






MARLOWE
PLC

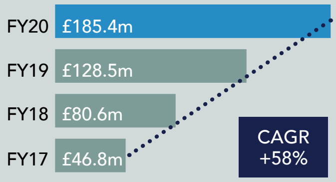
Annual Report and Financial Statements
for the year ended 31 March 2020

Contents

Strong financial performance

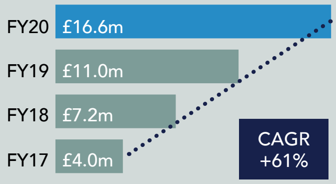
Revenue

£185.4m +44%



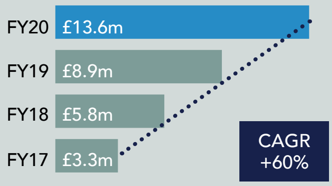
Adjusted EBITDA[1]

£16.6m +51%



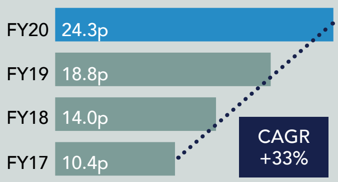
Adjusted PBT[2]

£13.6m +54%



Adjusted earnings per share[3]

24.3p +30%



Statutory results

	FY20	FY19
Operating profit	**£2.1m**	£2.6m
Profit before tax	**£0.5m**	£2.0m
Earnings per share - basic	**(0.8)p**	3.8p

1. Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") is EBITDA before separately disclosed acquisition and other costs as presented on the consolidated statement of comprehensive income, excluding the effects of the adoption of IFRS 16.
2. Adjusted profit before tax ("PBT") is PBT before separately disclosed acquisition and other costs as presented on the consolidated statement of comprehensive income, excluding the effects of the adoption of IFRS 16. 3. Adjusted earnings per share is earnings per share calculated on adjusted PBT. These are all non-IFRS measures, excluding the effects of the adoption of IFRS 16.

Further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business is provided in the Finance Director's review on page 30.

Highlights

Marlowe plc is the UK leader in specialist services which assure safety and regulatory compliance, whilst managing risk for businesses across the country.

Capability

Expanded into HR Compliance and Occupational Health. End-to-end approach to safety & compliance

Organic growth

Increase in underlying growth to 7.0% (PY: 4.5%)

M&A

Transformational acquisition of Clearwater to become market leader in UK water treatment & hygiene sector, seven further acquisitions during year

Technology

Software developments to enhance Meridian platform. Acquisition of Elogbooks software post year-end

Discipline

Divestment of non-core, non-recurring, air quality activities

Cross-sell

23% of customers now taking more than one service (PY: 20%)

During our fourth year of trading, Marlowe has further strengthened its position as the UK's leading provider of safety and compliance services. Our strategy to build our Group through a combination of organic growth and fast paced M&A continues to create significant shareholder value.

Our purpose as a group - helping UK organisations to be safe, healthy, efficient and compliant - is more important now than ever.

Compliance. Assured.

At a glance

We deliver health & safety, risk & compliance software, fire safety & security, water treatment & hygiene, air testing & quality, HR & occupational health compliance – all of which are vital to the wellbeing of our customers' operations and are invariably governed by stringent regulation.

Our services help our clients reduce risk, assure regulatory compliance and achieve total peace of mind.

Top 3
market positions across our sectors

78%
recurring revenues

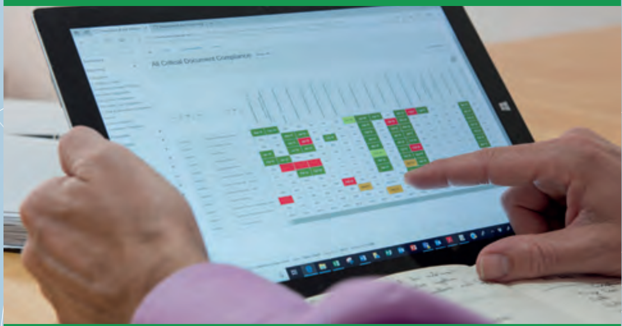
1,400
compliance experts

30
sites across the UK

We are organised into two operating divisions, consisting of a number of leading businesses which provide technology-enabled services across four main regulated safety & compliance sectors.

Marlowe currently employs 2,500 people across the UK, provides services to approximately 20% of Britain's commercial premises and is increasingly attractive to businesses who want a single outsourced, nationwide, provider of a comprehensive range of regulated health, safety and compliance services.

Our clients can be found in most office complexes, high streets and leisure facilities, manufacturing plants and industrial estates, and include thousands of SMEs, large corporates, facilities and property management providers, local authorities, NHS trusts and FTSE 100 companies.



HEALTH, SAFETY & COMPLIANCE

HR, EMPLOYMENT LAW & OCCUPATIONAL HEALTH

Purpose: Providing health & safety, HR compliance, occupational health and risk management software to ensure regulatory compliance of commercial organisations and reduce their risk.

Recurring service: Risk & compliance software, auditing, consulting, assessing, training.

WATER TREATMENT & HYGIENE

Purpose: Assuring water systems are safe, efficient, sustainable and compliant.

Recurring service: Assessing, testing, inspecting, dosing, maintaining, monitoring and certifying.

FIRE SAFETY & SECURITY

Purpose: Assuring fire safety, ensuring fire and security systems adhere to regulation and that properties and people are safe and secure.

Recurring service: Maintaining, testing, inspecting, monitoring and certifying.

AIR TESTING & QUALITY

Purpose: Assuring commercial premises are compliant with air quality and environmental regulations.

Recurring service: Inspecting, testing, monitoring, managing and certifying.

Read more on pages 28-29

Who we work with

Marlowe provides end-to-end compliance solutions to a broad range of customers, ranging from from SMEs, schools, doctors' surgeries through to large national organisations, property management and housing organisations as well as leading universities, airports and FTSE 100 companies.

20,000+
Customers across the UK

c.20%
UK commercial premises serviced

13%
of UK large (250+ employees) organisations

Long and enduring customer relationships

- Health & Safety Professionals
- Risk & Compliance Managers
- Facilities Professionals
- HR Professionals
- Property Managers
- Technical Directors
- SME Business Managers
- The Responsible Person

In-depth Knowledge and Regulatory Experience

- The Health & Safety at Work Act
- The Regulatory Reform (Fire Safety) Order
- Emplyment Rights Act
- The Corporate Manslaughter Act
- Management of Health and Safety at Work Regulations
- Workplace Health Safety and Welfare Regulations
- ACop L8
- Control of Asbestos Regulations
- Control of Substances Hazardous to Health (COSHH)
- TR19 Ventilation & Air Quality

Our capabilities

Marlowe's end-to-end compliance model

"Marlowe's unique strength is that it provides a range of closely related safety & compliance services each of which is delivered by one of our specialist businesses. Individually, these businesses are leaders in their fields but together form a group that can provide our customers with a comprehensive and integrated approach to their health, safety and regulatory compliance."

END-TO-END SAFETY & COMPLIANCE MODEL

Our businesses operate as autonomous sector specialists but are all bound by our common channel to market. Typically, we sell our services to Health & Safety, Risk & Compliance, HR, Facilities or Property Management professionals, or the individual who is responsible for the safety and compliance of their organisations and the premises that they occupy. As a result, we closely understand what these individuals care about and are equipped with the tools to succeed in compliance service markets. The vast majority of our competitors only have the capabilities to provide a single service, usually only in a small region of the UK. We make attaining high standards of safety and compliance achievable for our clients through working with them across the whole of the UK and across a number of closely related compliance disciplines. Each of our services is delivered by one of the Group's specialist businesses, each of which is a leader in their respective fields in their own right, so our customers know that they are always dealing with experts.

