

Registration number: 3097504

# Citation Limited

Report and Financial Statements  
for the Year Ended 31 December 2019



## Citation Limited

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## Citation Limited

### Company Information

<b>Directors</b>	C.P Morris J.Ingleby E Wann A C Pumphrey
<b>Registered office</b>	Kings Court Water Lane Wilmslow Cheshire SK9 5AR
<b>Auditors</b>	Ernst & Young LLP 2 St Peter's Square Manchester M2 3EY

## Citation Limited

### Strategic Report for the Year Ended 31 December 2019

The Directors present their Strategic Report for the year ended 31 December 2019.

#### Principal activity and business review

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

The Company maintains its commitment to the ongoing investment in staff, operational improvements and technology, including proprietary software.

The Company achieved turnover for the year of £45,231,384 (2018: £40,229,956) and recorded a profit before taxation of £10,273,614 (2018: £7,565,572).

The results for the year are set out on page 14 of the financial statements.

In the year ended 31 December 2019, the wider Group, headed by Citation Topco Limited, continued to grow its new business acquisitions, with renewed business remaining strong. During the year, the Group made three acquisitions which add complementary services to the Group's product offerings, of which one was made by the Company, being Southall Associates Ltd in January 2019. Two further acquisitions were made by the Company's immediate parent, Citation Holdings Limited, being Avec Partnership Limited in August 2019 and Food Alert Limited in October 2019.

On 15th September 2020, HG Capital the ultimate parent company of Citation Topco Limited sold its interest in the Group to KKR via the newly incorporated entity Rocket Topco Limited. KKR have invested £336m in exchange for a mixture of ordinary and preference shares and settling the listed loan notes held by the Group. At the time of the transaction a refinance has taken place with all existing bank debt and other loan notes settled. The new funding includes a fully drawn senior facility of £225m and a £75m acquisition facility which currently remains undrawn.

#### Covid-19 Update

During the months of March, April and May 2020 the Covid-19 pandemic resulted in a fall in new business and an increase in the number of existing clients being temporarily unable to meet their payment obligations. New business has since rebounded with daily sales up at, or above, pre-Covid-19 levels, with the pandemic also presenting opportunities to bring new products to market, amongst them being the provision of tailored employment law and health and safety advice. In addition, the vast majority of existing customers have subsequently reverted to meeting their payment obligations from July onwards.

The company has been able to continue servicing existing clients throughout the duration of the pandemic, with access to the helpline and remote service visits where applicable. Consequently, the Covid-19 pandemic has had some impact on the Company's operations during April 2020 and May 2020 but this has since recovered to being either above, or at, pre-Covid-19 levels. A further reflection of this recovery is the return to work in June and July 2020 of the majority of the 31% of employees initially furloughed as a precautionary liquidity management measure.

The Company considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event. Following the impact of Covid-19 and the sale of the business post year end (see above) an impairment review in respect of intercompany receivables and other assets has been performed and no impairment is indicated as a result of the revised forecasts.

## Citation Limited

### Strategic Report for the Year Ended 31 December 2019 (continued)

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

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

The following serves as Citation's section 172 statement.

#### **Board structure and engagement with stakeholders**

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

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

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

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

#### **Key stakeholders**

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

#### ***Investors***

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

#### ***Employees***

Within the bounds of commercial confidentiality, staff at all levels are kept fully informed of matters that affect the progress of the Company and are of interest to them as employees. This is done through a monthly Company-wide business brief headed up by a member of the Local Board or Group Board. A heavy emphasis is placed on providing a rewarding and fair environment in which employees can come to work and produce their best results which was recognised by being awarded The Sunday Times 100 Best Companies to work for 2020.

#### ***Customers***

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

## Citation Limited

### Strategic Report for the Year Ended 31 December 2019 (continued)

#### *Suppliers*

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

#### **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**

The pace of continued growth depends upon the Company 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 Company clearly demonstrates its success and resilience.

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

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

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

#### **Liquidity risk**

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**

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

#### **Interest rate 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 hedges where appropriate.

#### **Key performance indicators**

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

Citation Limited

Strategic Report for the Year Ended 31 December 2019 (continued)

This report was approved by the Board on 1/10/20 and signed on its behalf by:



E Wann  
Director

## Citation Limited

### Directors' Report for the Year Ended 31 December 2019

The Directors present their report and the financial statements for the year ended 31 December 2019.

