Registration number: 09512735

# QMS International Limited

Report and Financial Statements

For the Year Ended 31 December 2020

# QMS International Limited

## Contents

# QMS International Limited

## Company Information

| | |
|---|---|
| **Directors** | C P Morris<br>M B Stacey<br>E Wann |
| **Registered office** | Kings Court<br>Water Lane<br>Wilmslow<br>Cheshire<br>SK9 5AR |
| **Auditors** | Ernst & Young LLP<br>2 St Peter's Square<br>Manchester<br>M2 3EY |

# QMS International Limited

## Strategic Report for the Year Ended 31 December 2020

The Directors present their Strategic Report for the year ended 31 December 2020.

**Principal activity and business review**
The principal activity of the Company is the provision of consultancy and audit services to businesses wishing to maintain certifications to international standards ("ISOs").

In addition, QMS also provide additional services, including consultancy and training, to support the Company in maintaining the Standard(s) they have in place.

QMS continues to run a programme of staff training and system development to improve efficiency and increase profitability.

The Company achieved turnover for the year of £12,567,033 (2019: £11,461,833) and recorded a profit before taxation of £2,958,737 (2019: £2,229,304).

The Company's ultimate parent company is Rocket Topco Limited, incorporated on 7 August 2020, and the new parent company of the Citation Group. During the period to 31 December 2020, as part of a group reorganisation, KKR (via newly formed Rocket Topco Limited), acquired 100% of the share capital of Citation Topco Limited on 15 September 2020. On 18 September 2020 Hg Pooled Management Limited acting on behalf of the limited partnerships comprising HgCapital 8 then exercised an option to acquire 50% of KKR's shareholding in Rocket Topco Limited, which completed on 17 December 2020. Rocket Topco Limited is therefore a joint venture company via which KKR and Hg have joint control of the Citation Group.

The results for the year are set out on page 13 of the financial statements.

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

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

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

# QMS International Limited

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

**Principal risks and uncertainties**
The risks below are the principal risks that may impact the Company achieving its strategic objectives.

**Company specific and market risks**
Successful growth for QMS relies upon the ability to attract new customers and maintain the current renewal rates of existing contracts. The directors are confident of this growth due to several factors including i) the opportunity to sell ISO certifications into the Citation Group customer base ii) the improvement in sales as a result of improving the website and marketing activity and iii) training of the sales team along with employing a new management structure to improve enquiry conversion rates.

**Changes in legislation**
Within each Country, there can only be one Government sponsored accreditation provider and in the UK, this is provided by UKAS. QMS is accredited by ASCB (an alternative to UKAS) and therefore the service that QMS provide is aimed at Companies that do not require UKAS certification. Whether or not a Company requires certification to be provided by a UKAS provider is largely determined by their customers. There have been examples in recent tender frameworks where the supplier requires UKAS accreditation in order to be included on that supply framework. The risk to QMS is that there are changes in legislation that means that this requirement is broadened, forcing more suppliers towards the UKAS market.

While this is a risk, this is not an immediate threat, but the directors are assessing the impact on the business that this change would have in order to mitigate the risk as much as possible. They are also working with ASCB to demonstrate to government officials that our version of the management system is a credible alternative to UKAS certification aimed at smaller businesses.

**Covid-19 risk**
The company is very conscious of the ongoing uncertainty of the impact of Covid-19, including the affect further outbreaks and lockdowns can have on employee's health and wellbeing. The company has kept in close communication with all its employees and continually reviews policies and procedures to ensure it safeguards employee's wellbeing. The company continually reviews the government guidance to determine whether the company's offices can be open. When it is suitable for the offices to be open, the company has taken appropriate actions to ensure its employees remain safe at all times.

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

**Credit risk**
QMS is exposed to credit risk on financial assets, such as trade and other receivables. Trade receivables exposures are managed in house and through specialist debt recovery lawyers. When the debt is deemed irrecoverable, the overdue invoices and deferred income are written off against the underlying provisions.

**Interest risk**
The Company is not exposed to significant interest risk. The Group has long term interest bearing debt liabilities of which some are subject to variable interest rates, the Group mitigates this risk by monitoring LIBOR and taking out interest rate swaps where appropriate.