In a typical organisation, our end-to-end model means we can implement:

- Recurring health & safety audit and consultancy services with the aim of ensuring high standards of compliance and lowering risk
- Provision of software though which our customers can manage their service providers and the upkeep & compliance of their facilities
- Ongoing safety and compliance assurance across health & safety, occupational health, HR and employment law
- Implementation of recurring testing and inspection regimes to ensure compliance on an ongoing basis across Fire Safety & Security, Water Treatment & Hygiene and Air Quality & Testing
- Marlowe is in a unique position in the UK of being able to provide this end-to-end safety & compliance solution which assures total regulatory compliance

Investment proposition

Marlowe's defensive market qualities, strong channel to market, organic growth momentum and potential to accelerate growth through targeted M&A strongly position us to continue to create sustainable shareholder value

Robust markets with steady growth prospects

We operate in specialist, regulated markets and provide services that are non-discretionary and generally insulated from changes in trends or the economy. Growth is underpinned by long-term drivers: regulations and their enforcement burden, population growth, insurance requirements, reputational risk, urbanisation, increasing expectations around safety standards, digitalisation driving the need for more complex building systems and the resulting requirement that they have for maintenance and certification along with ever-increasingly broad and stringent health, safety, employment and environmental regulations and their enforcement burden.

Long customer relationships, annuity-type recurring revenues with good future visibility

Our services are non-cyclical and each year we forward plan over 1.3 million service visits to audit, test, inspect, maintain and certify tens of thousands of business premises and millions of assets. Many of our customers use our software as a service offering to manage compliance and risk in their organisations throughout the day, all year round. Our services are vital to our customers, require specialist knowledge and in many instances are so complex to effectively deliver that the costs and inconvenience of switching service providers can be undesirable leading to interdependence and high retention rates. Our businesses, which have a core focus on regulated safety and compliance services, offer long-term growth and our knowledge of these markets ensures we channel our efforts into areas we are confident will provide sustainable returns on the capital we invest.

Growth through value-enhancing M&A and integration

The combination of fast-paced acquisition activity and organic investment enables us to deliver impressive growth which outpaces our competitors and the market. We occupy fragmented markets and have a record of sourcing complementary bolt-on acquisitions which we effectively integrate resulting in increased efficiency, cost-savings, broader capabilities and a larger market share. When acquired businesses join our Group, we focus on driving revenue synergies that are available to us through effective intercompany collaboration within the Marlowe Group.

Operational & technology improvements

We are experts in delivering field-based regulated services and we look to continually improve the utilisation and productivity of our field-based specialists to add value to our customers and generate improved returns. Technology is a key differentiator for us and plays a central role in our services: in how our services are planned and delivered, how our clients interact with us and how they manage their compliance and risk across their organisations. We invest in our people and systems to ensure that we have the correct training, tools and expertise to enhance our services. We implement operational planning tools to improve response times and ensure that we effectively leverage our scale, maximise utilisation and productivity. Service levels, organic growth and profitability, when balanced correctly, go hand in hand in our markets such that our most efficient means of profitable growth is achieved through refining and improving our service delivery model.

Growing barriers to entry

In each of our service sectors, we are one of only a small number of providers who can operate nationally with the requisite capabilities, scale and technology to effectively partner with our clients across their safety and compliance requirements. Our customers increasingly seek to consolidate their supplier base towards partners who, like them, possess the national capability to partner with them. They continue to demand better standards of service, partly in order to comply with higher regulatory standards, which our smaller competitors find difficult to deliver on any sort of scale; the scale economies and the technological barriers that we enjoy make our services more desirable to our customers and profitable to deliver, further strengthening our position.

Case study

Meridian Software: Marlowe's compliance solution

Technology is a central component of our strategy. Compliance software is a key service line that we deliver to our clients and is central to their health & safety strategies. Technology is also employed extensively across our Group to enhance the efficiency and quality of our operations.

As our clients' premises continue to digitise, we will continue to invest in software and connected devices to provide real-time visibility of safety and compliance standards and data. Meridian is at the heart of this strategy.

Meridian is our secure cloud-based risk management system that enables proactive, real time management of compliance, with powerful and flexible reporting. It sits at the heart of our approach to risk & compliance technology.

Meridian manages the challenge of disparate systems and vast amounts of compliance data by consolidating this across the various compliance modules including document and action tracking, online inspections, incident reporting, contractor management to name just a few features. All of our clients compliance data, processes and regulatory obligations can be managed within one system.

Developed and managed in-house by over 25 software developers the system draws data from consultant applications, Marlowe group operating systems, customer record systems, and our consultant audits to present a holistic view of a customer's health & safety compliance status in real-time.

50k properties

15k users

25+ external links

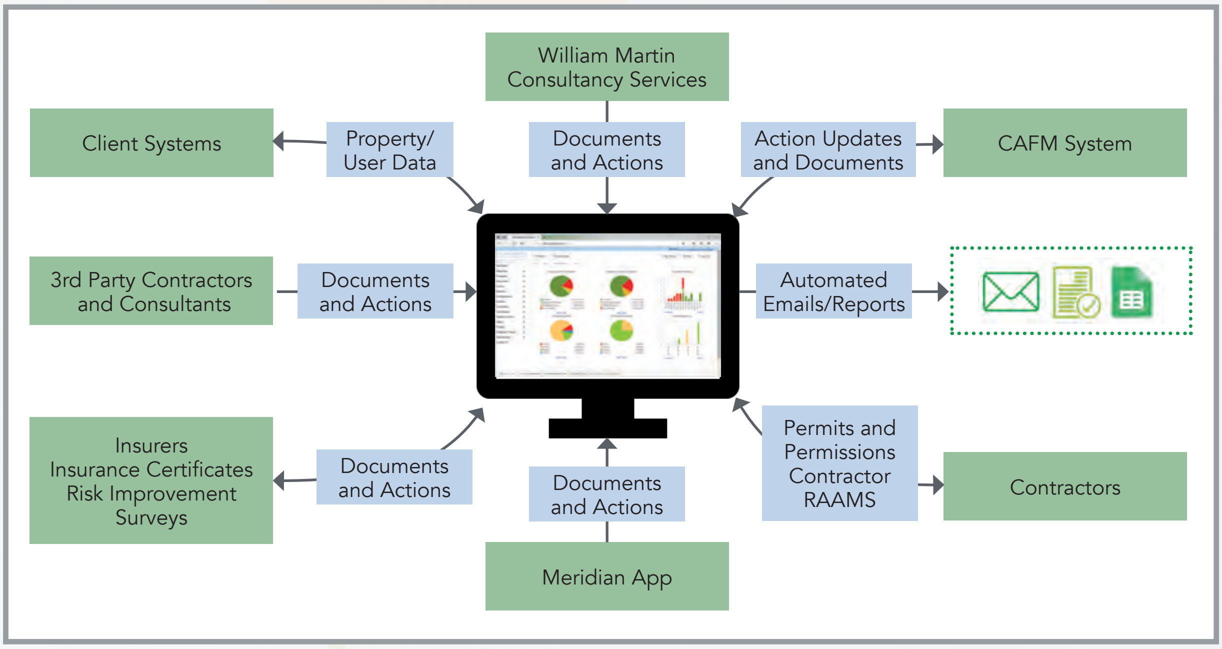
100+ automated reports

4m documents

~2m actions

In-house software centre of excellence

Meridian is offered as a fully account managed enterprise system or as a self-administered system with core compliance functionality to ensure that the system can be deployed across all types of organisations.



The Marlowe business philosophy

Marlowe was formed to create sustainable shareholder value through the growth and development of businesses that provide regulated compliance services.

Our decentralised operating model gives our businesses considerable autonomy within a disciplined and well-defined strategic framework.

Our managers are empowered to make the decisions that they need to grow their businesses in their markets.