#### Results and dividends

The profit for the period, after taxation, amounted to £9,158,549 (2018: £7,337,942).

The Directors do not recommend the payment of a dividend (2018: £Nil).

#### Directors of the Company

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

C P Morris

J Ingleby

E Wann

A C Pumphrey

#### 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 Company is committed to minimising the environmental impact of its activities, products and services. The board regularly evaluate the Company'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 Company.

#### 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.

## Citation Limited

### Directors' Report for the Year Ended 31 December 2019 (continued)

#### Going concern

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

To conclude on going concern for the Company, the directors have considered the liquidity and solvency of Rocket Topco Limited and have considered going concern at the Group level.

The Company participates in a centralised treasury arrangement and so shares banking arrangements with fellow Group companies. 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.

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 along with additional stress testing including a sustained reduction in new and existing business, the directors are satisfied that they have a reasonable basis upon which to conclude that the Group is able to continue as a going concern for at least 12 months from the date of signing the financial statements.

Based on their assessment of the Group's financial position, the Company's directors believe that the Group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

#### Brexit

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.

## Citation Limited

### Directors' Report for the Year Ended 31 December 2019 (continued)

#### 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. The Company 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 Company's nominated charity is The Seashell Trust who the Company regularly raise funds for.

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

- Cash and food donations to a local food bank;
- Capital Toys for Kids Christmas donations, where donations are made by staff and distributed to deprived children in the Manchester area;
- Raising significant funds for the local cancer specialist hospital, The Christie, through a variety of events;
- Supporting a local old peoples' homes through a variety of activities such as bake sale donations and visiting them with a choir at Christmas time;
- Helping at a local homeless shelter;
- Helping at the Seashell Trust where colleagues have undertaken work in the gardens and to help them prepare for Christmas;
- Collections for local children's ward.

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

The Company provides comprehensive training and advice to its employees to keep them safe and healthy. In 2019 the Company issued a series of well-being articles, colleagues with pedometers, water bottles, travel mugs, trained 12 further colleagues through Mental Health England - to be Mental Health First Aiders and undertake a range of well-being activities such as yoga, mindfulness or 6 monthly "Boditrax - know your biometric numbers" reviews.

#### 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.

#### Political donations

The Company made no political contributions during the year (2018: £nil).

## Citation Limited

### Directors' Report for the Year Ended 31 December 2019 (continued)

#### Important non adjusting events after the financial period

Post year end, on 6th January 2020, the Company acquired the Xact Group and its subsidiary Xact Consulting Limited, a provider of HR, Health and Safety and Employment Law advice. The cash consideration on completion was £7,186,061 with up to a further £1,000,000 of contingent consideration, this was funded out of cash reserves.

Within the Citation Group of Companies, post year-end in July 2020, Safety Management (UK) Limited acquired the entire trade and assets at net book value of P&R Services (Southampton) Limited. Subsequently Safety Management (UK) Limited changed its name to Citation Fire and Electrical Limited.

#### Sale of Group

On 15th September 2020, HG Capital the ultimate parent company of Citation Topco Limited sold its interest in the Group to KKR via the newly incorporated entity Rocket Topco Limited. KKR have invested £336m in exchange for a mixture of ordinary and preference shares and settling the listed loan notes held by the Group. At the time of the transaction a refinance has taken place with all existing bank debt and other loan notes settled. The new funding includes a fully drawn senior facility of £225m and a £75m acquisition facility which currently remains undrawn.

#### Covid-19

The Covid-19 pandemic had a temporary impact on the Group's operations with downside to existing and new business, this has been variable across the different industries in which it operates. The business has however adjusted its operations and continues to trade.

The Company considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event.

Following the impact of Covid-19 and the sale of the Group post year end an impairment review in respect of intercompany receivables and other assets has been performed and no impairment is indicated as a result of the revised forecasts.

#### 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 and 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 and 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 11/10/20 and signed on its behalf by:



.....  
E Wann  
Director

## Citation Limited

### Statement of Directors' Responsibilities

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

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

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

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

## Citation Limited

### Independent Auditor's Report to the Members of Citation Limited

#### Opinion

We have audited the financial statements of Citation Limited for the year ended 31 December 2019, which comprise the Statement of Comprehensive Income, Statement of Financial Position, Statement of Changes in Equity, and the related Notes 1 to 21, 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 Financial Reporting Standard 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 state of the Company's affairs as at 31 December 2019 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.