# QMS International Limited

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

**Climate Risk**
The board recognises the importance of issues such as climate change and energy consumption and that scrutiny as a result of increasingly stringent environmental regulation will continue to grow. The climate risk for the Company and wider Group is considered to be minimal due to the predominantly service based offering provided by the Group and the ability to carry out services remotely as demonstrated throughout the peak of the Covid-19 pandemic. We are continuing to look for ways to minimise our impact on the environment. Such projects include reduction in non-essential travel across the Group and the minimisation of waste through prevention, re-use and recycling and a movement towards working with environmentally responsible suppliers.

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

**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. The KPI's include customer service, new and renewal business, operating business cashflow, EBITDA and order book value with service metrics.

This report was approved by the Board on 30/09/21 and signed on its behalf by:

.........................................
E Wann
Director

# QMS International Limited

## Directors' Report for the Year Ended 31 December 2020

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

**Principal activity**
The principal activity of the Company during the period was the provision of certification of International Standards for quality management, environmental compliance, health and safety and information security.

**Results and dividends**
The profit for the period, after taxation, amounted to £3,072,165 (2019: £2,045,871).

The directors do not recommend the payment of a dividend (2019: £nil).

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

C P Morris

M B Stacey

E Wann

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

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

**Employee involvement**
Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Company and are of interest to them as employees.

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

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

**Corporate social responsibility**

The Company 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 Company continues to grow, it is always looking for ways to increase efficiencies.

**Political donations**

The Company made no political contributions during the year (2019: £nil).

**Future developments**

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

**Going concern**

After preparing projections to December 2022 the directors have assessed the need for continued financial support. The company is reliant on financial support from its parent company who has confirmed it will provide financial support to assist the company to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.

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

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

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

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

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

•A 20% reduction in the existing contracted client base including a 25% decrease in take-up on customer renewals; together with

•An average fall of new business across the forecast period of 70% against baseline budgeted growth.

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

The Directors are therefore satisfied they have a reasonable basis upon which to conclude that the group is able to continue as a going concern to December 2022.

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

**Disclosure of information to the auditor**
Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

• so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware, and

• the Director has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

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

This report was approved by the Board on 30/09/21 and signed on its behalf by:

.........................................
E Wann
Director

# QMS International Limited

## Statement of Directors' Responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the Directors are required to:

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

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

## QMS International Limited

## Independent Auditor's Report to the Members of QMS International Limited

**Opinion**

We have audited the financial statements of QMS International Limited for the year ended 31 December 2020 which comprise the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Equity and the related notes 1 to 18, including a summary of significant accounting policies The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

• give a true and fair view of the company's affairs as at 31 December 2020 and of its profit for the year then ended;

• have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

• have been prepared in accordance with the requirements of the Companies Act 2006.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Conclusions relating to going concern**

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 company's ability to continue as a going concern for a period of 15 months from when the financial statements are authorised for issue.

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

**Other information**

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

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

## QMS International Limited

## Independent Auditor's Report to the Members of QMS International Limited (continued)

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

**Opinions on other matters prescribed by the Companies Act 2006**

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

• the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

• the strategic report and directors' report have been prepared in accordance with applicable legal requirements.

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

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

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

• adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us; or

• the financial statements are not in agreement with the accounting records and returns; or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit.

**Responsibilities of directors**

As explained more fully in the directors' responsibilities statement set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## QMS International Limited

## Independent Auditor's Report to the Members of QMS International Limited (continued)

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

Our approach was as follows:

• We obtained an understanding of the legal and regulatory frameworks that are applicable to the company and determined that the most significant are those that relate to the reporting framework (FRS 102 and the Companies Act 2006) and the relevant direct and indirect tax compliance regulations in the United Kingdom. In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements, being anti-bribery regulations, GDPR and employment law and regulations.

• We understood how QMS International 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 company's financial statements to material misstatement, including how fraud might occur by considering the risk of management override and assuming revenue to be a fraud risk particularly as a result of manual journals at year-end. We incorporated data analytics into our testing of manual journals, including segregation of duties, and into our testing of revenue recognition. We tested specific transactions back to the relevant supporting documentation.

