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Rocket Topco Limited

Report and Financial Statements

for the Year Ended 31 December 2022

Rocket Topco Limited

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Rocket Topco 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	2nd Floor Sir Walter Raleigh House 48-50 Esplanade Street St Helier Jersey JE2 3QB
Auditors	Ernst & Young LLP 2 St Peter's Square Manchester M2 3DF

Rocket Topco Limited

Directors' Report for the Year Ended 31 December 2022

The Directors present their report and the consolidated financial statements for the year ended 31 December 2022.

Principal activity and business review

The principal activity of the Group is the provision of tech-enabled Compliance Solutions to small and medium sized businesses as well as schools and academies in the United Kingdom. The Group also expanded internationally during 2021 and 2022 and now provides similar products in Australia and New Zealand.

Compliance Solutions include: Human Resources, Employment Law, Health and Safety, Fire Safety and Electrical Safety, ISO Certification, ISO Consultancy, SSIP Accreditation, Criminal Record Bureau Checking, eLearning, Payroll, Food Safety, Cyber Security and Occupational Health Services.

The results for the period are set out on page 21 of the financial statements.

In the year ended 31 December 2022, the Group continued to grow via new business acquisitions, with renewed business remaining strong. During the year, the Group made five acquisitions which add complementary services to the Group's product offering:

- Consolidated Compliance Holdings Pty Limited and its subsidiaries, a provider of ISO Certification and Consultancy services in Australia and New Zealand, on 1 February 2022;
- Ucheck Limited, a provider of Criminal Record Bureau Checking Services in the United Kingdom, on 31 March 2022;
- Mitigate Cyber Limited (subsequently known as Citation Cyber Limited from 31 January 2023), a provider of Cyber Security services in the United Kingdom, on 6 June 2022;
- Surefoot Solutions Limited, a provider of Food Safety, Fire Safety and Health and Safety Services in the United Kingdom, on 2 September 2022.
- Best Practice Certification Pty Limited, a provider of ISO Certification and Consultancy Services in Australia, on 6 September 2022.

The Group achieved turnover for the period of £205,174,000 (2021: £140,075,000) and recorded a loss before taxation of £119,747,000 (2021: loss of £84,859,000). Operating loss was £48,029,000 (2021: £21,458,000). Operating profit after excluding depreciation of £1,463,000 (2021: £1,366,000), amortisation of £65,970,000 (2021: £52,373,000) and intangibles impairment of £7,314,000 (2021: £690,000) was £26,718,000 (2021: £32,971,000).

Rocket Topco Limited

Directors' Report for the Year Ended 31 December 2022

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 Group is continuing with its strategy of expanding routes to market, adding additional products and services to its offering, cross selling products and services between individual businesses' customer bases and developing the next generation of IT platforms for clients.

In 2023 four further acquisitions have been made:

- Disclosure Services Ltd, a provider of Criminal Record Bureau Checking Services in the United Kingdom, on 16 January 2023;
- Common Sense Compliance Limited, a provider of Food Safety Services in the United Kingdom, on 1 February 2023;
- HRdownloads Inc., a provider of Human Resources Services in Canada, on 24 April 2023;
- Timetastic Ltd, a provider of Human Resource Services in the United Kingdom, on 19 May 2023.

On 17 April 2023, the Group, via Employment Law Advisory Services Limited, disposed of the following entities and providers of the Group's Occupational Health Services, to an independent third party: The Industrial Diagnostics Company Limited, Occupational Medicals Enterprise Ltd, Sound Advice Health & Safety Limited and ELAS Occupational Health Limited and its subsidiaries S&ASH Ltd and Health and Safety Management Consultants Limited.

See note 28 for further details.

Results and dividends

The loss for the period, after taxation, amounted to £119,548,000 (2021: £88,308,000).

The Directors do not recommend a final dividend (2021: £Nil).

Rocket Topco Limited

Directors' Report for the Year Ended 31 December 2022

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

J K I Van Gool

L P Kinsella

Board composition

Rocket Topco Limited is owned 47.1% by KKR via Rocket Aggregator LP, 47.1% by Hg Capital via HGCapital 8 Nominees Limited and 5.8% 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 Topco Limited. In addition there are two Non-Executive Directors on the Board, D Marriot, a representative of Hg Capital, and A Warby, a representative of KKR.

Details of Board

Timothy Franks - KKR Director - Partner Private Equity - London

Timothy Franks (London) joined KKR in 2017 and leads the development of KKR's activities in the UK & Ireland within the Private Equity platform, as well as the Consumer industry team in EMEA. He is also Co-CEO of KKR's global democratized private equity business. Mr. Franks serves as a member of KKR's European Private Equity Investment Committee, European Portfolio Management Committee, and Global Impact Fund Committee. He formerly looked after the longer term Core investment strategy of the firm in Europe.

Mr. Franks has been involved in KKR's investments in Accel, ERM, Citation, Wella, Coty, Roompot/Landal, Viridor, Upfield, The Hut Group, Webhelp, and Afriflora. Mr. Franks is currently Chairman of Upfield and ERM and a member of the Boards of Accel, Citation, and Wella. Mr. Franks started his private equity career in 1999 at Advent International's London office. At Advent he was involved in more than 13 transactions over a 17 year period focusing on consumer-facing companies and technology and led Advent's New York office for three years.

Prior to his private equity career, he was at Deutsche Morgan Grenfell and CS First Boston. He holds an M.A. from Cambridge University, and an M.P.P. from the John F. Kennedy School of Government, Harvard University.

Rocket Topco Limited

Directors' Report for the Year Ended 31 December 2022

Rami Bibi - KKR Director - Head of Europe Global Impact

Rami Bibi (London) joined KKR in 2014 and is the Head of Europe for KKR Global Impact, the firm's private market investing platform focused on businesses that promote solutions associated with sustainable living, climate change, lifelong learning, and inclusive economic development. He serves as a member of the Global Impact Investment Committee and Portfolio Management Committee, and co-leads KKR's ESG taskforce in Europe.

Mr. Bibi is currently on the Boards of Citation Group and ERM, the world's largest standalone environmental consulting firm. Prior to joining KKR, he worked at Morgan Stanley in London and New York. He is on the Global Steering Committee of Human Rights Watch, an international non-profit.

Mr. Bibi graduated from Tufts University with degrees in Quantitative Economics, Physics, and History.

Adam Warby- KKR Non-Executive Director - KKR Senior Advisor

Adam has over 35 years of global experience in the technology sector, starting his career at PE Consulting, then IBM followed by 10 years at Microsoft, where he held a number of strategy, sales, and general management roles. In 2000, he joined Avanade, a joint venture between Accenture and Microsoft, as a founding member and served as CEO from 2008 to 2019. During that time, he was instrumental in accelerating the company's focus on digital and cloud and the rapid growth of the company's direct business, including M&A. Under his leadership, Avanade sales tripled to more than \$3 billion, and the company expanded to cover a total of 25 countries with 38,000 employees worldwide.

Adam is currently chairman of the board of Heidrick and Struggles, a member of the board of SimCorp and SoftwareOne and chairman of the Junior Achievement Europe. He also serves as Senior Advisor to the KKR European Private Equity team and their investment portfolio management teams.

Louis Kinsella - Hg Director - Partner

Based in the London office, Louis focuses on investments in software and tech enabled services companies as a member of Hg's Mercury team.

Louis is a Board member at Prophix, Citation and Azets. His other investments include insightsoftware, Sovos, team.blue, JLA, Zenith and Kinapse.

Louis joined Hg in 2015 from Deloitte and holds a first class honours degree in Mathematics and Finance from the University of Leeds.

Joris Van Gool - Hg Director - Partner

Joris is a Partner focusing on software and tech services investments at Hg. He is also responsible for covering the Benelux region.

Joris joined Hg in 2012 and is currently a Board Director of team.blue, Ideagen, Silverfin, Septeo and Citation. His other investments at Hg include Gen II, Zenith, Parts Alliance, Raet/Visma, JLA, Kinapse and A-Plan.

Joris joined Hg from McKinsey & Company.

Joris is Belgian and holds a Masters in Commercial Engineering from the University of Leuven and an MBA from Harvard Business School. A native Dutch speaker, he speaks English, French and basic German.

Rocket Topco Limited

Directors' Report for the Year Ended 31 December 2022

Dawn Marriott - Hg Non-Executive Director - Partner

Dawn's focus centres around Hg's portfolio CEO community, driving growth, cross portfolio collaboration and operational effectiveness within the portfolio. She acts as a serial Executive Chair in Hg's business, with a particular emphasis on driving change, growth and C suite succession.