#### Emphasis of matter - Effects of Covid-19

We draw attention to Notes 2 and 20 of the financial statements, which describe the economic consequences the Group is facing as a result of Covid-19, the associated impact on trading and the going concern consideration thereof. Our opinion is not modified in respect of this matter.

#### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

#### 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.

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

In connection with our audit of the financial statements, 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 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 or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

## Citation Limited

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

We have nothing to report in this regard.

#### Opinion 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 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 our 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 and the Directors' Report.

We have nothing to report in respect of the following matters where 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 Statement of Directors' Responsibilities set out on page 10, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

#### 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.

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.

**Citation Limited**

**Independent Auditor's Report to the Members of Citation 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*

.....  
Jamie Dixon (Senior Statutory Auditor)  
For and on behalf of Ernst & Young LLP, Statutory Auditor  
Manchester

Date: 2 October 2020  
.....

## Citation Limited

### Statement of Comprehensive Income for the Year Ended 31 December 2019

	Note	2019 £	2018 £
Turnover	3	45,231,384	40,229,956
Cost of sales		<u>(11,053,733)</u>	<u>(11,406,758)</u>
Gross profit		34,177,651	28,823,198
Administrative expenses	4	<u>(23,743,032)</u>	<u>(21,257,626)</u>
Operating profit	4	10,434,619	7,565,572
Finance costs		<u>(161,005)</u>	<u>-</u>
Profit before taxation		10,273,614	7,565,572
Tax on profit	8	<u>(1,115,065)</u>	<u>(227,630)</u>
Profit for the financial year		<u>9,158,549</u>	<u>7,337,942</u>
Total comprehensive income for the year		<u>9,158,549</u>	<u>7,337,942</u>

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

The above results were derived from continuing operations.

**Citation Limited**

(Registration number: 3097504)

**Statement of Financial Position as at 31 December 2019**

	Note	2019 £	Restated 2018 £
<b>Fixed assets</b>			
Intangible assets	9	2,481,804	2,949,538
Investments	11	34,756,698	23,095,809
Tangible assets	10	<u>748,816</u>	<u>594,871</u>
		<u>37,987,318</u>	<u>26,640,218</u>
<b>Current assets</b>			
Cash at bank	12	6,678,817	2,865,966
Debtors: amounts falling due within one year	13	52,640,108	40,552,769
Debtors: amounts falling due after more than one year	13	3,023,829	3,346,655
Deferred tax	16	<u>270,210</u>	<u>386,643</u>
		62,612,964	47,152,033
<b>Creditors: Amounts falling due within one year</b>	14	<u>(43,014,433)</u>	<u>(28,531,283)</u>
<b>Net current assets</b>		<u>19,598,531</u>	<u>18,620,750</u>
<b>Total assets less current liabilities</b>		57,585,849	45,260,968
<b>Creditors: Amounts falling due after more than one year</b>	14	<u>(7,150,145)</u>	<u>(3,983,813)</u>
<b>Net assets</b>		<u>50,435,704</u>	<u>41,277,155</u>
<b>Capital and reserves</b>			
Called up share capital	17	50,000	50,000
Capital redemption reserve	18	200,000	200,000
Profit and loss account		<u>50,185,704</u>	<u>41,027,155</u>
<b>Shareholders' funds</b>		<u>50,435,704</u>	<u>41,277,155</u>

The financial statements were approved and authorised for issue by the Board on 1/10/20 and signed on its behalf by:



E Wann  
Director

**Citation Limited**

**Statement of Changes in Equity for the Year Ended 31 December 2019**

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2019	50,000	200,000	41,027,155	41,277,155
Profit for the year	-	-	9,158,549	9,158,549
Total comprehensive income	-	-	9,158,549	9,158,549
At 31 December 2019	<u>50,000</u>	<u>200,000</u>	<u>50,185,704</u>	<u>50,435,704</u>

	Called up share capital £	Capital redemption reserve £	Profit and loss account £	Total £
At 1 January 2018	50,000	200,000	33,689,213	33,939,213
Profit for the year	-	-	7,337,942	7,337,942
Total comprehensive income for the year	-	-	7,337,942	7,337,942
At 31 December 2018	<u>50,000</u>	<u>200,000</u>	<u>41,027,155</u>	<u>41,277,155</u>

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019

#### 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  
England

#### 2 Accounting policies

##### 2.1 Statement of compliance and basis of preparation

The financial statements have been prepared in compliance with Financial Reporting Standard 102, as it applies to the financial statements of the company for the year ended 31 December 2019. The financial statements are prepared in sterling which is the functional currency of the Company.