• Based on this understanding we designed our audit procedures to identify noncompliance with such laws and regulations. Our procedures involved journal entry testing, with a focus on manual journals around year-end, and journals indicating large or unusual transactions based on our understanding of the business, enquiries of Group management. In addition, we completed procedures to conclude on the compliance of the disclosures in financial statements with the requirements of the relevant accounting standards and legislation.

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

## QMS International Limited

## Independent Auditor's Report to the Members of QMS International Limited (continued)

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ernst & Young LLP

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

Date: 30 September 2021

## QMS International Limited

## Statement of Comprehensive Income for the Year Ended 31 December 2020

| | Note | 2020 £ | Restated 2019 £ |
|---|---|---|---|
| Turnover | 3 | 12,567,033 | 11,461,833 |
| Cost of sales | | (3,699,466) | (4,010,137) |
| **Gross profit** | | 8,867,567 | 7,451,696 |
| Administrative expenses | 4 | (5,941,360) | (5,222,392) |
| Other operating income | 4 | 32,530 | - |
| **Operating profit** | 4 | 2,958,737 | 2,229,304 |
| Tax on profit | 8 | 113,428 | (183,433) |
| **Profit for the year** | | 3,072,165 | 2,045,871 |
| **Total comprehensive income for the year** | | 3,072,165 | 2,045,871 |

The above results were derived from continuing operations.

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

# QMS International Limited

## (Registration number: 09512735)
## Statement of Financial Position as at 31 December 2020

| | Note | 2020<br>£ | Restated<br>2019<br>£ |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | 9 | 7,151,429 | 9,646,162 |
| Tangible assets | 10 | 155,320 | 154,959 |
| | | 7,306,749 | 9,801,121 |
| **Current assets** | | | |
| Cash at bank | 11 | 1,864,532 | 470,697 |
| Debtors | 12 | 17,204,300 | 20,024,297 |
| | | 19,068,832 | 20,494,994 |
| **Creditors**: Amounts falling due within one year | 13 | (15,699,371) | (22,572,634) |
| **Net current assets/(liabilities)** | | 3,369,461 | (2,077,640) |
| **Total assets less current liabilities** | | 10,676,210 | 7,723,481 |
| **Provisions for liabilities** | 15 | - | (119,436) |
| **Net assets** | | 10,676,210 | 7,604,045 |
| **Capital and reserves** | | | |
| Called up share capital | 16 | 100 | 100 |
| Profit and loss account | | 10,676,110 | 7,603,945 |
| **Shareholders' funds** | | 10,676,210 | 7,604,045 |

The financial statements were approved and authorised for issue by the Board on 30/09/22 and signed on its behalf by:

.........................................

E Wann
Director

The notes on pages 16 to 29 form an integral part of these financial statements.

## QMS International Limited

## Statement of Changes in Equity for the Year Ended 31 December 2020

| | Called up Share capital £ | Profit and loss account £ | Total Equity £ |
|---|---|---|---|
| At 1 January 2020 (restated) | 100 | 7,603,945 | 7,604,045 |
| Profit for the year | - | 3,072,165 | 3,072,165 |
| Total comprehensive income | - | 3,072,165 | 3,072,165 |
| At 31 December 2020 | 100 | 10,676,110 | 10,676,210 |

| | Share capital £ | Profit and loss account £ | Total £ |
|---|---|---|---|
| At 1 January 2019 | 100 | 5,558,074 | 5,558,174 |
| Profit for the year (restated) | - | 2,045,871 | - 2,045,871 |
| Total comprehensive income | - | 2,045,871 | 2,045,871 |
| At 31 December 2019 (restated) | 100 | 7,603,945 | 7,604,045 |

The notes on pages 16 to 29 form an integral part of these financial statements.

## 1 General information

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

The address of its registered office is:
Kings Court
Water Lane
Wilmslow
Cheshire
SK9 5AR

## 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 financial statements have been prepared in compliance with Financial Reporting Standard 102 "The Financial Reporting Standard Applicable in the UK and Republic of Ireland" and the Companies Act 2006, as it applies to the financial statements of the company for the year ended 31 December 2020. The financial statements are prepared in sterling which is the functional currency of the Company.