Previously Dawn headed up Hg's Portfolio team and was CEO in Hg investments Kinapse and Azets. Prior to that she was Group COO at Capita plc.

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:

Financial

EBITDA, cash, new and renewed business, sales growth, order book value and tenure, and net revenue retention.

Non-financial

Customer Service and Net Promoter Score (NPS).

Net Promoter Score is defined as the % of promoters minus % of detractors following an HR, H&S visit or Atlas training session. Whilst not quantifiable itself customer service is inherently measured by the Group's NPS score. Maintaining a high NPS score is a key facet of the Group's strategy and business model with a high score giving rise to:

- An increased likelihood of winning new business through upsell and cross sell to the existing customer base;
- An increased likelihood of maintaining the existing customer base through renewal of existing customer contracts nearing expiration.

Walker Guidelines Compliance Statement

The Board has acknowledged the need for enhanced disclosure and transparency in the financial statements under the Walker Guidelines. The Board is satisfied that basic compliance requirements have been achieved through the information included within the Directors' Report and Notes to the Financial Statements but acknowledge that this is a work in progress and additional details could be provided to achieve what is deemed Best Practice under the guidelines. In particular, it is noted additional details could be included in relation to Key Performance Indicators, Strategy and Business Model and Trends and Factors affecting Future Development, however, disclosure is limited in these areas on the basis of further information being commercially sensitive. Details regarding Net Debt & Covenants have been provided in Note 18.

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.

Rocket Topco Limited

Directors' Report for the Year Ended 31 December 2022

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 exposed to interest rate risk as a result of long-term interest bearing liabilities, of which some are subject to variable interest rates. The Group mitigates the risk by monitoring SONIA and taking out interest rate hedges where appropriate.

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 employees' 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 64,000 clients at the end of 2022 and sales predominantly being either from UK businesses to UK businesses or from Australia and New Zealand businesses to Australia and New Zealand businesses.

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Directors' Report for the Year Ended 31 December 2022

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 who undertake reviews of the Group's IT structure, systems and procedures on an ongoing basis to ensure they are fit for purpose.

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 the ongoing high inflationary environment and cost of living crisis within the UK 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 continued 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.

Environmental matters

The Group is committed to minimising the environmental impact of its activities, products and services. The Board regularly evaluates the Group's policies in order to ensure compliance with relevant environmental legislation, regulations and other environmental requirements is maintained. This includes conducting annual ESG maturity assessments and the Group has developed a plan to reach Net Zero by 2035 alongside signing up to SBTi to aid the setting of science based targets to achieve this objective. The Group has recently undertaken a Climate Risk Assessment and collected data to measure the movement in Greenhouse Gas Emissions over a 3-year period. This exercise demonstrated that as a result of initiatives in place, the Group reduced its emissions by 4%, 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 Holdings Limited and Citation Limited only.

Emissions reporting

	2022	2021
Energy Usage - MWh	159	170
Total Emissions - T CO ₂ e	294	186
Energy Intensity Ratio - T CO ₂ e per £m revenue	2	1.6

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Directors' Report for the Year Ended 31 December 2022

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 2022 of the prior year office closures and closure of one office in 2022;
- 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.

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Directors' Report for the Year Ended 31 December 2022

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 actions taken to mitigate the impact of Covid-19.

The Group participates in a centralised treasury arrangement and so shares banking arrangements with all companies in the Rocket Topco Limited Group. The Group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group restructured its funding arrangements in 2020 as part of the sale of the Group of companies formerly headed by Citation Topco Limited on 15 September 2020 with further changes to the Group's funding arrangements agreed in the prior year, the current year and post year end (as set out in notes 18 and 28), to provide the Group with additional facilities and cash headroom.

During the year the Group entered into two floating to fixed swap arrangements on a £226,000,000 portion of the unitranche loan. The first arrangement fixed the SONIA portion of the interest at 2.3232% on £70,000,000 and 2.3200% on £60,000,000 effective from 31 March 2022 for 3 years. The second arrangement fixed the SONIA portion of the interest at 4.4880% on £96,000,000 effective from 30 September 2022 for 2 years. Post year end the Group entered into an interest rate cap arrangement on a £100,000,000 portion of the unitranche loan. The arrangement capped the SONIA portion of the interest at 4.2500% effective from 31 March 2023 for 2 years. To enter into the cap arrangement an upfront fee of £1,264,000 was paid. On 9 May 2023 the Group extended the ceiling of the revolving credit facility by £15,000,000 from £35,000,000 to £50,000,000.

In assessing the going concern assumption for these financial statements, the Directors have prepared a base case cash flow and profit forecast to 30 June 2024 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% on the unhedged portion of interest charged on the Group's borrowings.

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.

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 30 June 2024.

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 2022 of £18,841,000 and a £32,000,000 undrawn revolving credit facility the Group had sufficient liquidity at the start of 2023 for the period ahead.

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Directors' Report for the Year Ended 31 December 2022

- Only interest repayments are required to be made until the maturity of the bank debt in 2027.

Capital structure

As set out in Note 18 the Group has £389,820,000 of external debt as at 31 December 2022. Preference shares totalling £335,971,000 are held by the equity shareholders and senior members of the Management team. As at 31 December 2022 there is £100,435,000 of associated accumulated interest owed.

This type of capital structure, with a mix of external and shareholder debt, has been successful in supporting the growth of the business through two private equity transactions, and in ensuring successful delivery of organic growth and merger and acquisition targets to date for the current investment cycle.

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. Throughout 2022 Group companies supported colleagues via wellbeing programmes which included support for mental wellbeing, dietary advice and financial advice. The Group continues to deliver mental health training to managers with a focus on updated tools and tips to help support colleagues. In addition to this, the Group has delivered webinars to clients regarding mental health 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.

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Directors' Report for the Year Ended 31 December 2022

Future developments

The Group is continuing with its strategy of expanding routes to market, adding additional products and services to its offering, cross selling products and services between individual businesses' customer bases and developing the next generation of IT platforms for clients.

In 2023 four further acquisitions have been made:

- Disclosure Services Ltd, a provider of Criminal Record Bureau Checking Services in the United Kingdom, on 16 January 2023;
- Common Sense Compliance Limited, a provider of Food Safety Services in the United Kingdom, on 1 February 2023;
- HRdownloads Inc., a provider of Human Resources Services in Canada, on 24 April 2023;
- Timetastic Ltd, a provider of Human Resource Services in the United Kingdom, on 19 May 2023.

On 17 April 2023, the Group, via Employment Law Advisory Services Limited, disposed of the following entities and providers of the Group's Occupational Health Services, to an independent third party: The Industrial Diagnostics Company Limited, Occupational Medicals Enterprise Ltd, Sound Advice Health & Safety Limited and ELAS Occupational Health Limited and its subsidiaries S&ASH Ltd and Health and Safety Management Consultants Limited.

See note 28 for further details.

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 last time the Group entered. The Group measures employee engagement using the robust measure of the Gallup Q12 and has maintained its position 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 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. The Group continues to run the Sales Academy and Leadership Development Programme launched in the prior year alongside mandatory training schemes for Fire Marshals and Mental Health First Aiders. In addition, a number of colleagues have undertaken apprenticeship schemes with us. The Group continues to run a communication application launched in 2021 across all businesses to further support communication and involvement.

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Directors' Report for the Year Ended 31 December 2022

Gender diversity

The Group strives to encourage and has seen the benefits of having a diverse and inclusive workforce. Whilst gender is just one facet of the Group's diversity and inclusion plan it takes a continuous improvement approach and has seen improvements each year, including but not limited to an increase in the number of females within the Group's upper pay quartiles and the number of females working within traditionally male professions such as H&S Consultants and Technology. In 2022 the Group launched a Steering Group to help the Group build an action plan to develop women in leadership and the aims of which are to unleash potential and to ensure the Group continues to have future high performing female senior leaders, to create more high performing females in commercial roles, and to continue to educate all colleagues with regard to diversity and conclusion. As a direct output of the Steering Group a Group-wide Women in Leadership programme has been launched, with 26 women starting to train towards an Institute of Leadership and Management qualification, with further intakes planned for the future. The table below outlines the gender diversity of the Group as at 31 December 2022. The Directors figure comprises the statutory directors of the companies within the Group headed by Rocket Topco Limited and the Senior Managers figure comprises the direct reports of the Group Chief Executive Officer (C P Morris).

	Total	Male		Female	
	Number	Number	%	Number	%
Directors	23	13	57%	10	43%
Senior managers	6	2	33%	4	67%
All others	1,886	886	47%	1,000	53%
Total	1,915	901	47%	1,014	53%

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 Topco Limited

Directors' Report for the Year Ended 31 December 2022

Post Balance Sheet Events

On 3 January 2023 a drawdown of £9,750,000 was made on the acquisition credit facility.