The Company is itself a subsidiary undertaking and is exempt from the requirement to prepare Group accounts by virtue of section 400 of the Companies Act 2006. These financial statements therefore present information about the Company as an individual undertaking and not about its Group.

##### 2.2 Going concern

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

To conclude on going concern for the Company, the directors have considered the liquidity and solvency of Rocket Topco Limited and have considered going concern at the Group level.

The Company participates in a centralised treasury arrangement and so shares banking arrangements with fellow Group companies. 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.

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 along with additional stress testing including a sustained reduction in new and existing business, the directors are satisfied that they have a reasonable basis upon which to conclude that the Group is able to continue as a going concern for at least 12 months from the date of signing the financial statements.

Based on their assessment of the Group's financial position, the Company's directors believe that the Group will be able to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

##### 2.3 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":

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

- 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 Citation Topco Limited include the equivalent disclosures, the Company has also taken the exemption under FRS 102 available in respect of the following disclosure.

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

#### 2.4 Judgements and key sources of estimation uncertainty

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

##### *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.

##### *Operating lease commitments*

The Company has entered into a number of leases, these include the head office building and office equipment. The classification of such leases as operating or finance lease requires the Company to determine, based on an evaluation of the terms and conditions of the arrangements, whether it retains or acquires the significant risks and rewards of ownership of these assets and accordingly whether the lease requires an asset and liability to be recognised in the balance sheet.

##### *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 rate trend, being the percentage of Total Contract Value that drops off in any given year, over the 4 years preceding the balance sheet date.

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### 2.5 Reclassification in prior year

The comparative figures for contingent consideration disclosed within note 14 have reclassified £3,983,983 contingent consideration due within one year to due after one year. This was due to an error in the prior year as the full amount had been disclosed as due within one year.

##### 2.6 Revenue recognition

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

##### 2.7 Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Company will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.

##### 2.8 Other 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.

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 shall not exceed ten years.

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### 2.9 Tangible 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 profit or loss during the period in which they are incurred.

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

Fixtures & fittings	- 3 to 10 years
Office and computer equipment	- 3 to 5 years
Computer software	- 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.

##### 2.10 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

##### 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.

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### 2.13 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an 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 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 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 Company would receive for the asset if it were to be sold at the balance sheet date.

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

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

##### 2.14 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.

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### 2.15 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 FRS102 revenue recognition rules, is recognised as deferred income.

##### 2.16 Finance costs

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

##### 2.17 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 Balance sheet. 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.

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 2 Accounting policies (continued)

##### 2.19 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the 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 on the basis of tax rates and laws that have been enacted or substantively enacted by the year end in the countries where the Company operates and generates income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Balance sheet 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 if and 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 Company 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 balance sheet date.

##### 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.

**Citation Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**3 Turnover**

All turnover takes place in the UK:

	2019 £	2018 £
Rendering of services	<u>45,231,384</u>	<u>40,229,956</u>
	<u>45,231,384</u>	<u>40,229,956</u>

**4 Operating profit**

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

	2019 £	2018 £
Amortisation of intangibles	1,792,665	2,009,117
Depreciation of tangible fixed assets	266,499	317,380
Operating lease charges	516,296	465,468
Pension costs, defined contribution schemes	398,135	272,871

**5 Auditors' remuneration**

	2019 £	2018 £
Fees payable to the Company's auditor and its associates for the audit of annual accounts	86,000	38,000
All other non-audit services	16,000	-
Other services relating to taxation	<u>24,375</u>	<u>21,200</u>
	<u>126,375</u>	<u>59,200</u>