Our model seeks to enable our companies to retain the agility of entrepreneurial private businesses whilst providing them with the resources of a much larger listed company, to help them unlock their potential and stewards their rapid growth in a way that ensures that all of the key stakeholders are focused on value creation.

2,500+ employees

£200m run rate revenue

35 acquisitions since 2016

35m+ assets tested & inspected each year

11 year average customer relationship length

Over the years since, we have built a group of tech-enabled service providers that can assure UK organisations are safe, healthy and compliant with regulation.

Marlowe operates in non-discretionary, service sectors with robust growth prospects. The majority of our revenues are recurring, predictable and visible. Our businesses benefit from a strong, shared, channel to market which provides us with an intrinsic competitive advantage.

Marlowe's defensive market qualities, strong channel to market, organic growth momentum and proven track record of accelerating growth through targeted M&A strongly position us to continue to create sustainable shareholder value.

Investment focus

Regulated services

Our investment focus is on B2B safety & compliance service sectors where businesses provide services which are essential or mandatory, invariably subject to regulation and characterised by consistency in demand. The mission-critical nature and high switching costs of these services result in high customer retention. If we deliver an efficient service that keeps our customers compliant they generally prefer not to change provider.

Recurring revenues

The majority of our revenues recur periodically from month to month and year to year and result in durable customer relationships. Such revenues, with their annuity-type characteristics, allow for good forward earnings visibility and allow us to plan our operations many months ahead.

Operational complexity and technology

Operational complexity and technology: we focus on services which are specialist and operationally complex to deliver and command attractive margins as a result of the value they add to our customers' operations. These services are invariably outsourced rather than because of their specialist nature, the levels of regulatory compliance which govern them and the need for service providers to adhere to stringent industry standards. In these sectors we then apply software and technology to differentiate our offer from the competition.

Economies of scale

We favour service sectors in which scale can present the opportunity to generate enhanced efficiencies for our customers and returns for our shareholders, and those in which larger, national operators generate pricing power and possess a competitive advantage in winning business and delivering service.

Strategic fit

We continue to build our Group upon businesses which fit well together and share a similar channel to market along with complementary operational methodologies. This provides our businesses with an intrinsic advantage of being able to share customer relationships across the Group and to implement well-rehearsed operational improvement initiatives.

Fragmented markets

We focus on markets which are fragmented and exhibit characteristics that are suited to industry consolidation. As we inject pace and build market share through add-on acquisitions and investment in organic growth, barriers to entry grow as the comprehensive service which we can deliver, and the returns we can generate, disadvantage our smaller competitors.

Chairman's statement

For the year ended 31 March 2020

Kevin Quinn
Non-Executive Chairman

"I am pleased to report excellent progress in FY20, the fourth year of trading for Marlowe and the first full year since my appointment as Chairman."

Overview

I am pleased to report excellent progress in FY20, the fourth year of trading for Marlowe and the first full year since my appointment as Chairman. The Group delivered further significant growth in revenue and underlying profit and has now reached a position of scale, with top-3 positions in all of the markets in which it operates. The Group is now a leading operator in the UK regulated compliance services market and remains well placed to capitalise on the significant growth opportunities, both organically and through acquisitions, in the markets in which it operates.

The details of our financial performance are set out in the Chief Executive's and Finance Director's reviews. For the year ended 31 March 2020, adjusted EBITDA[1] on a consistent accounting basis was £16.6 million on revenue of £185.4 million. Adjusted profit before tax[2] was £13.6 million with adjusted earnings per share[3] of 24.3 pence. Statutory profit before tax was £0.5 million.

The Group's two operating divisions report as Risk Management & Compliance ("Risk & Compliance") and Water Treatment & Air Quality ("Water & Air"), both of which are focused on providing specialist services which assure safety and regulatory compliance, whilst managing risk for businesses across the country.

Corporate transactions

We completed eight acquisitions during the year, one disposal of non-core activities with two further acquisitions since the year end.

The scale and scope of our Health, Safety & Compliance operation were significantly extended during the year through the acquisitions of Quantum Risk Management ("Quantum"), Law At Work (Holdings) Limited, ("LAW"), Managed Occupational Health Limited ("MOH") and Eurosafe UK Ltd ("Eurosafe"). The major acquisition in the year was the acquisition of Clearwater Group Limited ("Clearwater"), significantly strengthening Marlowe's position as a major player in the water treatment and hygiene market. In addition, we added scale and broadened the Group's capabilities through further acquisitions in both Fire Safety & Security and Water Treatment & Hygiene.

"We completed eight acquisitions during the year, one disposal of non-core activities with two further acquisitions since the year end."

The acquisition of the Elogbooks Group, completed since the year-end, is the next significant step in our strategy to deliver integrated technology and services to enhance the compliance, safety and upkeep of our clients' premises. In addition, the Group has acquired Deminos Consulting since the year-end to add further scale to our HR Compliance operation.

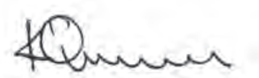
People

We welcome into the Group our new colleagues from the businesses acquired during the year. The Group has rapidly increased in scale since its formation and now employs 2,500 people, including teams of consultants, auditors, risk assessors, specialists, technicians and engineers who deliver our services supported by experts across office-based support functions around the country.

The dedication and professionalism of all the teams across Marlowe has been impressive during the year. During the COVID-19 pandemic, the dedication and resolve of our teams in testing circumstances has been exemplary. The Group's businesses deliver services that are provided by people and as we build our businesses into market leaders, we are relying on these people to continue to demonstrate the drive, expertise and passion that has been evident over the past financial year. I would like to thank our entire team for their hard work and dedication.

Strategy

Our strategy for growth is clearly defined: we will continue to build leading positions across our existing sectors through a combination of fast-paced organic and acquisition-led growth in our ambition to become the UK's most trusted name in the provision of specialist services which assure safety and regulatory compliance.



Kevin Quinn
Non-Executive Chairman

7 July 2020

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Marlowe's model for creating shareholder value

A platform for fast-paced organic and acquisition led growth

The potential offered by the fragmented safety & compliance service sectors that we occupy combined with our disciplined approach to identifying complementary acquisitions, quick decision making and the operational and technological improvements we implement, when married with our access to capital and ability to re-invest cash into growth, creates superior returns and provides a platform for significant growth.

Acquire

in strategically complementary service sectors

Deep industry knowledge: Identify target sectors which fit with the Marlowe investment criteria

- Businesses in strategically complementary safety & compliance sectors with good growth prospects which offer the potential to build a strong position in markets that are large enough to accommodate significant growth.
- Sectors with resilient growth drivers where businesses provide services which are non-discretionary and often governed by the need for regulatory compliance.
- Sectors in which the margins are attractive and can be enhanced through the efficiencies that come with scale and operational improvements.
- Sectors in which the need for services is sustained throughout economic cycles and isn't threatened by technological change.
- Fragmented markets where we recognise growing barriers to entry which lay the foundations for consolidation. These sectors are well suited to support growth, over and above the long-term organic revenue growth rate, through acquisition and subsequent integration.
- We consider including equity in transactions which aligns the interests of our management teams closely with our shareholders and locks-in our people. In a similar vein the founders of Marlowe have invested in a significant shareholding in the Company.

Enhance

through investment and improvement

Agile decision-making and entrepreneurial autonomy

- Make investment decisions, change and provide strategic focus and oversee the implementation of operational improvements; build scale and take advantage of the economies it presents: we seek to improve customer service whilst expanding margins and delivering an improved return on capital.
- Refine the business model of acquired companies in preparation for further growth. Broaden the service capabilities of acquired companies through organic investment or further targeted acquisitive growth.