On 16 January 2023 the Group, via Ucheck Limited, acquired Disclosure Services Ltd, a provider of Criminal Record Bureau Checking Services. The initial cash purchase price was £7,792,000 with no further amounts payable due in respect of this acquisition.

On 1 February 2023 the Group, via Food Alert Limited, acquired Common Sense Compliance Limited, a provider of Food Safety Services. The initial cash purchase price was £2,012,000 with up to a further £500,000 of contingent consideration dependent on service and performance milestones.

On 16 March 2023 the Group entered into an interest rate cap arrangement on a £100,000,000 portion of the unitranche loan. The arrangement capped the SONIA portion of the interest at 4.2500% effective from 31 March 2023 for 2 years. To enter into the arrangement an upfront fee of £1,264,000 was paid.

On 31 March 2023 a drawdown of £5,500,000 was made on the acquisition credit facility.

On 17 April 2023 the Group, via Employment Law Advisory Services Limited, disposed of the following entities and providers of the Group's Occupational Health Services, to an independent third party: The Industrial Diagnostics Company Limited, Occupational Medicals Enterprise Ltd, Sound Advice Health & Safety Limited and ELAS Occupational Health Limited and its subsidiaries S&ASH Ltd and Health and Safety Management Consultants Limited. The total purchase price was £9,585,000 split by an initial cash consideration of £4,725,000 less costs to sell of £302,000 and £4,859,000 in relation to a vendor loan note issued to the purchaser. The vendor loan note carries an interest rate of 7% for the first 12 months and 8% thereafter, with an additional exit fee due at redemption or repayment, and is repayable in full by the purchaser on the maturity date of 17 April 2025.

On 18 April 2023 a drawdown of £50,000,000 was made on the acquisition credit facility.

On 24 April 2023 the Group, via Rocket Topco Limited, raised £40,703,000 via the issue of 30,467,538 preference shares. Each share has a par value of £1.34, equal to the par value of the existing preference shares in issue at the time of the new issue, and carries a dividend of 12% per annum. In addition the Group, via Rocket Topco Limited, raised £11,575,000 via the issue of 77,081 ordinary shares with aggregate nominal value of £77,000.

On 24 April 2023 the Group, via Citation Hero Limited, acquired 100% of the shares of HRdownloads Inc., a provider of Human Resources Services in Canada. The initial cash purchase price was CAD\$157,205,000.

On 2 May 2023 a drawdown of £7,500,000 was made on the acquisition credit facility.

On 9 May 2023 the Group extended the ceiling of the revolving credit facility by £15,000,000 from £35,000,000 to £50,000,000.

On 19 May 2023, a drawdown of £12,850,000 was made on the acquisition credit facility.

On 19 May 2023, the Group, via Citation Holdings Limited, acquired Timetastic Ltd, a provider of Human Resource Services. The initial cash purchase price was £15,111,000 with a further £5,500,000 of contingent consideration dependent on service and performance milestones.

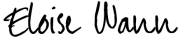
Rocket Topco Limited

Directors' Report for the Year Ended 31 December 2022

Reappointment of auditors

The auditor, Ernst & Young LLP was appointed in the year and will be proposed for reappointment in accordance with the Companies (Jersey) Law 1991, having indicated their willingness to continue in office.

Approved and authorised by the Board on 26 May 2023 and signed on its behalf by:

DocuSigned by:

58D77D6B3EA044F.....
E Wann
Director

Rocket Topco Limited

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations. Jersey Company law requires the Directors to prepare financial statements for each financial period in accordance with generally accepted accounting principles. Therefore, the Directors have decided to adopt FRS 102: The Financial Reporting Standard applicable in the UK and Republic of Ireland.

The financial statements of the Company are required by law to give a true and fair view of the state of affairs of the Company at the period end and of the profit or loss of the Company for the period then ended.

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;
- specify which generally accepted accounting principles have been adopted in their preparation; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Rocket Topco Limited

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

Opinion

We have audited the financial statements of Rocket Topco Limited and its subsidiaries (the “group”) for the year ended 31 December 2022 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes 1 to 29, 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”.

In our opinion, the financial statements:

- give a true and fair view of the state of the group’s affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Accounting Standards including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”; and
- have been properly prepared in accordance with the requirements of the Companies (Jersey) Law 1991.

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, including the UK 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’s ability to continue as a going concern for the period to 30 June 2024.

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.

Rocket Topco Limited

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

Other information

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

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to 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.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies (Jersey) Law 1991 requires us to report to you if, in our opinion:

- proper accounting records have not been kept by the company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the company's accounting records and returns; 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 16, 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 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 company or to cease operations, or have no realistic alternative but to do so.

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.

Rocket Topco Limited

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

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 company and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the group and determined that the most significant are those that relate to the reporting framework (FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland”, and the Companies (Jersey) Law 1991) 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 Topco 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 and considered the design of controls at the financial statement level, to prevent this, as well as incorporating data analytics in our audit approach.
- Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved review of the minutes of board meetings , direct enquiry of management and those charged with governance, journal entry testing, with a focus on journals meeting our defined risk criteria based on our understanding of the business. In addition, we completed procedures to conclude on the compliance of the disclosures in the Annual Report and Accounts with the requirements of the relevant accounting standards and legislation.

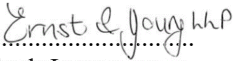
A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor’s report.

Rocket Topco Limited

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

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law 1991. 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
for and on behalf of Ernst & Young LLP
Manchester

Date:.....

Rocket Topco Limited

Consolidated Statement of Comprehensive Income for the Year Ended 31 December 2022

	Note	2022 £ 000	As restated 2021 ¹ £ 000
Turnover	3	205,174	140,075
Cost of sales		<u>(68,283)</u>	<u>(41,697)</u>
Gross profit		136,891	98,378
Administrative expenses		(184,920)	(120,292)
Other operating income	4	<u>-</u>	<u>456</u>
Operating loss	4	(48,029)	(21,458)
Other interest receivable and similar income	8	1	3
Interest payable and similar expenses	9	<u>(71,719)</u>	<u>(63,404)</u>
Loss before tax		(119,747)	(84,859)
Tax credit/(charge) on loss	10	<u>199</u>	<u>(3,449)</u>
Loss for the financial year		<u><u>(119,548)</u></u>	<u><u>(88,308)</u></u>
Loss attributable to:			
Owners of the company		(120,195)	(88,318)
Minority interests		<u>647</u>	<u>10</u>
		<u><u>(119,548)</u></u>	<u><u>(88,308)</u></u>
		2022 £ 000	2021 £ 000
Loss for the year		(119,548)	(88,308)
Foreign currency translation losses		<u>(7)</u>	<u>(9)</u>
Total comprehensive income for the year		<u><u>(119,555)</u></u>	<u><u>(88,317)</u></u>
Total comprehensive income attributable to:			
Owners of the company		(120,202)	(88,327)
Minority interests		<u>647</u>	<u>10</u>
		<u><u>(119,555)</u></u>	<u><u>(88,317)</u></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.

¹Comparatives have been restated as explained in Note 29 to the financial statements.

The notes on pages 27 to 65 form an integral part of these financial statements.

Rocket Topco Limited

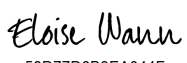
(Registration number: FC038851)

Consolidated Statement of Financial Position as at 31 December 2022

		2022 £ 000	As restated 2021 ¹ £ 000
Fixed assets			
Intangible assets	11	177,363	181,076
Tangible assets	12	<u>4,625</u>	<u>3,164</u>
		<u>181,988</u>	<u>184,240</u>
Current assets			
Stocks	15	132	477
Cash at bank and in hand		18,841	14,011
Debtors: Amounts falling due within one year	16	54,336	44,648
Debtors: Amounts falling due after more than one year	16	<u>10,478</u>	<u>4,313</u>
		83,787	63,449
Creditors: Amounts falling due within one year	17	<u>(63,913)</u>	<u>(47,927)</u>
Net current assets		<u>19,874</u>	<u>15,522</u>
Total assets less current liabilities		201,862	199,762
Creditors: Amounts falling due after more than one year	17	(827,422)	(705,584)
Provisions for liabilities	20	<u>(2,532)</u>	<u>(2,457)</u>
Net liabilities		<u>(628,092)</u>	<u>(508,279)</u>
Capital and reserves			
Called up share capital	22	1,000	1,000
Own shares held by EBT		(27)	(23)
Merger reserve	23	(184,446)	(184,446)
Profit and loss account		<u>(445,849)</u>	<u>(325,647)</u>
Equity attributable to owners of the company		(629,322)	(509,116)
Non-controlling interests		<u>1,230</u>	<u>837</u>
Shareholders' deficit		<u>(628,092)</u>	<u>(508,279)</u>

¹Comparatives have been restated as explained in Note 29 to the financial statements.