**Citation Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**6 Staff costs**

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

	2019	2018
	£	£
Wages and salaries	18,989,309	18,016,493
Social security costs	2,156,682	1,969,066
Pension costs, defined contribution scheme	398,135	272,871
	<u>21,544,126</u>	<u>20,258,430</u>

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

	2019	2018
	No.	No.
Sales	148	133
Consultants	170	160
Administration	111	105
	<u>429</u>	<u>398</u>

**7 Directors' remuneration**

The directors' remuneration for the year was as follows:

	2019	2018
	£	£
Directors' emoluments	257,670	316,893
Contributions to defined contribution pension schemes	24,516	20,688
	<u>282,186</u>	<u>337,581</u>

In respect of the highest paid director:

	2019	2018
	£	£
Remuneration	142,500	201,560
Contribution to defined contribution pension scheme	13,500	14,688

Citation Limited

Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

**8 Taxation**

Tax charged/(credited) in the income statement

	2019 £	2018 £
<b>Corporation tax</b>		
UK corporation tax	1,112,575	79,272
Prior year adjustment	<u>(113,944)</u>	<u>221,377</u>
	<u>998,631</u>	<u>300,649</u>
<b>Deferred taxation</b>		
Origination and reversal of timing differences	28,653	(357,551)
Adjustment in respect of prior periods	<u>87,781</u>	<u>284,532</u>
<b>Total deferred tax</b>	<u>116,434</u>	<u>(73,019)</u>
<b>Taxation on profit on ordinary activities</b>	<u><u>1,115,065</u></u>	<u><u>227,630</u></u>

The tax assessed for the year is lower than the standard rate of corporation tax in the UK of 19% (2018 - 19%).

The differences are reconciled below:

	2019 £	2018 £
Profit on ordinary activities before tax	<u>10,273,614</u>	<u>7,565,572</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2018: 19%)	1,951,987	1,437,459
Deferred tax rate changes	(3,371)	43,461
Adjustments to tax charge in respect of prior periods	(26,164)	505,909
Permanent differences	390,815	(30,191)
Group relief for nil payment	(1,069,077)	(1,729,008)
Research and development credits	(27,071)	-
Utilisation of brought forward losses	<u>(102,054)</u>	<u>-</u>
<b>Total tax charge for the period</b>	<u><u>1,115,065</u></u>	<u><u>227,630</u></u>

**Citation Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**9 Intangible assets**

	<b>Software Development £</b>	<b>Total £</b>
<b>Cost or valuation</b>		
At 1 January 2019	8,023,421	8,023,421
Additions acquired separately	<u>1,324,931</u>	<u>1,324,931</u>
At 31 December 2019	<u>9,348,352</u>	<u>9,348,352</u>
<b>Amortisation</b>		
At 1 January 2019	5,073,883	5,073,883
Amortisation charge	<u>1,792,665</u>	<u>1,792,665</u>
At 31 December 2019	<u>6,866,548</u>	<u>6,866,548</u>
<b>Carrying amount</b>		
At 31 December 2019	<u>2,481,804</u>	<u>2,481,804</u>
At 31 December 2018	<u>2,949,538</u>	<u>2,949,538</u>

**10 Tangible assets**

	<b>Fixtures and fittings £</b>	<b>Office equipment £</b>	<b>Total £</b>
<b>Cost or valuation</b>			
At 1 January 2019	500,801	932,459	1,433,260
Additions	<u>254,266</u>	<u>166,178</u>	<u>420,444</u>
At 31 December 2019	<u>755,067</u>	<u>1,098,637</u>	<u>1,853,704</u>
<b>Depreciation</b>			
At 1 January 2019	200,625	637,764	838,389
Charge for the year	<u>60,404</u>	<u>206,095</u>	<u>266,499</u>
At 31 December 2019	<u>261,029</u>	<u>843,859</u>	<u>1,104,888</u>
<b>Carrying amount</b>			
At 31 December 2019	<u>494,038</u>	<u>254,778</u>	<u>748,816</u>
At 31 December 2018	<u>300,176</u>	<u>294,695</u>	<u>594,871</u>

**Citation Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**11 Investments**

Subsidiaries	Investment in subsidiary companies £
<b>Cost or valuation</b>	
At 1 January 2019	23,095,809
Transfer to other Group companies	(100,000)
Additions	<u>11,760,889</u>
At 31 December 2019	<u>34,756,698</u>
<b>Carrying amount</b>	
At 31 December 2019	<u>34,756,698</u>
At 31 December 2018	<u>23,095,809</u>