### 2.3 Going concern

After preparing projections to December 2022 the directors have assessed the need for continued financial support. The company is reliant on financial support from its parent company who has confirmed it will provide financial support to assist the company to meet its liabilities as and when they fall due, but only to the extent that money is not otherwise available to the company to meet such liabilities.

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

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

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

## 2 Accounting policies (continued)

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

From the sensitivities that were run, it was determined adjusting the key levers to models as below would still leave significant headroom for forecast covenants and liquidity:
• A 20% reduction in the existing contracted client base including a 25% decrease in take-up on customer renewals; together with
• An average fall of new business across the forecast period of 70% against baseline budgeted growth.

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

The Directors are therefore satisfied they have a reasonable basis upon which to conclude that the group is able to continue as a going concern to December 2022.

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

### 2.4 Financial reporting standard 102 - reduced disclosure exemptions

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

• Reconciliation of the number of shares outstanding from the beginning to the end of the period;

• Related party disclosures;

• Cashflow Statement and related notes; and

• Key Management Personnel compensation.

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

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

## 2 Accounting policies (continued)

### 2.5 Judgements and key sources of estimation uncertainty

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

*Goodwill and intangible assets*

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

*Accrued Income*

This represents the difference between invoiced sales and work carried out for which revenue must be recognised in line with FRS102 revenue recognition rules. The balance includes a provision to the extent customers fail to complete their contractual obligations. The estimate used in the calculation for the provision for contract cancellations is based on historical drop off rates preceding the balance sheet date.

### 2.6 Revenue recognition

Revenue is stated net of value-added tax, discounts and rebates. The company offers 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 1 month 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-contractual 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.

### 2.7 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 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 statement of comprehensive income over its useful economic life. The useful economic life has been determined as 7 years.

## 2 Accounting policies (continued)

### 2.8 Prior year restatement

The comparative figures for fixed assets and intangible assets in notes 9 and 10 have been restated with additions at cost to intangibles increasing by £528,632 as well as associated amortisation of £388,962 with a decrease to tangible fixed assets at cost of £528,632 and associated depreciation on these assets of £190,004. This was due to an incorrect classification of intangible assets in the previous year. The reclassified depreciation was calculated based on the useful life of 10 years. As the useful life of intangible assets (development costs) is 3 years, additional amortisation of £198,958 has been recognised as a prior year adjustment.

### 2.9 Intangible assets

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

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

#### Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their useful life as follows:

| Asset class | Amortisation method and rate |
|---|---|
| Software development and licences | 33% straight line |

### 2.10 Tangible fixed assets

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

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

#### Depreciation

Depreciation is charged to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

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

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

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

## 2 Accounting policies (continued)

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

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

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

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2 Accounting policies (continued)

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

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

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

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

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

Provisions are charged as an expense to the Statement of comprehensive income in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the Balance sheet 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 Balance sheet.

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

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

2 Accounting policies (continued)

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

• The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and

• Any deferred tax balances are reversed when all conditions for retaining associated tax allowances have been met.

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

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

**2.21 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, estimated as 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.

**2.22 Accrued income**
This represents the difference between invoiced sales and work carried out for which revenue must be recognised in line with FRS102 revenue recognition rules. The balance includes a provision to the extent customers fail to complete their contractual obligations.

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

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

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

## 3 Turnover

All turnover takes place in the UK:

| | 2020 £ | 2019 £ |
|---|---|---|
| Rendering of services | 12,567,033 | 11,461,833 |
| | 12,567,033 | 11,461,833 |

## 4 Operating profit

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

| | Note | 2020 £ | Restated 2019 £ |
|---|---|---|---|
| Depreciation of tangible fixed assets | 10 | 92,635 | 78,014 |
| Amortisation of intangible assets, including goodwill | 9 | 2,599,942 | 2,574,974 |
| Operating lease rentals (buildings) | 17 | 50,000 | 50,000 |
| Defined contribution pension costs | | 88,068 | 78,171 |

Within operating profit, is £32,530 of other operating income which are government grants for furlough.