Approved and authorised by the Board on 26 May 2023 and signed on its behalf by:

DocuSigned by:

58D77D6B3EA044F.....
 E Wann
 Director

The notes on pages 27 to 65 form an integral part of these financial statements.

Rocket Topco Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 Equity attributable to the parent company

	Share capital £ 000	Own shares held by EBT £ 000	Merger reserve £ 000	Profit and loss account £ 000	Non- controlling interests £ 000	Total equity £ 000
At 1 January 2022	1,000	(23)	(184,446)	(325,647)	837	(508,279)
(Loss)/profit for the year	-	-	-	(120,195)	647	(119,548)
Other comprehensive income	-	-	-	(7)	-	(7)
Total comprehensive income	-	-	-	(120,202)	647	(119,555)
Purchase of own share capital	-	(4)	-	-	-	(4)
Increase in ownership interests in subsidiaries	-	-	-	-	(254)	(254)
At 31 December 2022	<u>1,000</u>	<u>(27)</u>	<u>(184,446)</u>	<u>(445,849)</u>	<u>1,230</u>	<u>(628,092)</u>

The notes on pages 27 to 65 form an integral part of these financial statements.

Rocket Topco Limited

Consolidated Statement of Changes in Equity for the Year Ended 31 December 2022 Equity attributable to the parent company

	Share capital (As restated) ² £ 000	Own shared held by EBT (As restated) ² £ 000	Merger reserve £ 000	Profit and loss account (As restated) ¹ £ 000	Non- controlling interests £ 000	Total Equity £ 000
At 1 January 2021	1,000	(23)	(184,446)	(237,320)	-	(420,789)
(Loss)/profit for the year	-	-	-	(88,318)	10	(88,308)
Other comprehensive income	-	-	-	(9)	-	(9)
Total comprehensive loss	-	-	-	(88,327)	10	(88,317)
Increase in ownership interests in subsidiaries	-	-	-	-	827	827
Total transactions with owners	-	-	-	(88,327)	837	(87,490)
At 31 December 2021	<u>1,000</u>	<u>(23)</u>	<u>(184,446)</u>	<u>(325,647)</u>	<u>837</u>	<u>(508,279)</u>

¹Comparatives have been restated as explained in Note 29 to the financial statements.

²Restated for shares held by EBT

The notes on pages 27 to 65 form an integral part of these financial statements.

Rocket Topco Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	2022	As restated
	£ 000	2021¹
		£ 000
Cash flows from operating activities		
Loss before tax	(119,747)	(84,859)
Adjustments for:		
Loss on disposal of tangible assets	-	45
Depreciation of tangible assets	1,463	1,366
Amortisation of intangible assets	65,970	52,373
Impairment loss on intangible assets	7,314	690
Financial income	(1)	(3)
Gain on movement in fair value of interest rate swaps	(5,640)	-
Financial expenses	29,663	21,656
Increase in accumulated preference share interest	46,757	41,748
Foreign exchange loss	939	(9)
Deferred remuneration expense	13,005	3,271
	39,723	36,278
Decrease/(increase) in stocks	345	(188)
Increase in debtors	(3,615)	(4,867)
Increase in creditors/provisions	11,268	9,301
	47,721	40,524
Cash generated from operations		
Interest received	1	3
Interest paid	(27,339)	(20,018)
Tax paid	(3,216)	(2,618)
Deferred remuneration paid	(10,288)	(7,571)
	6,879	10,320
Net cash generated from operating activities		
Cash flows from investing activities		
Purchase of tangible assets	(2,579)	(1,259)
Purchase of intangible assets	(7,933)	(5,975)
Proceeds from sale of assets	649	-
Acquisition of businesses	(53,560)	(58,202)
Acquired cash of new subsidiaries	2,540	4,499
Contingent consideration payments	(13,251)	(3,932)
	(74,134)	(64,869)
Net cash flows from investing activities		
Cash flows from financing activities		
Capital element of finance lease	(51)	(66)
Net issue of new loans	73,913	55,048
Debt refinancing and issue costs	(1,773)	(1,672)
Purchase of share capital	(4)	-
	72,085	53,310
Net cash flows from financing activities		
Net increase/(decrease) in cash and cash equivalents	4,830	(1,239)

The notes on pages 27 to 65 form an integral part of these financial statements.

Rocket Topco Limited

Consolidated Statement of Cash Flows for the Year Ended 31 December 2022

	2022	As restated
	£ 000	2021¹
		£ 000
Cash flows from operating activities		
Cash and cash equivalents at 1 January	14,011	15,250
Cash and cash equivalents at 31 December	18,841	14,011

¹Comparatives have been restated as explained in Note 29 to the financial statements.

The notes on pages 27 to 65 form an integral part of these financial statements.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

1 General information

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

The address of its registered office is:

2nd Floor

Sir Walter Raleigh House

48-50 Esplanade Street

St Helier

Jersey

JE2 3QB

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 (Jersey) Law 1991.

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

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.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

2.3 Basis of consolidation

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

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the 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 Employment Law Advisory Services Limited and its subsidiaries, NT Assure Limited and FCB Group Pty Limited and its subsidiaries have been included in the consolidated 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:

- 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.

In the current year Consolidated Compliance Holdings Pty Limited and its subsidiaries, Ucheck Limited, Mitigate Cyber Limited (subsequently known as Citation Cyber Limited from 31 January 2023), Surefoot Solutions Limited and Best Practice Certification Pty Limited have been included:

- Consolidated Compliance Holdings Pty Limited and its subsidiaries for the 11 month period from its acquisition on 1 February 2022;
- Ucheck Limited for the 9 month period from its acquisition on 31 March 2022;
- Mitigate Cyber Limited (subsequently known as Citation Cyber Limited from 31 January 2023) for the 7 month period from its acquisition on 6 June 2022;
- Surefoot Solutions Limited for the 4 month period from its acquisition on 2 September 2022; and
- Best Practice Pty Limited for the 4 month period from its acquisition on 6 September 2022.

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

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

2.4 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 actions taken to mitigate the impact of Covid-19.

The Group participates in a centralised treasury arrangement and so shares banking arrangements with all companies in the Rocket Topco Limited Group. The Group closely monitors its funding position throughout the year including monitoring continued compliance with covenants and available facilities to ensure it has sufficient headroom to fund operations. The Group restructured its funding arrangements in 2020 as part of the sale of the Group of companies formerly headed by Citation Topco Limited on 15 September 2020 with further changes to the Group's funding arrangements agreed in the prior year, the current year and post year end (as set out in notes 18 and 28), to provide the Group with additional facilities and cash headroom.

During the year the Group entered into two floating to fixed swap arrangements on a £226,000,000 portion of the unitranche loan. The first arrangement fixed the SONIA portion of the interest at 2.3232% on £70,000,000 and 2.3200% on £60,000,000 effective from 31 March 2022 for 3 years. The second arrangement fixed the SONIA portion of the interest at 4.4880% on £96,000,000 effective from 30 September 2022 for 2 years. Post year end the Group entered into an interest rate cap arrangement on a £100,000,000 portion of the unitranche loan. The arrangement capped the SONIA portion of the interest at 4.2500% effective from 31 March 2023 for 2 years. To enter into the cap arrangement an upfront fee of £1,264,000 was paid. On 9 May 2023 the Group extended the ceiling of the revolving credit facility by £15,000,000 from £35,000,000 to £50,000,000.

In assessing the going concern assumption for these financial statements, the Directors have prepared a base case cash flow and profit forecast to 30 June 2024 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% on the unhedged portion of interest charged on the Group's borrowings.

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.

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 30 June 2024.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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 2022 of £18,841,000 and a £32,000,000 undrawn revolving credit facility the Group had sufficient liquidity at the start of 2023 for the period ahead.
- Only interest repayments are required to be made until the maturity of the bank debt in 2027.

2.5 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 2022 the estimate used is based on the April 2020 to December 2022 period.

2.6 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 Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

2.7 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 14 for details.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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, technology, brands or customer contracts. 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.

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

2.8 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	over the life of the lease
Motor vehicles	3 to 4 years
Fixtures and fittings	3 to 5 years
Office equipment and computers	3 to 5 years

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

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.

2.9 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 11.

2.10 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.

2.11 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.