The following were subsidiary undertakings of the Company:

Name	Country of incorporation	Class of shares	Holding	Principal activity
Safety Management (UK) Limited	England and Wales***	Ordinary shares	100%	Fire Safety services
P&R Services (Southampton) Limited	England and Wales***	Ordinary shares	100%	Electrical Safety services
Solutionhost Group Limited	England and Wales***	Ordinary shares	100%	Holding company
HS Direct Limited*	England and Wales***	Ordinary shares	100%	Health & Safety services
Solution Host (UK) Limited*	England and Wales***	Ordinary shares	100%	Software hosting
EL Direct Ltd*	England and Wales***	Ordinary shares	100%	Employment Law services
Southall Associates Ltd	England and Wales***	Ordinary shares	100%	Health and Safety services

\*held by a subsidiary undertaking

\*\*\*registered at Kings Court, Water Lane, Wilmslow, Cheshire, SK95AR

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 11 Investments (continued)

On 31st January 2019, Southall Associates Ltd was acquired by Citation Limited for total consideration of £10 million of which £2.2 million was in respect of contingent consideration. £800k of which was subsequently paid in full in April 2020 with the required revenue growth and profit generations targets over the year following acquisition on which the payment was contingent on having been met. A further £1.7 million of contingent consideration was accrued in the period in respect of Solution Host Group Limited, contingent on certain non-compete agreements and employment terms being fulfilled.

Post year-end in July 2020 Safety Management (UK) Limited acquired the entire trade and assets at net book value of P&R Services (Southampton) Limited. Subsequently Safety Management (UK) Limited changed its name to Citation Fire and Electrical Limited.

#### 12 Cash and cash equivalents

	2019	2018
	£	£
Cash at bank	<u>6,678,817</u>	<u>2,865,966</u>
	<u>6,678,817</u>	<u>2,865,966</u>

#### 13 Debtors

	2019	2018
	£	£
<b>Due within one year</b>		
Trade debtors	184,850	210,031
Amounts owed by Group undertakings	27,140,772	18,633,153
Other debtors	1,079,720	961,788
Prepayments	669,008	673,761
Accrued income	23,182,540	19,340,179
Corporation tax recoverable	<u>383,218</u>	<u>733,857</u>
	52,640,108	40,552,769
<b>Due after more than one year</b>		
Accrued income	<u>3,023,829</u>	<u>3,346,655</u>
	<u>55,663,937</u>	<u>43,899,424</u>

The amounts owed by group undertakings relate to balances owed by Caesar Bidco Limited, BCAS Consulting Limited, Caesar Midco Limited, Citation Bidco Limited, Citation Topco Limited, Citation Midco Limited, Citation PIKco Limited and Citation Holdco Limited.

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 14 Creditors

	2019 £	Restated 2018 £
<b>Due within one year</b>		
Trade creditors	904,699	152,294
Amounts owed to Group undertakings	37,182,156	24,048,497
Taxation and social security	1,903,711	1,731,601
Accruals and deferred income	2,223,867	2,403,891
Contingent consideration	<u>800,000</u>	<u>195,000</u>
	<u>43,014,433</u>	<u>28,531,283</u>
<b>Due after one year</b>		
Contingent consideration	<u>7,150,145</u>	<u>3,983,813</u>

The amounts owed to Company undertakings relate to balances owed to Caesar Topco Limited, Citation Holdings Limited, QMS International Limited, P&R Services (Southampton) Limited, Education Personnel Management Limited, Safety Management Advisory Services Limited, Safety Management (UK) Limited, HS Direct Limited, Southall Associates Ltd, Avec Partnership Limited and Food Alert Limited.

Within the accruals balance are amounts totalling £7,150,145 (2018: £3,983,813) relating to contingent consideration payments. The amounts are due in respect of the prior year acquisition of Solutionhost Group Limited and its subsidiaries in November 2018 and the current year acquisition of Southall Associates Ltd in January 2019. The amounts which are due in 2021 are contingent on certain non-compete agreements and employment terms being fulfilled.