Operational and financial improvements

- Whilst we fundamentally believe in empowering our management teams and our operational resources are placed close to our customers, Marlowe is not a passive investor in the businesses it acquires. The Marlowe team has a very close relationship with each acquired business and works with its management team to develop long-term strategic plans, as well as having regular input on key decisions, capital expenditure and working capital management. We invest in people, operational systems and improvements in technology all with the aim of improving standards of service, which in turn generates increased organic growth.
- Implement high standards of governance, financial systems and controls with the aim of improving visibility, identifying and nurturing our most profitable workstreams and improving operating cash generation.

Accelerate

through organic investment and bolt-on acquisitions

Acquisition-led growth

- Organic investment and swiftly executed, value-enhancing, add-on M&A.
- We inject pace into our businesses whilst providing a platform which allows our management teams to focus on profitable growth.
- We create value through utilising our resources and re-investing generated cash to accelerate the growth of acquired businesses through targeted add-on acquisitions, often to develop further geographical reach and critical mass or to broaden our capabilities. Potential acquisition targets can include the type of businesses which might be below the radar of both large corporations and private equity houses. We are adept at quickly identifying, negotiating and executing these types of deals.

Build business into a top-three player in its market

- We only enter markets if we can see a clear path to developing a market leading position within that market in the UK and those in which scale and investment can enhance our competitive proposition.

Integrate

to bring about efficiencies and build a national infrastructure

Expertise in market consolidation

- Bring about efficiencies and leverage economies of scale to build leading positions across the UK.
- Our acquisition model is disciplined, based on clear criteria and can be deployed at pace. Our M&A team is responsible for identifying targets and maintaining key relationships. We are in contact with numerous acquisition targets at any one time. We know what it takes to deliver successful acquisitions across the UK service sector landscape and are experts in scrutinising targets and structuring deals before overseeing carefully planned integration programmes and providing close governance of new businesses under our ownership.
- Through adding further scale, with add-on acquisitions, we create opportunities for our management teams to realise the synergies between acquired businesses and to implement operational improvements.
- Our management teams are proficient in post-acquisition management, restructuring and tight cost control. Our integration processes are well rehearsed and carried out by dedicated resource.

Collaborate

to realise strategic synergies across the Marlowe Group

Intercompany collaboration within our Group

- Realise strategic synergies across the Marlowe Group which provide a competitive advantage and can further accelerate growth.
- We favour entering sectors which share a similar channel to market, in which services are underpinned by regulatory requirements and where our customers can see the logic. This creates competitive advantages: because all the businesses in our Group share a similar customer base, with services usually procured by the same decision-makers within our customers' organisations, we are able to accelerate our organic growth rate through ensuring that customer relationships are shared across different Marlowe businesses, enabling cross-selling of services across the Group. When successfully executed, this binds our relationships with customers more firmly.
- By entering markets which share a similar route to the customer, we also ensure that we develop a close understanding of our customers' needs which equips us well to deliver services to address those needs.
- We favour sectors which have, or might benefit from, similar operational methodologies. This enables us to apply many of the same improvement techniques that we have employed in other areas of our Group to drive organic growth.

History

2015-16

- Marlowe was formed in May 2015 as a platform for growth through targeted acquisitions in regulated B2B service sectors
- Board appointed, £8 million fundraising and acquisition search begins
- Initial focus on businesses providing regulated compliance services in sectors across the UK that possess annuity-type recurring revenues, typically with long term contracts and a degree of operational complexity

2016-17

- Admission to AIM as Marlowe plc in April 2016
- Formation of Fire Safety & Security business through the acquisition of Swift Fire & Security
- Formation of Water Treatment business through acquisition of WCS
- Six further add-on acquisitions

2017-18

- Developed a market leading position in the Air Quality & Ventilation Hygiene market, through the acquisition of DCUK
- Eight further add-on acquisitions

2018-19

- Acquisition of UK water treatment & hygiene activities of Suez Environement Company SA, significantly enlarging our water treatment activities
- Environmental Testing & Inspection market entered through the acquisition of Tersus Consultancy
- Acquisition of William Martin, the UK's leading health, safety & compliance specialist
- Five further add-on acquisitions

2019-20

- Acquisition of Clearwater securing our position as a market leader in the UK water treatment & hygiene market
- Acquisition of Quantum Compliance strengthening our positions as a leading UK provider of health & safety services
- Acquisition of Law At Work marks Marlowe's first major step into Employment Law and HR Compliance
- Divestment of air quality project business refocussing Marlowe's air quality offering on recurring compliance services
- Extension of compliance services into occupational health sector through the acquisition of Managed Occupational Health
- Four further add on acquisitions in Fire Safety, Water Treatment and Air Quality.
- Marlowe end's its fourth year of trading with run-rate revenues in the region of £200 million

Marlowe's businesses are represented by around 1,400 expert consultants, auditors, technicians, employment lawyers & HR specialists, engineers, health & safety and occupational health specialists across the UK.

We audit, assess, consult, test, inspect, maintain, upgrade and certify to assure the safety and compliance of commercial organisations, their premises, essential building systems and processes resulting in end-to-end safety and compliance.

20,000+
customers

350,000
commercial premises managed

1.3m
client visits per year

8m+
of our clients' employees protected

1,400+
compliance experts

Organisational structure

MARLOWE

Risk Management & Compliance

Health & Safety, Compliance Software, Fire Safety & Security, Employment Law & HR Compliance, Occupational Health and Safety Training business streams

Water Treatment & Air Quality

Water Treatment & Hygiene and Air Quality & Testing business streams

Head office

A small head office team in London sets and develops the overall corporate strategy and provides a framework of financial planning, reporting and control within which entrepreneurial service businesses can prosper. The head office also drives selected strategic initiatives across the Group, such as utilising our shared channel to market through a disciplined approach to cross-selling and intercompany collaboration and developing the Group software and technology strategy.

Crucially, our head office team consists of a team of dedicated corporate development professionals who are proficient at identifying attractive markets and acquisition targets, conducting due diligence and preparing, in close cooperation with divisional management and integration teams, for their swift integration. Head office also provides a limited range of central financial support, technology and talent development functions.

In short, Marlowe provides a platform for fast-paced organic and acquisition-led growth for like-minded regulated service businesses.

Operating divisions

We are organised into two Operating divisions, consisting of a number of leading businesses which provide services across five main regulated service sectors, each with a similar channel to market.

Each service activity is positioned as an autonomous business unit responsible for its own growth organically and by acquisition united by a common culture and purpose. Crucially, all the businesses in our Group are bound by a common channel to market and our divisional management teams are focused on synergising closely with each other to ensure that we are taking advantage of this significant competitive advantage in accelerating organic growth.

Each main activity is managed by Divisional Chief Executives who understand the market needs of their companies and their customers and are responsible for driving their strategies. They set objectives and targets, measure performance and incentivise their respective management teams.

Group overview

We help our clients to take care of their people, premises and customers whilst navigating the ever-changing and complex regulatory environment. Marlowe provides the full range of compliance services right from conducting health & safety audits and assessments, advising on employment law compliance or occupational health through to testing water for bacteria or treating systems to improver quality, inspecting ventilation systems for safety or certifying a fire safety system. All these services are supported by our market leading cloud-based risk management software platforms.

Each of our services is delivered by one of our specialist businesses. Individually, these businesses are leaders in their fields but together form a group that can provide our customers with a comprehensive and integrated approach to their safety, regulatory compliance and the upkeep of the building systems they rely on. That means more convenience, better across the board compliance, greater consistency and the benefits of a trusted in-depth relationship.

Our Group

Risk Management & Compliance division

Marlowe's Risk Management & Compliance division comprises five main specialist business streams: Health& Safety, Compliance Software, Fire Safety & Security, Employment Law & HR Compliance and Occupational Health.

Revenue (£'m)

FY20	£80.2m
FY19	£67.4m

+19%

Adjusted EBITDA[1] (£'m)

FY20	£8.7m
FY19	£6.3m

+38%

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Our markets

All the spheres in which we operate are complementary
The majority of the services that we provide are governed by strict compliance regulations and laws and tend to be procured by the same person or department within our clients' organisations.