2.12 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 Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

2.13 Financial instruments

The Group typically 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. The Group entered into derivatives, being two interest rate swaps, during the course of 2022.

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 at the reporting date. 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.

2.14 Trade 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.

2.15 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 Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

2.16 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.

2.17 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.

2.18 Interest income

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

2.19 Borrowing costs

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

2.20 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation and it is probable that it 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.

2.21 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 Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

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.

2.22 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.

2.23 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 Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

2.24 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 previous year represent government grants of a revenue nature and have been accounted for accordingly in other operating income.

2.25 Preference shares

The preference shares are redeemable on exit and accrue dividends annually at a 12% coupon rate. As a consequence the preference shares meet the definition of a debt instrument and have been disclosed as debt on the balance sheet.

2.26 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.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rate on the date when the fair value is re-measured.

Non-monetary items measured in terms of historical cost in a foreign currency are not retranslated.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

2 Accounting policies (continued)

2.27 Dividends

Equity dividends are recognized when approved by the shareholders at a board meeting. Subject to the Shareholders' Agreement, the members may by ordinary resolution declare dividends, and the directors may decide to pay interim dividends or any other distributions in accordance with the Companies Law. The directors may pay at intervals any dividend payable at a fixed rate if it appears to them that the profits of the company justify the payment. A dividend must not be declared unless the directors have made a recommendation as to its amount and must not exceed the amount recommended by the directors.

Dividends on preference shares recognised as liabilities are recognised as expenses and classified within finance costs.

3 Analysis of turnover

Turnover is analysed as follows.

	2022	2021
	£ 000	£ 000
Rendering of services, UK	187,589	137,101
Rendering of services, Australia and New Zealand	17,585	2,974
	<u>205,174</u>	<u>140,075</u>

4 Operating loss

Arrived at after charging/(crediting)

	2022	As restated
	£ 000	2021¹
		£ 000
Amortisation of intangible assets, including goodwill (see note 11)	65,970	52,373
Intangibles impairment (see note 11)	7,314	690
Depreciation of tangible fixed assets (see note 12)	1,463	1,366
(Profit) on disposal of tangible fixed assets	-	(45)
Foreign exchange losses	34	7
Operating lease rentals (buildings)	2,065	1,533
Operating lease expense - plant and machinery	9	2
Operating lease expense - other	217	195
Defined contribution pension cost (see note 21)	3,445	1,861
Deferred remuneration	13,005	2,246
Other operating income	<u>-</u>	<u>(456)</u>

¹Comparatives have been restated as explained in Note 29 to the financial statements.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

4 Operating loss (continued)

Within operating loss are amounts totalling £13,005,000 (2021: £2,246,000) relating to deferred remuneration payments as charged in the current year being: an amount of £565,000 relating to the current year acquisition of Consolidated Compliance Holdings Pty Limited, an amount of £2,942,000 relating to the current year acquisition of uCheck Limited, an amount of £1,167,000 relating to the current year acquisition of Citation Cyber Limited, an amount of £374,000 relating to the current year acquisition of Best Practice Certification Pty Ltd, an amount of £1,744,000 relating to the prior year acquisition of NT Assure Limited and £6,214,000 relating to the prior year acquisition of FCB Holdings Pty Limited and as included within Notes 14 and 17 of these financial statements where applicable.

Also included are amounts totalling £Nil (2021: £456,000) in relation to other operating income which relates to government grants for furlough; and amounts totalling £7,314,000 (2021: £690,000) in relation to the impairment of intangible assets, which in the current year relates to the impairment of Goodwill in relation to the prior year acquisition of Employment Law Advisory Services Limited and its subsidiaries (see Note 11 for details), and which in the prior year related to the impairment of previously capitalised spend following a change in strategy regarding a client-facing service system in Education Personnel Management Limited.

5 Auditors' remuneration

	2022	2021
	£ 000	£ 000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	557	434
	557	434
	557	434

6 Employees

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

	2022	2021
	£ 000	£ 000
Wages and salaries	82,831	60,130
Social security costs	7,883	6,467
Pension costs, defined contribution scheme	3,445	1,861
	94,159	68,458
	94,159	68,458

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

	2022	2021
	No.	No.
Sales	459	344
Consultants	894	705
Administration	562	482
	1,915	1,531
	1,915	1,531

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

7 Directors' remuneration

	2022	2021
	£ 000	£ 000
Remuneration for services to the Group	2,906	3,185
Company pension contributions to defined contribution schemes	183	173
	3,089	3,358

During the year retirement benefits were accruing to 27 Directors (2021: 27) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £365,000 (2021: £557,000) with £1,000 (2021: £22,000) company pension contributions to defined contribution schemes.

8 Interest receivable

	2022	2021
	£ 000	£ 000
Interest income on bank deposits	1	3

9 Finance costs

	2022	2021
	£ 000	£ 000
Bank interest payable	27,475	19,266
Preference share interest payable	46,758	41,748
Amortisation of capitalised facility costs	1,576	1,231
Foreign exchange loss on retranslation of AUD loan	938	156
Gain on movement in fair value of interest rate swaps	(5,640)	-
Deferred consideration discounting unwind	612	1,003
	71,719	63,404

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

10 Taxation

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

	2022	2021
	£ 000	£ 000
Corporation tax		
Current tax charge for the year	1,091	1,388
Tax (credit)/charge related to prior year	(285)	2,015
	<u>806</u>	<u>3,403</u>
Deferred tax		
Current tax (credit)/charge for the year	(1,184)	132
Tax charge/(credit) related to prior year	179	(212)
Tax rate adjustment	-	126
	<u>(1,005)</u>	<u>46</u>
Taxation (credit)/charge on loss	<u>(199)</u>	<u>3,449</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 (2021 - higher than the standard rate of corporation tax in the UK) of 19% (2021 - 19%).

The differences are explained below:

	2022	2021
	£ 000	£ 000
Loss before tax	<u>(119,747)</u>	<u>(84,859)</u>
Loss multiplied by standard rate of corporation tax of 19% (2021: 19%)	(22,752)	(16,123)
Utilisation of brought forward losses	1,284	59
Difference in overseas tax rate	391	67
UK deferred tax (credit)/expense relating to changes in tax rates or laws	(106)	126
Adjustments in respect of prior years	-	1,804
Permanent differences	<u>20,984</u>	<u>17,516</u>
Total tax (credit)/charge	<u>(199)</u>	<u>3,449</u>

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

10 Taxation (continued)

At the 31 December 2022, the Group had £8,248,000 (2021: £3,428,000) of unrecognised tax losses carried forward and £17,905,000 (2021: £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 24 May 2021. Since the rate increase was substantively enacted at the balance sheet date, deferred tax has been provided at a blended rate of 19% and 25%, or 25%, as appropriate, based on the company's best estimate of the timing of the unwind of existing temporary differences.

Within the Group each of Rocket Topco Limited, Citation Topco Limited, Citation Midco Limited, Citation PIKco Limited, Citation Holdco Limited 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, FCB Smart Visa Solutions Pty Limited, enableHR Pty Limited, HR Assured Pty Limited Consolidated Compliance Holdings Pty Limited, QMSCS Pty Limited and Best Practice Certification Pty Limited are incorporated in Australia. enableHR Pty Limited New Zealand and HR Assured Pty Limited 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 13 of these financial statements, are UK incorporated and therefore subject to UK tax as default.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 Intangible assets

Group	Software Development £ 000	Goodwill (As restated) ¹ £ 000	Technology £ 000	Customer Contracts £ 000	Brands £ 000	Total £ 000
Cost or valuation						
At 1 January 2022	21,710	359,529	4,282	4,515	1,613	391,649
Additions	7,933	57,841	-	-	-	65,774
Disposals	(134)	-	-	-	-	(134)
Acquired on business combinations	-	-	2,274	746	825	3,845
At 31 December 2022	<u>29,509</u>	<u>417,370</u>	<u>6,556</u>	<u>5,261</u>	<u>2,438</u>	<u>461,134</u>
Amortisation						
At 1 January 2022	13,818	195,200	321	801	433	210,573
Charge for the year	5,186	56,708	993	1,805	1,278	65,970
Amortisation eliminated on disposals	(86)	-	-	-	-	(86)
Impairment	-	7,314	-	-	-	7,314
At 31 December 2022	<u>18,918</u>	<u>259,222</u>	<u>1,314</u>	<u>2,606</u>	<u>1,711</u>	<u>283,771</u>
Net book value						
At 31 December 2022	<u>10,591</u>	<u>158,148</u>	<u>5,242</u>	<u>2,655</u>	<u>727</u>	<u>177,363</u>
At 31 December 2021	<u>7,892</u>	<u>164,329</u>	<u>3,961</u>	<u>3,714</u>	<u>1,180</u>	<u>181,076</u>

¹Comparatives have been restated as explained in Note 29 to the financial statements.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

11 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 2.9.