## 5 Auditors' remuneration

| | 2020 £ | 2019 £ |
|---|---|---|
| Audit fees | 30,514 | 30,281 |
| Auditors remuneration | 30,514 | 30,281 |

## 6 Employees

Staff costs (including directors' remuneration) were as follows:

| | 2020 £ | 2019 £ |
|---|---|---|
| Wages and salaries | 4,246,712 | 3,989,249 |
| Social security costs | 459,876 | 435,482 |
| Cost of defined contribution scheme | 88,068 | 78,171 |
| | 4,794,656 | 4,502,902 |

The average monthly number of employees, including directors, during the year, was as follows:

## 6 Employees (continued)

| | 2020 No. | 2019 No. |
|---|---|---|
| Sales | 10 | 9 |
| Consultants | 69 | 68 |
| Administration | 13 | 12 |
| | 92 | 89 |

## 7 Directors' remuneration

The directors' remuneration for the year was as follows:

| | 2020 £ | 2019 £ |
|---|---|---|
| Directors' emoluments | 158,428 | 138,047 |
| Contributions to defined contribution pension scheme | - | 2,501 |
| | 158,428 | 140,548 |

In respect of the highest paid director:

| | 2020 £ | 2019 £ |
|---|---|---|
| Remuneration | 158,428 | 138,047 |
| Contribution to defined contribution pension scheme | - | 2,501 |

## 8 Taxation

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

| | 2020 £ | 2019 £ |
|---|---|---|
| **Corporation tax** | | |
| Prior year adjustment | 8,040 | - |
| **Total corporation tax** | 8,040 | - |
| **Deferred tax** | | |
| Origination and reversal of timing differences | (82,419) | 8,304 |
| Adjustment in respect of prior periods | (39,049) | 175,129 |
| **Total deferred tax** | (121,468) | 183,433 |
| **Taxation on profit on ordinary activities** | (113,428) | 183,433 |

## 8 Taxation (continued)

**Factors affecting tax charge for the year**

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of (2019: lower than the standard rate of corporation tax 19%) . The differences are reconciled below:

| | 2020<br>£ | Restated<br>2019<br>£ |
|---|---|---|
| Profit before tax | 2,958,737 | 2,229,304 |
| Corporation tax at standard rate | 562,160 | 423,568 |
| Permanent differences | (654,036) | 50,137 |
| Group relief for nil payment | - | (500,661) |
| Tax rate change | - | (977) |
| Research and development credits | - | (1,565) |
| Adjustment in respect of prior year | (31,009) | 175,128 |
| Deferred tax rate change | 9,457 | - |
| Prior year adjustment | - | 37,803 |
| Total tax (credit)/charge | (113,428) | 183,433 |

## 9 Intangible assets

| | Goodwill<br>£ | Software Development<br>£ | Total<br>£ |
|---|---|---|---|
| **Cost or valuation** | | | |
| At 1 January 2020 (restated) | 20,577,797 | 528,632 | 21,106,429 |
| Additions | - | 105,209 | 105,209 |
| At 31 December 2020 | 20,577,797 | 633,841 | 21,211,638 |
| **Amortisation** | | | |
| At 1 January 2020 (restated) | 11,071,305 | 388,962 | 11,460,267 |
| Amortisation charge | 2,376,622 | 223,320 | 2,599,942 |
| At 31 December 2020 | 13,447,927 | 612,282 | 14,060,209 |
| **Carrying amount** | | | |
| At 31 December 2020 | 7,129,870 | 21,559 | 7,151,429 |
| At 31 December 2019 (restated) | 9,506,492 | 139,670 | 9,646,162 |

For restatement of the prior year, refer to note 2.8.

## 10 Tangible assets

| | Leasehold improvements £ | Motor vehicles £ | Fixtures and fittings £ | Office equipment £ | Total £ |
|---|---|---|---|---|---|
| **Cost or valuation** | | | | | |
| At 1 January 2020 (restated) | 51,127 | 15,962 | 59,664 | 235,498 | 362,251 |
| Additions | 48,525 | - | 12,186 | 32,285 | 92,996 |
| At 31 December 2020 | 99,652 | 15,962 | 71,850 | 267,783 | 455,247 |
| **Depreciation** | | | | | |
| At 1 January 2020 (restated) | 27,030 | 15,269 | 21,864 | 143,129 | 207,292 |
| Charge for the year | 6,059 | 328 | 6,055 | 80,193 | 92,635 |
| At 31 December 2020 | 33,089 | 15,597 | 27,919 | 223,322 | 299,927 |
| **Carrying amount** | | | | | |
| At 31 December 2020 | 66,563 | 365 | 43,931 | 44,461 | 155,320 |
| At 31 December 2019 (restated) | 24,097 | 693 | 37,800 | 92,369 | 154,959 |

For restatement of the prior year, refer to note 2.8.