Long-term growth drivers
Health, safety & compliance regulations and their enforcement burden, population growth, urbanisation, insurance requirements, reputational risk and ever-increasing awareness from the public around safety standards result in stricter legislation and place more onus on organisations to ensure the safety and compliance of their premises and people.

Marlowe's total addressable markets size estimated at over £5bn

£1.6bn
Health, Safety & Compliance
25%

£1.9bn
Fire Safety & Security
30%

£1.6bn
Water Treatment & Hygiene
35%

£400m
Air Quality & Testing
10%

% of total annualised revenue

Water Treatment & Air Quality division

Water Treatment & Air Quality comprises our Water Treatment & Hygiene and Air Quality business streams.

Revenue (£'m)

FY20 £105.2m
FY19 £61.1m

+72%

Adjusted EBITDA[1] (£'m)

FY20 £10.1m
FY19 £6.3m

+61%

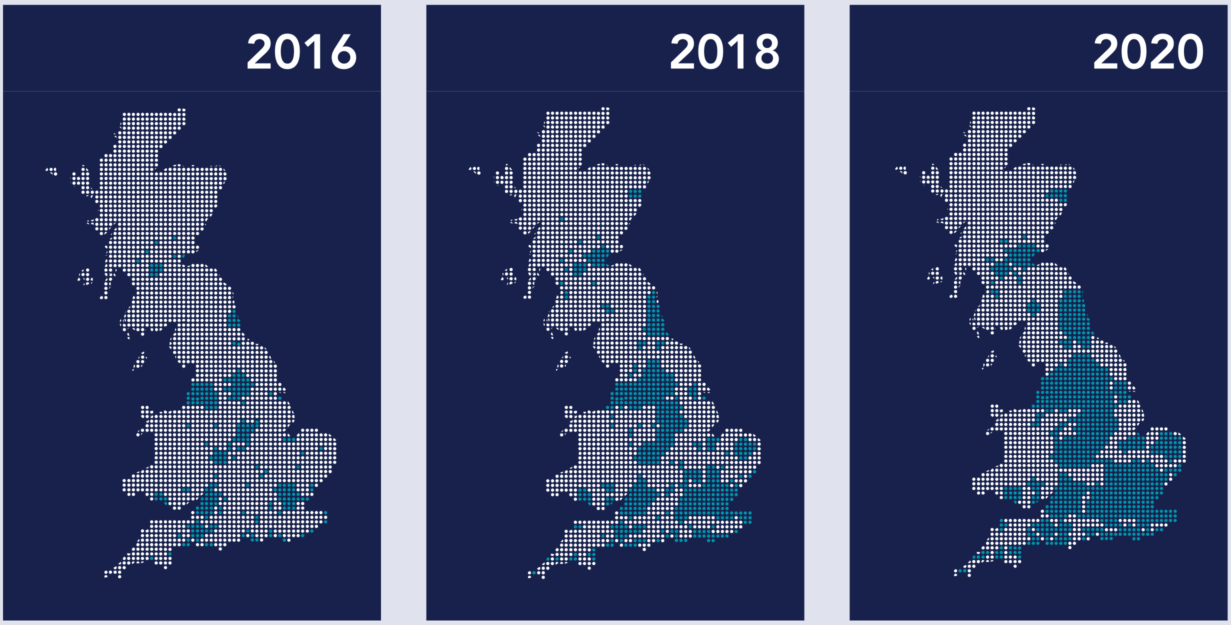
1. Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") is EBITDA before separately disclosed acquisition and other costs as presented on the consolidated statement of comprehensive income, excluding the effects of the adoption of IFRS 16. Further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business is provided in the Finance Director's review on page 30 and Note 4.

Group overview continued

Route Density: the network effect

The ability to service multiple customers in close proximity is a significant advantage as we grow and benefit from our scale, resulting in improved standards and speed of service for our customers that we can deliver more efficiently and economically.

The maps below demonstrate how the density of our consultants, engineers, technicians and auditors, and their resultant proximity to our customers, has progressed over the past four years.



Transactions since April 2019

Clearwater
One of the UK leaders in water treatment and hygiene services
21 May 2019

Aquatreat Group
Water treatment chemicals provider
26 July 2019

Quantum Compliance
UK-wide health & safety consultancy
9 August 2019

FSE Fire Systems
Nottingham-based provider of fire safety services
29 November 2019

Law At Work
Health & Safety, EL & HR compliance consultancy, operating nationally
2 December 2019

Environmental, social and governance (ESG)

Safety and security

Health & safety operations ensure the safety and regulatory compliance of organisations, their employees & supply chain

Fire safety and security businesses ensure that buildings have adequate fire safety measures and that fire and security systems are compliant

These services reduce the risk posed by hazards and the impact of disasters and modern dangers

Health and well-being

Acquisition of Law at Work in December 2019 provides entry into the employee wellbeing market

Provides outsourced employment law and HR services, assisting and educating clients on fair treatment and well being of their employees and compliance with law and regulation

Occupational health services ensure health & wellbeing

UN Sustainable Development Goal 3: "Good health & Wellbeing"

MARLOWE

Energy efficiency

Investment in operational systems and technology to improve efficiency and productivity

Scheduling software to optimise route efficiency and automate data management

Marlowe's 4D Remote Monitoring technology is used to improve building performance & efficiency

UN Sustainable Development Goal 11: "Sustainable Cities & Communities"

Clean water, sanitation and air quality

Water treatment and hygiene businesses assure water systems are safe, efficient, sustainable and compliant

Assessing, dosing, maintaining, monitoring, testing, treating and certifying to ensure water hygiene is of the highest quality

Air testing and quality operations work with clients to ensure commercial properties are compliant with air quality and environmental regulations

UN Sustainable Development Goal 6: "Clean Water and Sanitation"

Eurosafe
York-based provider of health & safety services
31 January 2020

Managed Occupational Health
National provider of occupational health services
9 March 2020

Solve HR
Edinburgh-based HR compliance service specialist
10 March 2020

Deminos
Newcastle based provider of HR, employment law and health & safety services
28 May 2020

Elogbooks
Cambridge based contractor management software provider
26 June 2020

Chief Executive's report

For the year ended 31 March 2020

"Since its inception in 2016, Marlowe has grown to become the UK leader in specialist services which assure safety & regulatory compliance. We continued to make strong progress during FY20, with substantial growth in revenues, adjusted profits and adjusted earnings per share. We realised further margin enhancements whilst delivering good underlying cash generation."

Alex Dacre
Chief Executive

Results & Strategy

For the year ended 31 March 2020, adjusted earnings before interest, tax, depreciation, amortisation and exceptional items[3] were up 51% to £16.6 million (FY19: £11.0 million), adjusted profit before tax[1] was up 54% to £13.6 million (FY19: £8.9 million) and adjusted earnings per share[2] were up 30% to 24.3p (FY19: 18.8p) on revenues up 44% to £185.4 million (FY19: £128.5 million). Adjusting for the dilutive impact of Clearwater, the Group's divisional adjusted EBITDA[3] margin from continuing operations rose to 11.4% (FY19: 9.8%). Statutory profit before tax for the year was £0.5 million (FY19: £2.0 million) after adjusting for acquisition and restructuring related costs and reflecting a loss on the disposal of non-core businesses of £0.8 million (FY19: profit of £1.9 million). Statutory EPS was (0.8)p (FY19: 3.8p).

Organic growth accelerated to 7% driven by strong new business sales, improved customer retention and successes with the Group's cross-selling strategy. Our Group can deliver an end-to-end approach to our clients' health, safety & regulatory compliance: from risk & compliance software, safety audits & inspections, risk assessments, health assurance, employment law & HR compliance through to recurring compliance programmes across health & safety, fire safety & security, water treatment & hygiene, air quality and occupational health. Approximately 23% of Marlowe's revenues are now multi-service (up from 20% in FY19), where we are leveraging our comprehensive service offering to deliver more than one service to a client. Of our top 100 customers, 56 are now taking multiple services.