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 2022 to 2027 averages 15.6% per annum, a discount rate of 9.83% 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 16%, 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 £7,314,000 in relation to the Goodwill in relation to the Group's acquisition of Employment Law Advisory Services and its subsidiaries on 31 March 2021. Post acquisition the Group has performed an exercise to migrate non-Occupational Health Services into the Citation Limited and Food Alert entities. Subsequently, on 17 April 2023, and as detailed in Note 28, the remaining trade in relation to the Group's Occupational Health Services has been disposed of to an independent third party. As such the Group has impaired the remaining Goodwill in relation to the original acquisition of Employment Law Advisory Services and its subsidiaries to align the carrying value as at December 2022 with the final sale price less costs to sell of £9,456,000.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

12 Tangible assets

Group

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Office equipment £ 000	Motor vehicles £ 000	Total £ 000
Cost or valuation					
At 1 January 2022	964	1,111	1,792	924	4,791
Additions	349	257	1,599	375	2,580
Acquired through business combinations	841	-	105	-	946
Disposals	-	(78)	(718)	(374)	(1,170)
At 31 December 2022	<u>2,154</u>	<u>1,290</u>	<u>2,778</u>	<u>925</u>	<u>7,147</u>
Depreciation					
At 1 January 2022	162	507	656	302	1,627
Charge for the year	123	211	763	366	1,463
Eliminated on disposal	-	-	(381)	(187)	(568)
At 31 December 2022	<u>285</u>	<u>718</u>	<u>1,038</u>	<u>481</u>	<u>2,522</u>
Carrying amount					
At 31 December 2022	<u><u>1,869</u></u>	<u><u>572</u></u>	<u><u>1,740</u></u>	<u><u>444</u></u>	<u><u>4,625</u></u>
At 31 December 2021	<u><u>802</u></u>	<u><u>604</u></u>	<u><u>1,136</u></u>	<u><u>622</u></u>	<u><u>3,164</u></u>

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Investments

Details of undertakings

The following are subsidiary undertakings of Rocket Topco Limited:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Rocket Midco Limited	England and Wales*****	Ordinary shares	100%	Holding company
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
Citation ISO Certification Limited (Formerly known as 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

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Investments (continued)

Safety Management Advisory Services Limited*	England and Wales***	Ordinary shares	100%	SSIP accreditation
BCAS Consulting Limited*	England and Wales***	Ordinary shares	100%	Dormant
Citation (NBS) Limited*	England and Wales***	Ordinary shares	100%	Dormant
Citation Fire and Electrical Limited*	England & Wales***	Ordinary shares	100%	Fire Safety services
P&R Services (Southampton)*	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	100%	Dormant
iHASCO Ltd*	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

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Investments (continued)

Sound Advice Health & Safety Limited*	England & Wales ***	Ordinary shares	100%	Dormant
Support, Training & Services Limited*	England & Wales ***	Ordinary shares	100%	Food Accreditation Services
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 Pty 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
Consolidated Compliance Holdings Pty Limited*	Australia*****	Ordinary shares	75%	Holding Company
QMSCS Pty Limited*	Australia*****	Ordinary shares	75%	Provision of ISO Consultancy
QMS Certification Services International Pte Ltd*	Singapore*****	Ordinary shares	75%	Provision of ISO Consultancy
uCheck Limited*	England & Wales***	Ordinary shares	100%	Provision of Criminal Record Bureau Checking Services
Citation Cyber Limited (Formerly known as Mitigate Cyber Limited)*	England & Wales***	Ordinary shares	100%	Provision of Cyber Security Services

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

13 Investments (continued)

Surefoot Solutions Limited*	England & Wales***	Ordinary shares	100%	Food Safety Services
Best Practice Certification Pty Limited*	Australia*****	Ordinary shares	75%	Provision of ISO Consultancy

* 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

***** registered at OUE Downtown, 6 Shenton Way, #38-01, Postal 068809

The Group has made the following acquisitions in the period 1 January 2022 to 31 December 2022:

On 1 February 2022 the Group, via FCB Holdings Pty Limited, acquired 75% of the shares of Consolidated Compliance Holdings Pty Limited and its subsidiaries QMSCS Pty Limited, QMS Certification Services International Pte Ltd and QMS Certification Services America LLC.

On 31 March 2022 the Group, via Citation Holdings Limited, acquired 100% of the shares of Ucheck Limited.

On 6 June 2022 the Group, via Citation Holdings Limited, acquired 100% of the shares of Mitigate Cyber Limited (subsequently known as Citation Cyber Limited from 31 January 2023).

On 2 September 2022 the Group, via Food Alert Limited, acquired 100% of the shares of Surefoot Solutions Limited.

On 6 September 2022 the Group, via FCB Holdings Pty Limited, acquired 75% of the shares of Best Practice Certification Pty Limited.

On 30 September 2022 the following Group entities entered into voluntary liquidation proceedings: Citation PIKco Limited, Citation Holdco Limited, Citation Bidco Limited, Caesar Topco Limited, Caesar Midco Limited, Caesar Bidco Limited, BCAS Consulting Limited, Citation (NBS) Limited, P. & R. Services (Southampton) Limited and Xact Consulting Limited.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Group acquisitions

QMSCS Pty Limited

	2022 Book value	2022 Fair value adjustments	2022 Fair value to Group
	£ 000	£ 000	£ 000
Tangible assets	34	-	34
Intangible assets	-	175	175
Debtors	256	-	256
Cash	373	-	373
Creditors	(238)	-	(238)
Provisions	-	(52)	(52)
Net Assets	425	123	548
Purchase consideration			6,632
Costs associated with acquisition			501
Contingent and deferred consideration			1,825
			8,958
Non-controlling interest			137
Net assets acquired			(548)
Goodwill arising on acquisition			8,547

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Group acquisitions (continued)

On 1 February 2022, the Group via FCB Holdings Pty Ltd, acquired Consolidated Compliance Holdings Pty Limited and its subsidiaries: QMSCS Pty Limited, QMS Certification Services International Pte Ltd and QMS Certification Services America LLC.

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

Intangible assets from customer contracts were identified at the acquisition and have been recognised as a fair value adjustment of £175,000 with an average useful life of 3 years.

A fair value adjustment of £52,000 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.

As at 31 December 2022, a contingent consideration balance of £1,060,000 (\$2,000,000 AUD, present value of £1,037,000) was outstanding, due to be paid in April 2023. An additional contingent consideration balance of £1,060,000 (\$2,000,000 AUD, present value of £952,000) was outstanding, due to be paid in March 2024.

Deferred remuneration of £416,000 (\$700,000 AUD) was paid in March 2023 for which an accrual of £320,000 has been recognised at 31 December 2022. Additional deferred remuneration, dependent of achieving earnout targets, of £648,000 (\$1,223,000 AUD) has been recognised as an accrual for £244,000 at 31 December 2022.

Revenue and profit after tax since date of acquisition amounted to £3,033,000 and £520,000 respectively.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Group acquisitions (continued)

uCheck Limited

	2022 Book value	2022 Fair value adjustments	2022 Fair value to Group
	£ 000	£ 000	£ 000
Tangible assets	892	-	892
Investments BV	18	-	18
Intangible assets	-	2,670	2,670
Debtors	6,335	-	6,335
Cash	1,318	-	1,318
Creditors	(4,101)	(225)	(4,326)
Provisions	(42)	(668)	(710)
Net Assets	<u>4,420</u>	<u>1,777</u>	<u>6,197</u>
Purchase consideration			27,365
Costs associated with acquisition			276
Contingent consideration			<u>8,360</u>
			36,001
Net assets acquired			(6,197)
Goodwill arising on acquisition			<u><u>29,804</u></u>

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Group acquisitions (continued)

On 31 March 2022 the Group, via Citation Holdings Limited, acquired uCheck Limited.

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

Intangible assets from contractual or other legal rights in relation to internally generated software 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:

- £1,845,000 in relation to technology with a useful life of 6 years
- £825,000 in relation to brands with a useful life of 5 years

An adjustment of £225,000 was made to the brought forward tax provision to true up the tax computation at acquisition date. A further fair value adjustment of £668,000 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 £7,100,000 (present value of £6,943,000) has been included in the purchase price based on the forecast financial performance of the acquired business for the year to 31 March 2023. As at 31 December 2022, this contingent consideration is outstanding. An additional £2,000,000 of contingent consideration (present value of £1,956,000) was included in the purchase price and paid in April 2023, which was dependent on the seller not breaching restrictive covenants before the consideration date.