## 11 Cash and cash equivalents

| | 2020 £ | 2019 £ |
|---|---|---|
| Cash at bank and in hand | 1,864,532 | 470,697 |
| | 1,864,532 | 470,697 |

## 12 Debtors

| | Note | 2020 £ | 2019 £ |
|---|---|---|---|
| **Due within one year** | | | |
| Trade debtors | | 1,241,236 | 1,007,104 |
| Amounts owed by group undertakings | | 13,872,420 | 17,762,224 |
| Other debtors | | 101,884 | 37,157 |
| Accrued income | | 1,986,728 | 1,209,772 |
| Corporation tax recoverable | | - | 8,040 |
| Deferred tax asset | | 2,032 | - |
| | | 17,204,300 | 20,024,297 |

Amounts owed by Group undertakings are due from Citation Limited and Citation Holdings Limited. The amounts are repayable on demand.

## 13 Creditors

| | 2020 £ | 2019 £ |
|---|---|---|
| **Due within one year** | | |
| Trade creditors | 12,924 | 287,749 |
| Deferred income | 2,208,240 | 1,852,659 |
| Amounts owed to group undertakings | 11,731,388 | 19,516,497 |
| Taxation and social security | 708,285 | 553,582 |
| Other creditors | 69,727 | - |
| Accruals | 968,807 | 362,147 |
| | 15,699,371 | 22,572,634 |

Amounts owed to Group undertakings are payable to Caesar Bidco Limited and Citation (NBS) Limited. The amounts are repayable on demand.

## 14 Financial instruments

### Categorisation of financial instruments

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| **Financial assets** | | |
| Financial assets measured at amortised cost | 15,215,541 | 18,806,484 |
| | 15,215,541 | 18,806,484 |

| | | |
|---|---|---|
| **Financial liabilities** | | |
| Financial liabilities measured at amortised cost | 14,921,359 | 22,019,053 |
| | 14,921,359 | 22,019,053 |

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

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

## 15 Deferred tax and other provisions

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| At beginning of period | (119,436) | 63,997 |
| Charged to the statement of comprehensive income | 121,468 | (183,433) |
| At end of period | 2,032 | (119,436) |

The deferred tax asset is made up as follows:

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Difference between accumulated depreciation and amortisation and capital allowances | (62,281) | (173,638) |
| Other timing differences | 64,313 | 54,202 |
| | 2,032 | (119,436) |

## 16 Called up share capital

**Authorised, allotted and fully paid shares**

| | 2020 | | 2019 | |
|---|---|---|---|---|
| | No. | £ | No. | £ |
| 100 Ordinary shares of £1 each | 100 | 100 | 100 | 100 |

## 17 Commitments under operating leases

**Operating leases**

The total of future minimum lease payments is as follows:

| | 2020<br>£ | 2019<br>£ |
|---|---|---|
| Not later than one year | 50,000 | 50,000 |
| Later than one year and not later than five years | 165,984 | 200,000 |
| Later than five years | - | 20,833 |
| | 215,984 | 270,833 |

## 18 Controlling party

At 31 December 2020, the Company was a wholly owned subsidiary undertaking of Rocket Topco Limited, a Company registered and incorporated in Jersey. The largest Group in which the results of the Company are consolidated is that headed by Rocket Topco Limited. The smallest Group in which they are consolidated is that headed by Rocket Midco Limited. Copies of the financial statements of Rocket Topco Limited are available from 2nd Floor, Sir Walter Raleigh House, 48-50 Esplanade, St Helier, Jersey, JE2 3QB and copies of the financial statements of Rocket Midco Limited are available from 11th Floor 200 Aldersgate Street, London, United Kingdom, EC1A 4HD.

The Company's immediate parent undertaking is Citation Holdings Limited.

The ultimate parent undertakings and controlling parties at 31st December 2020 are Rocket Aggregator L.P. incorporated in Canada and HGCapital 8 Nominees Limited.