Further growth through acquisitions

M&A is a fundamental component of our strategy and we continued to execute at pace throughout the year, completing eight acquisitions which have deepened our presence in existing markets and broadened our compliance capabilities into both HR and employment law compliance and occupational health – both markets with significant synergies with our strategy to deliver an end-to-end approach to our clients' safety and regulatory compliance. The acquisition of Clearwater, in May 2019, transformed the scale and scope of our leading water treatment & hygiene operation. The change that the business has undergone since joining Marlowe is a clear illustration of our model to create significant shareholder value through identifying highly complementary acquisitions and delivering an effective integration programme that results in extensive financial and operational synergies.

The acquisitions of Quantum Risk Management ("Quantum"), Law At Work ("LAW"), Managed Occupational Health ("MOH"), Eurosafe UK Group ("Eurosafe") and Solve HR ("Solve") have transformed the scale and scope of our Health, Safety & Compliance

Adjusted EBITDA[3] was up 51% to £16.6 million

Adjusted profit before tax[1] was up 54% to £13.6 million

Adjusted earnings per share[2] were up 30% to 24.3p

Revenues up 44% to £185.4 million

division and the acquisition of FSE Fire Safety Systems ("FSE") has added further scale and regional density to our leading Fire Safety & Security division which continues to build good organic market share.

The acquisition of Elogbooks, announced since the year-end, is the next step in our strategy to deliver integrated technology and services to enhance the compliance, safety and upkeep of our clients' premises. Following the acquisition, more than 5% of Group revenue derives from software subscriptions. Alongside Meridian, our existing software platform, the addition of the Elogbooks software will position us to offer our clients a complete technology-enabled contractor management, compliance and health & safety solution. The acquisition significantly expands the Group's digital capabilities and service offering in providing our clients with visibility and control over their service providers' performance and compliance. Elogbooks is a software tool which allows users to schedule compliance and maintenance activities and monitor them from start to finish, providing a full picture of the state of contractor activity, service delivery and the compliance of facilities. Its 4D monitoring solution connects to physical assets in buildings to feedback real-time compliance and building performance data. We see considerable scope to deploy Elogbooks' system and technology across our existing businesses to further enhance the health, safety and compliance of our customers.

Our business model and COVID-19

Our broad range of compliance service capabilities, superior service levels, the provision of our proprietary software and digital applications, along with our ability to operate efficiently and effectively across the UK, provides us with a durable competitive advantage over both our large multi-national competition in the Testing, Inspection and Certification sector, who lack our agility and UK focus, along with the smaller regional competition who lack our access to capital to invest in growth, scale economies, technology, geographical coverage and additional capabilities.

Alongside the ever-evolving regulations that underpin the requirement for our services, our markets, which are fragmented and offer significant scope for further growth, benefit from other long-term growth drivers: insurance requirements; public expectations around safety, compliance and wellbeing; corporate reputational and brand risk; increased regulatory enforcement; and continued population growth and urbanisation.

Set against the backdrop of a significant public health crisis, Marlowe's role in delivering services which help our clients to remain safe, healthy, efficient and compliant has never been more relevant. Our resilient trading performance throughout the pandemic reflects the defensive strengths of our business model which is focused on B2B sectors in which the services that we provide are essential to our clients' operations and are invariably governed by regulations which dictate that our services are required in order to operate safely and compliantly. This regulation and the essential nature of our services ensure that our business is well-insulated from economic cycles. The services that our Group delivers are mission-critical to over 20,000 organisations across the country who rely on us throughout the year to keep their organisations safe and compliant, to help maintain their employees' health & safety compliance and wellbeing, and to keep their 350,000 premises across the UK safe and operational.

The way that our Group responded to the crisis reinforces the strength of our business model: short lines of communication, agility and the entrepreneurial autonomy necessary to implement plans quickly, meant that each of our divisional management teams were able to rapidly refine their service delivery models such that we have been able to deliver our services safely and effectively. Alongside this,

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Chief Executive's report continued

we were able to quickly implement selective precautionary cost reduction measures to minimise the impact on profitability and preserve cash. These precautionary cost reduction measures saw the Marlowe Non-Executive Board and Chief Executive waive their salaries for Q1 of our new financial year. In addition, senior managers across the Group voluntarily agreed to temporary salary reductions of between 15-20%. The Group also selectively used the Government furlough scheme and implemented a pay freeze whilst reducing certain other discretionary costs.

The field-based services that we deliver were designated as critical under Government guidance, enabling us to play our part in helping to keep our clients – which include healthcare facilities, food production and care homes – compliant with health & safety laws and regulations, and their premises safe and operational. Many of the risks and compliance issues that we help clients navigate were more pronounced during the lockdown than in normal times and parts our Group, including employment law, HR compliance, occupational health and certain water hygiene activities, experienced an increased demand for services and quickly shaped their service offering to assist clients through this period. The Group now provides COVID-19 health & safety risk assessments, audits and Return to Work safety audits to ensure workplaces and other premises comply with the latest Government guidance. In addition, we are delivering COVID-19 surface swab testing and fever screening technology, people-counting flow control solutions to facilitate social distancing, and various COVID-19 focused occupational health & safety services. These services have generated in the region of £2 million additional revenue during the first quarter of the new financial year with a strong pipeline of further opportunities.

Looking ahead

Looking to the future, with run rate revenues now in the region of £200 million, the critical mass and scale that the Group has achieved across our markets is allowing us to benefit from many economies such as route density, scheduling efficiencies and the ability to deliver faster and better service to our clients. This scale, along with the significant progress that we have made through implementing operational and technological enhancements across the Group and the effective integration programmes we have delivered, has resulted in further sustainable organic growth along with profit margin improvements which we expect to continue to expand.

The Marlowe model of growth through acquisition allows us to significantly accelerate our organic growth through identifying complementary acquisitions in our target sectors, integrating these businesses into our platform, enhancing their operations, realising financial synergies and then accelerating growth through operational improvements and collaboration with other businesses in our Group and effective cross-selling. Our M&A model is well defined and rehearsed – we have completed 37 transactions (35 acquisitions and 2 non-core divestments) since 2016 – and is a core part of our investment proposition to generate material shareholder value. In the context of the UK wide economic shock of COVID-19, we see opportunities to accelerate the consolidation of our markets through further M&A.

> "The relevance and importance of the markets that we occupy has never been in sharper focus and Marlowe is well positioned to benefit from the ever-increasing needs of organisations for health, safety and compliance assurance services. "

The relevance and importance of the markets that we occupy has never been in sharper focus and Marlowe is well positioned to benefit from the ever-increasing needs of organisations for health, safety and compliance assurance services. We are confident there will be significant growth opportunities for the Group in the current year both organically and through accelerating the Marlowe model of growth through fast-paced acquisition.

Risk Management & Compliance

Marlowe's Risk Management & Compliance division delivers services which assure the safety and regulatory compliance of organisations, their premises and their people. The division provides risk & compliance software, health & safety, fire safety & security, HR & employment law compliance and occupational health services to help organisations assure safety & compliance and to mitigate risk. A large portion of the services we deliver recur from month to month or year to year and are essential to our customers' operations and the safety & wellbeing of their staff. Across the division, we employ in the region of 670 consultants, auditors, technicians, risk-assessors, engineers and other experts who provide advice, consultancy, inspections, audits, risk assessments, testing & inspection services, maintenance, installation, commissioning and training with the aim of assuring and certifying our clients' safety & regulatory compliance. The division employs an additional 550 support staff who are strategically located across the country.