Deferred remuneration of £2,000,000 was paid in April 2023 for which an accrual of £1,471,000 has been recognised in accruals at 31 December 2022. Additional deferred remuneration, dependent on achieving integration targets, of £2,000,000 has been recognised as an accrual for £1,471,000 at 31 December 2022.

Revenue and profit after tax since date of acquisition amounted to £25,633,000 and £3,140,000 respectively.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Group acquisitions (continued)

Mitigate Cyber Limited

	2022 Book value	2022 Fair value adjustments	2022 Fair value to Group
	£ 000	£ 000	£ 000
Tangible assets	13	-	13
Intangible assets	279	93	372
Debtors	419	-	419
Cash	168	-	168
Creditors	(503)	(24)	(527)
Provisions	-	(23)	(23)
Net Assets	376	46	422
Purchase consideration			4,047
Costs associated with acquisition			219
			4,266
Net assets acquired			(422)
Goodwill arising on acquisition			3,844

On 6 June 2022 the Group, via Citation Holdings Limited acquired Mitigate Cyber Limited (subsequently known as Citation Cyber Limited from 31 January 2023).

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

Intangible assets from contractual or other legal rights in relation to internally generated software 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:

-\$93,000 in relation to technology with a useful life of 4 years from elimination of existing intangible assets of £279,000 and recognition of intangible assets of £372,000.

An adjustment of £24,000 was made to the brought forward tax provision to true up the tax computation at acquisition date. A further fair value adjustment of £23,000 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 remuneration of £313,000, which was also dependent on the business reaching its earn out target and the seller not breaching restrictive covenants before the consideration date, was paid in August 2022. As at 31 December 2022, a further deferred remuneration balance of £1,793,000 was outstanding due to be paid in July 2023 for which an accrual of £854,000 has been recognised at 31 December 2022.

Revenue and profit after tax since date of acquisition amounted to £1,095,000 and £49,000 respectively.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Group acquisitions (continued)

Surefoot Solutions Limited

	2022 Book value	2022 Fair value adjustments	2022 Fair value to Group
	£ 000	£ 000	£ 000
Tangible assets	6	-	6
Intangible assets	57	482	539
Debtors	465	-	465
Cash	156	-	156
Creditors	(323)	(104)	(427)
Provisions	(12)	(121)	(133)
Net Assets	349	257	606
Purchase consideration			4,500
Costs associated with acquisition			170
Completion accounts adjustment			64
Contingent consideration			500
			5,234
Net assets acquired			(606)
Goodwill arising on acquisition			4,628

On 2 September 2022 the Group, via Food Alert Limited acquired Surefoot Solutions Limited.

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

Intangible assets from contractual or other legal rights in relation to acquired customer contracts 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:

- £482,000 in relation to acquired customer contracts with an average useful life of 0.5 years

An adjustment of £104,000 was made to the brought forward tax provision to true up the tax computation at acquisition date. A further fair value adjustment of £121,000 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 £500,000 (present value £500,000), which was also dependent on the seller not breaching restrictive covenants before the consideration date, was paid in January 2023.

Revenue and profit after tax since date of acquisition amounted to £506,000 and £27,000 respectively.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

14 Group acquisitions (continued)

Best Practice Certification Pty Limited

	2022 Book value	2022 Fair value adjustments	2022 Fair value to Group
	£ 000	£ 000	£ 000
Intangible assets	-	89	89
Debtors	457	-	457
Cash	525	-	525
Creditors	(2,522)	(83)	(2,605)
Deferred tax	-	(27)	(27)
Net Assets	(1,540)	(21)	(1,561)
Purchase consideration			9,721
Costs associated with acquisition			128
			9,849
Non-controlling interest			(390)
Net assets acquired			1,561
Goodwill arising on acquisition			11,020

On 6 September 2022, the Group via FCB Holdings Pty Ltd, acquired Best Practice Certification Pty Limited.

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

Intangible assets from contractual or other legal rights in relation to acquired customer contracts 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:

- £89,000 in relation to acquired customer contracts with an average useful life of 3 years

An adjustment of £83,000 was made to the brought forward tax provision to true up the tax computation at acquisition date. A further fair value adjustment of £27,000 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.

Deferred remuneration of £591,000 (\$1,000,000 AUD) is due to be paid in August 2023 for which an accrual of £187,000 has been recognised at 31 December 2022. An additional deferred remuneration balance, dependent on the seller not breaching restrictive covenants before the consideration date, of £591,000 (\$1,000,000 AUD) has been recognised as an accrual for £187,000 at 31 December 2022.

Revenue and profit after tax since date of acquisition amounted to £1,002,000 and £93,000 respectively.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

15 Stocks

	2022	2021
	£ 000	£ 000
Work in progress	-	338
Consumables	132	139
	132	477
	132	477

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.

16 Debtors

	2022	2021
	£ 000	£ 000
Due within one year		
Trade debtors	13,814	10,295
Other debtors and prepayments	4,363	4,250
Fair value of interest rate swaps	5,640	-
Accrued income	28,435	30,103
Corporation tax	2,084	-
	54,336	44,648
Due after more than one year		
Accrued income	10,478	4,313
	64,814	48,961
	64,814	48,961

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

17 Creditors

	2022	As restated
	£ 000	2021¹
		£ 000
Due within one year		
Trade creditors	10,228	4,848
Taxation and social security	8,761	7,511
Obligations under finance leases and HP	87	138
Other creditors	833	490
Accruals and deferred income	32,697	22,334
Corporation tax	-	322
Contingent consideration	11,172	12,284
Accrued interest on bank loans	135	-
	<u>63,913</u>	<u>47,927</u>
Due after one year		
Bank loans	397,618	322,860
Capitalised facility costs (amortised)	(7,798)	(7,602)
Preference shares	335,971	335,971
Accrued interest on preference shares	100,435	53,677
Accruals and deferred income	244	-
Contingent consideration	952	678
	<u>827,422</u>	<u>705,584</u>

¹Comparatives have been restated as explained in Note 29 to the financial statements.

Within the accruals and deferred income balance are accruals totalling £4,734,000 (2021: £2,017,000) relating to deferred remuneration payments due and are included in Notes 4 and 14 of these financial statements where applicable.

Included within contingent consideration is an amount for £733,000 (2021: £678,000) relating to the prior year acquisition of Employment Law Advisory Services Limited.

Deferred remuneration payments of £1,744,000 have been made in 2022 in relation to the prior year acquisitions of NT Assure Limited.

Refer to note 18 for details of settled loan notes, preference shares and bank loans for the prior and current year.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

18 Loans and borrowings

Amounts falling due after more than five years:

	2022	2021
	£ 000	£ 000
Bank loans (net of deferred arrangement costs)	389,820	315,258
Preference shares	335,971	335,971
	725,791	651,229

An amount of £279,939,000 is outstanding in respect of the unitranche loan with HPS Investment Partners, KKR Corporate Lending and Cliffwater. 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 but subsequently switched to being charged at Margin + SONIA from 1 January 2022 following the cessation of the use of LIBOR in the UK from 31 December 2021.

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. Margin was therefore 6.25% for the first quarter and between 5.25% and 5.50% for the final three quarters of the year ending 31 December 2022.

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 2.3200% on £60,000,000 effective from 31 March 2022. Subsequently, on 26 October 2022 the Group entered into a further floating to fixed swap arrangement on a £96,000,000 portion of the unitranche loan. The arrangement fixed the SONIA portion of the interest at 4.488% effective from 30 September 2022 for 2 years.

An amount of £113,568,000 is outstanding in respect of the £230,061,000 acquisition credit facility with HPS Investment Partners, KKR Corporate Lending, Cliffwater and Global Atlantic Financial Company. 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. On 28 January 2022 a drawdown of £6,888,000 (\$13,000,000 AUD) was made on this facility. On 31 March 2022 as part of the exercise to increase and re-price the unitranche loan mentioned above the Group extended the ceiling of this facility by £90,061,000 from £140,000,000 to £230,061,000. On 31 August 2022 a drawdown of £9,087,000 (\$15,375,000 AUD) was made on this facility.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

18 Loans and borrowings (continued)

An amount of £3,000,000 is outstanding in respect of the £35,000,000 revolving credit facility with National Westminster Bank Plc and Credit Agricole. 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 but subsequently switched to being charged at Margin + SONIA from 1 January 2022 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 2022. On 21 January 2022 a drawdown of £5,518,000 was made on this facility with a further drawdown of £6,100,000 made on 4 March 2022. Subsequently, as part of the exercise to increase and re-price the unitranche loan mentioned above the aforementioned drawdown amounts totalling £11,618,000 were repaid on 31 March 2022. On 30 September 2022 a drawdown of £3,000,000 was made on this facility.

