet. The book value of all assets and liabilities acquired were adjusted due to the following fair value adjustments:

- £1,084,000 in relation to technology with a useful life of 6 years
- £10,000 in relation to brands with a useful life of 1 years
- £635,000 in relation to acquired customer contracts with an average useful life of 3 years

An adjustment of £1,000 was made to the brought forward tax provision to true up the tax computation at acquisition date. A further fair value adjustment of £432,000 arises in relation to the notional deferred tax provision at 25% of the uplift on the intangible asset values mentioned above.

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

Contingent consideration of £3,440,000 was paid in September 2021 concurrently with the initial payment as the performance conditions were met. As at 31 December 2021, a further contingent consideration balance of £1,680,000 (present value of £1,537,000) was outstanding, due to be paid in September 2022. An additional £1,680,000 of deferred remuneration is due to be paid in September 2022 for which an accrual of £496,000 has been recognised in accruals at 31 December 2021 as detailed in Note 18.

Since acquisition NT Assure Limited has contributed £869,000 in revenue, and a profit after tax of £304,000, in the financial period to 31 December 2021.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Group acquisitions (continued)

FCB Group Pty Limited

	2021 Book value	2021 Fair value adjustments	2021 Fair value to Group
	£ 000	£ 000	£ 000
Tangible assets	255	-	255
Intangible assets	1,889	2,566	4,455
Debtors	1,292	-	1,292
Cash	878	-	878
Creditors	(2,800)	-	(2,800)
Provisions	-	(770)	(770)
Net Assets	<u>1,514</u>	<u>1,796</u>	<u>3,310</u>
Non-controlling interest			(827)
Net assets acquired			<u>2,483</u>
Purchase consideration			17,798
Costs associated with acquisition			1,045
Contingent consideration			<u>3,668</u>
			22,511
Net assets acquired			(2,483)
Goodwill arising on acquisition			<u>20,028</u>

Rocket Mideo Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

15 Group acquisitions (continued)

On 1 October 2021 the Group, via Fire Bidco Australia Pty Limited, acquired 75% of the shares in FCB Group Pty Limited and its subsidiaries: FCB Professional Services Pty Limited, FCB Smart Visa Solutions Pty Limited, enableHR Pty Limited, enableHR Pty Limited New Zealand, HR Assured Pty Limited, and HR Assured Pty Ltd New Zealand.

As part of the acquisition 75% of the voting equity was acquired.

Intangible assets from contractual or other legal rights were identified at the acquisition and have been recognised as a fair value adjustment to the acquisition balance sheet. The book value of all assets and liabilities acquired were adjusted due to the following fair value adjustments:

- £1,631,000 in relation to technology with a useful life of 6 years
- £1,394,000 in relation to brands with a useful life of 1 years
- £1,429,000 in relation to acquired customer contracts with an average useful life of 3 years

A fair value adjustment of £770,000 arises in relation to the notional deferred tax provision at 30% of the uplift on the intangible asset values mentioned above. The goodwill generated from the acquisition is to be amortised over 7 years in line with the goodwill already in the Group.

Intangible assets of £1,889,000 relating to technology, which were included in the acquisition balance sheet, have been eliminated as part of the fair value adjustment and superseded by the intangible assets identified above. Each value relates to the 75% of intangible assets which were acquired by the Group.

Contingent Consideration of £3,990,000 (present value of £3,668,000) has been included in the purchase price based on the forecast financial performance of the acquired business for the year to 30 September 2022. The contingent consideration amount of £3,990,000 (\$7,500,000 AUD) represents the amount payable based on the latest view of forecast financial performance, with a maximum potential amount payable of up to £9,975,000 (\$18,750,000 AUD). As at 31 December 2021, the full balance of this contingent consideration is outstanding.

Since acquisition FCB Group Pty Limited and its subsidiaries have contributed £2,974,000 in revenue, and a profit after tax of £350,000 in the financial period to 31 December 2021.

16 Stocks

	2021	2020
	£ 000	£ 000
Work in progress	338	200
Consumables	139	31
	<u>477</u>	<u>231</u>

Work in progress relates to fire safety audit reports awaiting audit. Consumables relate to fire safety and electric testing supplies, medical supplies and vaccinations.