Our Risk Management & Compliance division performed strongly during FY20 and recorded adjusted EBITDA[1] growth of 38% to £8.7 million with adjusted operating profit[2] growth of 42% to £8.1 million (2019: £5.8 million) and revenues of £80.2 million (2019: £67.4 million). This growth reflects the contribution from acquisitions made at the end of FY19, during FY20 and strong organic growth. Risk Management & Compliance's divisional adjusted EBITDA[1] margin rose to 10.8% (FY19: 9.3%).

Following the acquisition of William Martin in FY19, we have further strengthened our leading Health, Safety & Compliance operation through the acquisitions during the year of Quantum, Law At Work, Managed Occupational Health and Solve HR.

Following the Elogbooks acquisition and further good growth in Meridian, Risk & Compliance software has become a key service line for the Group and now accounts for a material and growing segment of our divisional revenues (in excess of 10%), offering attractive subscription qualities. Our ability to deliver technology-enabled services and the implementation of compliance software as a service along with the use of digital applications forms a key part of our growth strategy. Our market leading platforms, Meridian and Elogbooks, are used by some of the UK's largest multi-site organisations to manage their complete contractor management, safety & compliance obligations. The systems improve safety standards, ensure compliance and can provide real-time visibility of compliance data via our proprietary 4D remote monitoring sensor technology.

We have made significant investments in our Meridian platform during the year and our combined software team now consists of 40 development professionals who continue to enhance the systems. We view the use of technology and software across our whole Group as a key differentiator between ourselves and our competition and Meridian and Elogbooks are our key applications in this field. Customers who work across both platforms enjoy a complete software-enabled maintenance, compliance and health & safety solution from the two specialist systems. During the year, we have launched a new version of Meridian: Meridian Compliance, which is a self-administered version of the software, sold at a lower price point and more accessible for smaller organisations than Meridian Enterprise, our account managed and customisable version of the software. The acquisition of Quantum in August further strengthened Marlowe's leading position in the property-related health, safety and compliance sector and enhances our ability to provide an end-to-end solution for our customers' safety and regulatory compliance needs. Founded in 2003, Quantum is a leading provider of health & safety consultancy services to commercial organisations across the UK. The business conducts audit and consultancy services for approximately 8,000 commercial sites each year, providing specialist advice on managing health & safety risks and ensuring compliance with a wide variety of health & safety regulations. The integration of the business into William Martin has proceeded to plan and the business, which had no proprietary software upon acquisition, is beginning to benefit from the application of our Meridian software and suite of digital applications. William Martin is delivering on its growth plan with acquisition activity supplementing pleasing organic growth. We have increased headcount within our health & safety operation by 19 heads during the year as we continue to invest in our leading service capability in this market.

By acquiring Law at Work in December, a business which helps clients to mitigate their employee-related risks and assure their health & safety performance, we both strengthened Marlowe's health & safety operation and significantly advanced our capabilities to work with clients across the full spectrum of their compliance needs. The business, which delivers subscription-based consultancy services, operates nationally in an attractive and underserved market in which we see significant growth opportunities. The acquisition was a major step in strengthening our position as the UK leader in regulated compliance services to organisations of all sizes. LAW employs approximately 70 staff, more than half of whom are employment lawyers, HR compliance professionals and health & safety consultants, whose advice and consultancy ensure that commercial organisations remain compliant with employment law and health & safety legislation. The acquisition was a further step in Marlowe's strategy of building an end-to-end provider of regulated compliance services and offers synergies with the Group's existing health, safety and compliance businesses, in particular William Martin. Since the LAW acquisition we have gone

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on to add further scale in this field through the acquisitions of Solve HR in March and Deminos Consulting in May, after the end of the financial year – two business providing subscription-based HR & employment law compliance services to a range of SMEs across the UK. Both acquisitions are being integrated into Law At Work. In line with our strategy to deliver technology-enabled services, we have recently rolled out an SME-focused version of our Meridian software, designed for the Law At Work client base.

In March we acquired Managed Occupational Health. MOH is a leading national provider of occupational health services employing approximately 70 staff, including 40 technicians, nurses and doctors who provide recurring occupational health advice, assessments and monitoring to help employers comply with health & safety legislation and assure the physical and mental health and wellbeing of their employees. The business works across a broad range of sectors including education, financial services and food processing. In acquiring MOH, we have added further scale to Marlowe's health & safety operation and extended our capabilities to work with clients across the full spectrum of their occupational health needs. The business operates nationally in an attractive and underserved market in which we see significant growth opportunities.

Our Fire Safety & Security business is now one of the UK leaders in delivering recurring compliance programmes across our clients' entire fire safety and security requirements: from consultancy and risk assessment through to the testing, inspection, remediation and upgrade of a broad range of fire and security systems and applications. We now benefit from attractive scale and route density across the UK which continues to result in improved productivity and enhanced service levels. Average revenue per fee earner increased by 6% during the year. These service levels lead in turn to reduced attrition and enhanced organic growth which has been strong during the year at 7%. The 13 acquisitions that have built this business to date, including the recent acquisition of FSE Fire Systems, have been integrated into our operating platform. Headquartered in Nottingham, FSE provides a range of fire safety and security services with a large base of customers in the East Midlands area adding attractive regional density. During July, we will be moving into a new state of the art head office facility for our Fire & Security operation in Manchester. The facility will house our 24/7 Connected Services monitoring centre along with client demonstration facilities for various fire safety & security applications and underlines our ambition to become the UK market leader in fire safety & security. The UK market is around £2 billion in size and remains very fragmented. There is considerable further scope for growth through M&A which we are well placed to take advantage of.

Water Treatment & Air Quality

Our Water Treatment & Air Quality division delivers regulatory-driven compliance services mainly focused on water hygiene, water treatment, air testing & quality and environmental services. A large portion of the services we deliver recur from month-to-month or year-to-year and are essential to our customers' operations and stipulated by regulation. Across the division, we employ in the region of 700 consultants, risk assessors, technicians, engineers and other experts who provide audits, consultancy, inspections, tests, samples, and water treatment services which certify the regulatory compliance of a wide range of commercial premises and ensure that our clients' operations are efficient and sustainable. We employ an additional 450 office and remote support staff who are strategically located across the county.

Our Water Treatment & Air Quality division had another strong year, reporting adjusted EBITDA[1] growth of 61% to £10.1 million (2019: £6.3 million) with adjusted operating profits[2] of £8.8 million (2019: £5.3 million) on revenues of £105.2 million (2019: £61.1 million). This growth reflects the benefit of the Clearwater acquisition in the year and the full year contribution from acquisitions made in FY19 together with good organic growth and revenue generated per salesperson increasing significantly during the year. Additionally, we have seen further improvements in the underlying profit margins of the division as a result of initiatives focused on enhancing productivity and utilisation, supplementing the synergies realised as a result of our increased scale and the effective integration of acquired businesses, particularly Clearwater. Adjusting for the dilutive impact of Clearwater which was acquired during the year and loss-making upon acquisition, adjusted EBITDA[1] margin from continuing Water Treatment & Air Quality activities was 12.1% (FY19: 10.3%).

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This acquisition of Clearwater was a transformational step in our strategy to consolidate the water treatment and hygiene market. The acquisition strengthened our national capabilities whilst contributing in the region of £25 million of largely recurring revenues to the Group. Founded in 1990 and employing approximately 375 staff across 11 locations, Clearwater, which was previously owned by Baird Capital Partners Europe, provides a range of services mainly related to water treatment, hygiene and compliance across the UK and Ireland. The business has approximately 2,400 customers across a broad range of end markets including healthcare, education, food processing, leisure and public services. The majority of Clearwater's revenues are recurring and derived from long-term contracted customer relationships.