An amount of £94,000 (\$171,000 AUD) outstanding as at 31 December 2021 in respect of an Australian loan facility with Westpac was repaid during the course of the year ending 31 December 2022.

19 Financial instruments

Categorisation of financial instruments

	2022	2021
	£ 000	£ 000
Financial assets that are debt instruments measured at amortised cost	13,058	10,295
Financial assets measured at fair value through profit and loss	2,220	-
Financial liabilities that are measured at amortised cost	880,819	748,675

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

Financial assets that are measured at fair value through profit and loss comprise derivatives entered into in the form of interest rate swaps.

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

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

20 Provision for liabilities

Deferred taxation

	2022	2021
	£ 000	£ 000
At beginning of period	(2,457)	(14)
Credited in profit or loss	1,184	(132)
Arising on business combinations	(973)	(2,397)
Prior year adjustment	(179)	212
Rate adjustment	-	(126)
Other adjustments	(107)	-
At end of period	<u>(2,532)</u>	<u>(2,457)</u>
	2022	2021
	£ 000	£ 000
Difference between accumulated depreciation and amortisation and capital allowances	(2,978)	(2,816)
Other timing differences	446	359
	<u>(2,532)</u>	<u>(2,457)</u>

21 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 £3,445,000 (2021: £1,861,000).

Contributions totalling £1,479,000 (2021: £361,000) were payable to the scheme at the end of the year and are included in creditors.

22 Share capital

Allotted, called up and fully paid shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary B shares of £1 each	850	850	850	850
Ordinary C shares of £1 each	123	123	127	127
	<u>973</u>	<u>973</u>	<u>977</u>	<u>977</u>

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

22 Share capital (continued)

Authorised shares

	2022		2021	
	No. 000	£ 000	No. 000	£ 000
Ordinary B shares of £1 each	850	850	850	850
Ordinary C shares of £1 each	150	150	150	150
	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>	<u>1,000</u>
	2022		2021	
	No 000	£ 000	No 000	£ 000
Preference shares	335,971	335,971	335,971	335,971
	<u>335,971</u>	<u>335,971</u>	<u>335,971</u>	<u>335,971</u>

850,000 B Ordinary shares, 127,000 C Ordinary shares with aggregate nominal value of £977,000 were issued upon incorporation of the company.

The company holds 27,000 unallocated C shares in an EBT, including 4,500 shares acquired in the current year.

On 15 September 2020, the company issued 335,971,500 preference shares which have been treated as debt in line with note 2.26. Each share has a par value of £1 and carry a dividend of 12% per annum.

23 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.

24 Non-controlling interests

The non-controlling interest arose on the acquisition of FCB Group Pty Limited and its subsidiaries, Consolidated Compliance Holdings Pty Limited and its subsidiaries and Best Practice Certification Pty Limited with 75% of the voting equity acquired on 1 October 2021, 1 February 2022 and 6 September 2022 respectively. See Note 14.

25 Controlling party

The Group has no ultimate controlling party. However, the Group is jointly owned by KKR via Rocket Aggregator LP, incorporated in Canada and HGC Capital 8 Nominees Limited, incorporated in England.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

26 Commitments under operating leases

Operating leases

The total of future minimum lease payments is as follows:

	2022	2021
	£ 000	£ 000
Not later than one year	2,081	2,248
Later than one year and not later than five years	5,193	4,625
Later than five years	1,409	1,695
	<u>8,683</u>	<u>8,568</u>

27 Related party transactions

Key management personnel

All directors and certain senior employees who have authority and responsibility for planning, directing and controlling the activities of the Group are considered to be key management personnel. Total remuneration in respect of these individuals is £3,088,000 (2021: £3,358,000).

	2022	2021
	£ 000	£ 000
Amounts due to key management personnel		
Preference shares	19,597	19,597
Accumulated interest on preference shares	5,858	3,131
	<u>25,455</u>	<u>22,728</u>

Parent and connected companies

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

	2022	2021
	£ 000	£ 000
Preference shares	316,374	316,374
Interest on preference shares	94,577	50,546
	<u>410,951</u>	<u>366,920</u>

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

28 Non adjusting events after the financial period

On 3 January 2023 a drawdown of £9,750,000 was made on the acquisition credit facility.

On 16 January 2023 the Group, via Ucheck Limited, acquired Disclosure Services Ltd, a provider of Criminal Record Bureau Checking Services. The initial cash purchase price was £7,792,000 with no further amounts payable due in respect of this acquisition.

On 1 February 2023 the Group, via Food Alert Limited, acquired Common Sense Compliance Limited, a provider of Food Safety Services. The initial cash purchase price was £2,012,000 with up to a further £500,000 of contingent consideration dependent on service and performance milestones.

On 16 March 2023 the Group entered into an interest rate cap arrangement on a £100,000,000 portion of the unitranche loan. The arrangement capped the SONIA portion of the interest at 4.2500% effective from 31 March 2023 for 2 years. To enter into the arrangement an upfront fee of £1,264,000 was paid.

On 31 March 2023 a drawdown of £5,500,000 was made on the acquisition credit facility.

On 17 April 2023 the Group, via Employment Law Advisory Services Limited, disposed of the following entities and providers of the Group's Occupational Health Services, to an independent third party: The Industrial Diagnostics Company Limited, Occupational Medicals Enterprise Ltd, Sound Advice Health & Safety Limited and ELAS Occupational Health Limited and its subsidiaries S&ASH Ltd and Health and Safety Management Consultants Limited. The total purchase price was £9,585,000 split by an initial cash consideration of £4,725,000 less costs to sell of £272,000 and £4,859,000 in relation to a vendor loan note issued to the purchaser. The vendor loan note carries an interest rate of 7% for the first 12 months and 8% thereafter, with an additional exit fee due at redemption or repayment, and is repayable in full by the purchaser on the maturity date of 17 April 2025.

On 18 April 2023 a drawdown of £50,000,000 was made on the acquisition credit facility.

On 24 April 2023 the Group, via Rocket Topco Limited, raised £40,703,000 via the issue of 30,467,538 preference shares. Each share has a par value of £1.34, equal to the par value of the existing preference shares in issue at the time of the new issue, and carries a dividend of 12% per annum. In addition the Group, via Rocket Topco Limited, raised £11,575,000 via the issue of 77,081 ordinary shares with aggregate nominal value of £77,000.

On 24 April 2023 the Group, via Citation Hero Limited, acquired 100% of the shares of HRdownloads Inc., a provider of Human Resources Services in Canada. The initial cash purchase price was CAD\$157,205,000.

On 2 May 2023 a drawdown of £7,500,000 was made on the acquisition credit facility.

On 9 May 2023 the Group extended the ceiling of the revolving credit facility by £15,000,000 from £35,000,000 to £50,000,000.

On 19 May 2023, a drawdown of £12,850,000 was made on the acquisition credit facility.

On 19 May 2023, the Group, via Citation Holdings Limited, acquired Timetastic Ltd, a provider of Human Resource Services. The initial cash purchase price was £15,111,000 with a further £5,500,000 of contingent consideration dependent on service and performance milestones.

Rocket Topco Limited

Notes to the Financial Statements for the Year Ended 31 December 2022

29 Restatement on finalisation of prior year acquisitions

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. Pursuant to the acquisition, the Group recognised provisional net assets of 2,483,000 and goodwill of £20,028,000, based on estimated consideration of £22,511,000 (including contingent consideration of £3,990,000). Following the finalisation of the assessment of fair value consideration in the current year, the contingent consideration payable to current employees of £3,773,000 has been reclassified to the income statement and accrued over the employment period (2022: £2,482,000 2021: £1,241,000), with a corresponding restatement in the goodwill and related amortisation for FY21.

On 9 September 2021 the Group, via Citation Holdings Limited, acquired 100% of the shares in NT Assure Limited. Pursuant to the acquisition, the Group recognised provisional net assets of £3,286,000 and goodwill of £13,666,000, based on estimated consideration of £16,952,000 (including contingent consideration of £4,977,000). Following the finalisation of the assessment of fair value consideration in the current year, the contingent consideration payable to current employees of £840,000 has been reclassified to the income statement and accrued over the employment period (2022: £560,000 2021: £280,000) with a corresponding restatement in the goodwill and related amortisation for FY21.

The above adjustments had the cumulative effect of increasing administrative expenses by £1,350,000 in the prior year.