The Directors believe that there is no material difference between the replacement value and carrying value of stocks.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

17 Debtors

	2021	2020
	£ 000	£ 000
Due within one year		
Trade debtors	10,295	5,133
Other debtors and prepayments	4,250	4,130
Accrued income	30,103	26,694
Corporation tax	-	2,110
Due after more than one year	44,648	38,067
Accrued income	4,313	3,246
	<u>48,961</u>	<u>41,313</u>

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

18 Creditors

	2021 £ 000	2020 £ 000
Due within one year		
Trade creditors	4,845	2,287
Taxation and social security	7,511	5,030
Obligations under finance leases and HP	138	-
Other creditors	450	570
Accruals and deferred income	20,816	19,183
Corporation tax	322	-
Contingent consideration	16,802	3,869
Accrued interest on bank loans	-	752
	<u>50,884</u>	<u>31,691</u>
Due after one year		
Bank loans	322,860	267,718
Capitalised facility costs (amortised)	(7,602)	(7,160)
Contingent consideration	678	5,043
Deferred income	-	148
	<u>315,936</u>	<u>265,749</u>

Within the accruals and deferred income balance are accruals totalling £496,000 (2020 £4,298,000) 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 in relation to the acquisition of NT Assure Limited of £496,000 (2020: £nil).

Deferred remuneration payments of £1,000,000 and £1,944,000, have been made in 2021 in relation to the prior year acquisitions of The Xact Group Limited and its subsidiaries and Solutionhost Group Limited and its subsidiaries respectively. A further payment of £1,750,000, not accrued at 31 December 2020, was made in 2021 in relation to the prior year acquisition of Avec Partnership Limited and is included in Note 4 of these financial statements. The balance of £1,400,000 held in escrow as at the end of 2020 in relation to deferred remuneration payments due in respect of the acquisition of Southall Associates Ltd was also released from escrow in 2021 (this was included within Other debtors and prepayments in Note 17).

Refer to note 19 for details of settled loan notes, preference shares and bank loans for the prior and current year.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

19 Loans and borrowings

Amounts falling due after more than five years:

	2021 £ 000	2020 £ 000
Loan notes and associated interest	-	263,105
Bank loans (net of deferred arrangement costs)	315,258	260,588
	<u>315,258</u>	<u>523,693</u>

An amount of £225,000,000 is outstanding in respect of the Unitranche loan with HPS and KKR Credit. This is repayable on 15 September 2027 or will be repaid in the event of a sale of the Group. Interest was charged at Margin + LIBOR in the financial year ending 31 December 2021. Going forward from 1 January 2022 interest will be charged at Margin + SONIA following the cessation of the use of LIBOR in the UK from 31 December 2021. Margin was 6.25% for the duration of the year ending 31 December 2021.

An amount of £97,766,000 is outstanding in respect of the £140,000,000 acquisition credit facility with HPS and KKR Credit. This is repayable on 15 September 2027 or will be repaid in the event of a sale of the Group. Interest is charged in line with the Unitranche loan above. There is no non-commitment fee for undrawn amounts on this facility. A drawdown of £21,700,000 was made on this facility on 31 March 2021. The ceiling of this facility was increased from £75,000,000 to £140,000,000 on 7 May 2021. Two further drawdowns were made in 2021, one for £18,248,000 (\$34,000,000 AUD) on 27 August 2021 and one for £15,100,000 on 9 September 2021.

The £35,000,000 revolving credit facility with National Westminster Bank Plc and Credit Agricole remains undrawn. The ceiling of the facility was increased from £25,000,000 to £35,000,000 on 22 March 2021. Amounts drawn are repayable on 23 April 2027 or will be repaid in the event of a sale of the Group. Interest was charged at Margin + LIBOR in the financial year ending 31 December 2021, going forward from 1 January 2022 interest will be charged at Margin + SONIA following the cessation of the use of LIBOR in the UK from 31 December 2021. A non-commitment fee set at 35% of Margin is charged for undrawn amounts on this facility. Margin was 3.00% for the duration of the year ending 31 December 2021.

An amount of £94,000 (\$171,000 AUD) is outstanding in respect of an Australian loan facility with Westpac.