During the year £195,000 of contingent consideration has been paid with regard to the amount accrued in relation to Solutionhost Group Limited and its subsidiaries at the end of December 2018.

A further £800,000, due in respect of the acquisition of Southall Associates Ltd in January 2019, has been accrued. This amount of £800,000 was paid in April 2020.

For restatement of the prior year, refer to note 2.5.

**Citation Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**15 Financial instruments**

**Categorisation of financial instruments**

	2019 £	2018 £
<b>Financial assets</b>		
Financial assets measured at amortised cost	<u>29,074,349</u>	<u>19,804,972</u>
	<u>29,074,349</u>	<u>19,804,972</u>
 <b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<u>(48,260,866)</u>	<u>(30,783,495)</u>
	<u>(48,260,866)</u>	<u>(30,783,495)</u>

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, amounts owed to Group undertakings and accruals and deferred income.

**16 Deferred tax and other provisions**

	2019 £	2018 £
At beginning of year	386,643	313,624
Credited/(Charged) to the statement of comprehensive income	<u>(116,433)</u>	<u>73,019</u>
<b>At end of year</b>	<u>270,210</u>	<u>386,643</u>

The deferred tax asset is made up as follows:

	2019 £	2018 £
Difference between accumulated depreciation and amortisation and capital allowances	(291,200)	(197,759)
Other timing differences	<u>561,410</u>	<u>584,402</u>
	<u>270,210</u>	<u>386,643</u>

**Citation Limited**

**Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)**

**17 Called up share capital**

Authorised, allotted and fully paid shares

	2019		2018	
	No.	£	No.	£
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>	<u>50,000</u>

**18 Capital redemption reserve**

This reserve records the amount above the nominal value received for shares sold, less transaction costs.

**19 Commitments under operating leases**

**Operating leases**

The total of future minimum lease payments is as follows:

	2019	2018
	£	£
Not later than one year	369,424	454,992
Later than one year and not later than five years	<u>680,159</u>	<u>384,533</u>
	<u>1,049,583</u>	<u>839,525</u>

## Citation Limited

### Notes to the Financial Statements for the Year Ended 31 December 2019 (continued)

#### 20 Post balance sheet events

Post year end, on 6th January 2020, the Company acquired the Xact Group and its subsidiary Xact Consulting Limited, a provider of HR, Health and Safety and Employment Law advice. The cash consideration on completion was £7,186,061 with up to a further £1,000,000 of contingent consideration, this was funded out of cash reserves.

Within the Citation Group of Companies, post year-end in July 2020, Safety Management (UK) Limited acquired the entire trade and assets at net book value of P&R Services (Southampton) Limited. Subsequently Safety Management (UK) Limited changed its name to Citation Fire and Electrical Limited.

#### Sale of Group

On 15th September 2020, HG Capital the ultimate parent company of Citation Topco Limited sold its interest in the Group to KKR via the newly incorporated entity Rocket Topco Limited. KKR have invested £336m in exchange for a mixture of ordinary and preference shares and settling the listed loan notes held by the Group. At the time of the transaction a refinance has taken place with all existing bank debt and other loan notes settled. The new funding includes a fully drawn senior facility of £225m and a £75m acquisition facility which currently remains undrawn.

#### Covid-19

The Covid-19 pandemic had a temporary impact on the Group's operations with downside to existing and new business, this has been variable across the different industries in which it operates. The business has however adjusted its operations and continues to trade.

The Company considers the emergence and spread of Covid-19 to be a non-adjusting post balance sheet event.

Following the impact of Covid-19 and the sale of the Group post year end an impairment review in respect of intercompany receivables and other assets has been performed and no impairment is indicated as a result of the revised forecasts.

#### 21 Controlling party

At the year end, the Company was a wholly owned subsidiary undertaking of Citation 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 Citation Topco Limited. The smallest group in which they are consolidated is that headed by Citation Holdco Limited. Copies of the financial statements of both Citation Topco Limited and Citation Holdco Limited are available from 22 Grenville Street, St Helier, Jersey JE4 8PX.

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

The ultimate parent undertaking and controlling party at 31st December 2019 was HG Pooled Management Limited, incorporated in England. Following the sale of the Group on 15th September 2020 (refer to Note 20) the new ultimate parent undertaking and controlling party is Rocket Aggregator L.P. incorporated in Canada.