20 Financial instruments

Categorisation of financial instruments

	2021 £ 000	2020 £ 000
Financial assets that are debt instruments measured at amortised cost	10,295	5,133
Financial liabilities that are measured at amortised cost	358,987	295,306

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

20 Financial instruments (continued)

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

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

21 Provision for liabilities

Deferred taxation

	2021 £ 000	2020 £ 000
At beginning of period	(14)	(63)
Credited in profit or loss	(132)	(41)
Arising on business combinations	(2,397)	118
Prior year adjustment	212	(28)
Rate adjustment	<u>(126)</u>	<u>-</u>
At end of period	<u>(2,457)</u>	<u>(14)</u>

	2021 £ 000	2020 £ 000
Difference between accumulated depreciation and amortisation and	(2,816)	(931)
Other timing differences	<u>359</u>	<u>917</u>
	<u>(2,457)</u>	<u>(14)</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 £1,861,000 (2020: £1,255,000).

Contributions totalling £361,000 (2020: £211,000) were payable to the scheme at the end of the year and are included in creditors.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

23 Share capital

Shares classified as equity

Authorised, allotted, called up and fully paid shares

	2021		2020	
	No. 000	£ 000	No. 000	£ 000
326,682,949 Ordinary shares of £1 each	326,683	326,683	326,683	326,683

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

24 Merger reserve

The merger reserve arose on the prior year group reorganisation and represents the difference in the cash paid to shareholders for the acquisition of the Citation group formerly headed by Citation Topco Limited, and the original share capital of the Citation group formerly headed by Citation Topco Limited.

25 Non-controlling interests

The non-controlling interest arose on the acquisition of FCB Group Pty Limited and its subsidiaries with 75% of the voting equity acquired on 1 October 2021. See Note 15.

26 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 8 Nominees Limited, incorporated in England.

Rocket Midco Limited

Notes to the Financial Statements for the Year Ended 31 December 2021

27 Commitments under operating leases

Operating leases

The total of future minimum lease payments is as follows:

	2021	2020
	£ 000	£ 000
Not later than one year	2,248	1,338
Later than one year and not later than five years	4,625	3,168
Later than five years	1,695	636
	<u>8,568</u>	<u>5,142</u>

28 Non adjusting events after the financial period

On 21 January 2022 a drawdown of £5,518,000 was made on the revolving credit facility.

On 28 January 2022 a drawdown of £6,888,000 (\$13,000,000 AUD) was made on the acquisition credit facility and on 1 February 2022 the Group, via Fire Bidco Australia Pty Limited, acquired Consolidated Compliance Holdings Pty Limited and its subsidiaries, a provider of ISO consultancy services. The headline price was \$12,000,000 AUD with a further \$4,000,000 AUD of deferred consideration and up to a further \$4,000,000 AUD of contingent consideration dependent on service and performance milestones with the final price subject to working capital adjustments.

On 4 March 2022 a drawdown of £6,100,000 was made on the revolving credit facility.

On 31 March 2022 the Group undertook an exercise to increase and re-price the Unitranche loan resulting in a further drawdown of £54,939,000 being made, increasing the total amount outstanding from £225,000,000 to £279,939,000, an uplift in the maximum allowed net debt:EBITDA ratio requirement to 11.00x and a reduction in the Margin rate charged. As part of this exercise the Group extended the ceiling of the acquisition credit facility by £90,061,000 from £140,000,000 to £230,061,000 on 31 March 2022 and repaid the aforementioned revolving credit facility drawdown amounts totalling £11,618,000.

On 31 March 2022 the Group, via Citation Holdings Limited, acquired 100% of the shares of UCheck Limited, a provider of criminal record bureau checking services. The initial cash purchase price was £20,970,047 with a further £4,000,000 of contingent consideration and up to a further £7,100,000 of contingent consideration both of which are dependent on service and performance milestones with the final price subject to working capital adjustments.

On 5 May 2022 the Group entered into a floating to fixed swap arrangement on a £130,000,000 portion of the Unitranche loan. The arrangement fixed the SONIA portion of the interest at 2.3232% on £70,000,000 and 2.32% on £60,000,000 effective from 31 March 2022.

On 6 June 2022 the Group, via Citation Holdings Limited, acquired 100% of the share capital of Mitigate Cyber Limited, a provider of cyber security services. The initial purchase price was £4,047,480 with up to a further £2,375,000 of contingent consideration dependent on service and performance milestones with the final price subject to working capital adjustments.