The acquisition has strengthened Marlowe's position as a major player in the water treatment and hygiene market, with the Group's enlarged business benefiting from run-rate revenues in the water services market of c.£75 million. The acquisition also broadened Marlowe's technical capabilities and enhanced its route density nationally. Clearwater has been integrated into WCS Group, Marlowe's Water operation, broadening the capabilities of the combined business to enhance the range of services it provides to customers.

Upon acquisition, the Clearwater business was lossmaking. As a result of the integration of Clearwater into WCS Group, attractive synergies are being realised such that towards the end of the financial year, the business's operating margin was improving to be more in line with the Group's wider Water activities. The integration programme has delivered an overhaul of the operating model of the business which has seen: improvement of service and compliance levels (from 85% to 98%) and the resultant increase in new business levels; the integration of the service delivery team, leading to attractive route density synergies; the exit of the previous senior management team; the removal of a large number of duplicated roles across various back office functions; closure of properties; the implementation of new systems and processes; a reduction in the use of sub-contract labour; the insourcing of water treatment chemical spend to our in-house blending facility; and a transformation of the culture of the business into a growth-focused, leading compliance service provider. Costs incurred in the restructuring and integration of Clearwater into WCS Group were £4.2 million in the period.

During the year, we integrated our Air Testing & Quality operation, which trades as Tersus Consultancy and DCUK, more closely with our Water Treatment & Hygiene operation, to ensure that the significant synergies between these parts of our Group could be fully advanced. At the same time, we divested certain non-core Air Quality activities for a consideration of up to £7.0 million. The non-core activities, primarily non-recurring asbestos remediation project work which generated revenues of approximately £18 million, were acquired in July 2017 as a part of the acquisition of DCUK, which carried out one-off projects alongside its core ventilation hygiene and air quality business. The Group retained all ventilation hygiene and air quality activities and continues to provide recurring asbestos consultancy services. The divestiture of the non-recurring elements of DCUK is in line with the Group's focus on businesses with recurring, contracted revenues. Divesting of this non-core part of DCUK enhances our quality of earnings by reducing our exposure to non-recurring project related revenues in line with our strategy which is focused on recurring, non-discretionary services in regulated safety & compliance sectors.

Outlook

Marlowe's defensive qualities, strong channel to market, organic growth momentum and track record of accelerating growth through targeted M&A strongly position us to continue to gain further market share across all our business streams and to create sustainable shareholder value.

Whilst we have seen some disruption from COVID-19 which affected the early part of our new financial year, the impact has been manageable and, given the regulations that govern the requirement for our essential services, our business model has demonstrated resilience and presented opportunities for new service offerings.

We believe that the crisis will lead to favourable structural trends resulting in an increased focus on the health, safety, wellbeing & compliance markets that we occupy. We see an increased level of attractive opportunities to consolidate our markets through further acquisitions to accelerate our growth, and we are well-placed to act on these following our recent oversubscribed placing.

Given the defensive nature of our business model, we expect to see growth in line with our pre COVID-19 expectations as restrictions are lifted. COVID-19 is no longer having a significant impact on our operations and we expect to deliver further good progress in the current year.

Alex Dacre
Chief Executive

Case study

Total compliance assurance, from premises to people

HR, Employment Law and Health & Safety Assurance

"By acquiring Law At Work, a business which helps clients to mitigate their employee-related risks and assure their health & safety performance, we are both strengthening Marlowe's leading health & safety operation and significantly advancing our capabilities to work with clients across the full spectrum of their compliance needs."

Alex Dacre, Chief Executive

HR, employment law and health & safety regulations are complex and ever-evolving and Law At Work helps clients to assure that they are compliant. Such legislation includes the Health & Safety Work Act 1974, Employment Rights Act 1996, Employment Relations Act 1999 and TUPE Regulations 2006.

Non-compliance can be costly to employers and their businesses and the reputational and brand risks are significant. Employment law compliance is a logical extension for Marlowe as we look to deliver an end-to-end approach to all of our clients safety & compliance requirements.

Established in 2001 and headquartered in Glasgow, LAW is a leading national provider of subscription-based employment law compliance and health & safety services. LAW employs approximately 70 staff, more than half of whom are employment lawyers, HR compliance professionals and health & safety consultants, whose advice and consultancy ensures that commercial organisations remain compliant with employment law and health & safety legislation. The acquisition is a further step in Marlowe's strategy of building an end-to-end provider of regulated compliance services and offers synergies with the Group's existing health, safety and compliance businesses, in particular with William Martin.

LAW provides Marlowe with a platform for further growth in this attractive and under-served market. Since acquisition, we have integrated three additional bolt-ons into LAW – Nestor, Solve HR and Deminos Consulting. Additionally, we have developed an SME focused version of our proprietary Meridian software for LAW's clients. We plan to make significant further investments in developing this system in the years ahead.

Over
75%
of LAW's revenues are paid as monthly subscriptions

Our divisional markets

Health, Safety & Compliance

The health & safety market in the UK is worth an estimated

£1.6bn

at March 2020

Growing at an estimated 5% per year

Our health, safety and compliance offering is driven by customers requiring health & safety services, HR consulting, occupational health support and risk management software.

Our core capability in this market is the provision of a range of health & safety, risk assessment services and risk management software. Consultancy, audits and risk management services identify hazards, audit them and ensure regulatory compliance. Risks managed include general health & safety, fire safety, water safety and legionella risk and asbestos management. We not only provide these to large property managers across the UK but also to SME businesses nationwide which often do not have in-house health & safety support.

Meridian is a leading platform in the property management marketplace. It stores and tracks a property's inspections, risk assessments, audits and certifications. Meridian ensures legal compliance and optimises efficiency in administration which provides cost savings. The acquisition of Quantum Compliance in August 2019 consolidated our position as one of the largest UK providers of software-enabled health & safety consulting and its integration into William Martin has extended our Meridian software to a wider customer base.

Our HR fixed-fee advisory and consulting help customers stay compliant with the latest employment law. The acquisition of Law At Work in December 2019 has enabled us to extend our property focus into people. Occupational health is focused on managing the physical and mental health of employees in the workplace. Marlowe acquired Managed Occupational Health in March 2020 to add this capability to our Group. Services focus on recurring checks to help avoid work-related injuries and advice on absenteeism.

The market exhibits high levels of non-discretionary spend, annuity-type recurring revenues, long-term growth drivers, durable customer relationships and market fragmentation. Consistent with Marlowe's strategic criteria, the market is underpinned by stringent regulations including: The Health and Safety at Work Act 1974, The Regulatory Reform (Fire Safety) Order 2005, The Control of Substances Hazardous to Health 2002 (COSHH), The Work at Height Regulations 2005 and Control of Asbestos Regulations 2012, Employment Right Act 1996, Employment Relations Act 1999 and TUPE Regulations 2006.

Key services: Risk assessments and audits for health & safety, the fire safety, water safety, asbestos management and workplace safety, H&S consultancy, HR assurance, HR business partnering, health & safety risk management for SMEs, health surveillance, absence management.

Fire Safety & Security

The fire protection market in the UK is worth an estimated

£1.9bn

at March 2020

Growing at an estimated 3% per year

Our fire safety activities are focused on the inspection, testing, compliance, service, maintenance, installation and certification of a wide variety of fire safety measures that are intended to keep people safe and secure whilst ensuring compliance with regulation.

We have four main leading brands in this market: Marlowe Fire & Security, BBC Fire & Security, FAFS Fire & Security and Flamefast with nine sites across the UK. From initial fire risk assessment through to the design and installation of fire detection and fire suppression systems and ongoing maintenance and monitoring contracts, we provide our customers with a complete fire safety solution. Most of our revenues derive from predictable, long-term or repeat customer contracts.

Additionally, our security services centre on the provision of service and maintenance for systems including intruder alarms, CCTV, access control systems and a range of connected services. Driven by the requirements of insurance providers seeking to minimise their risk and by our customers looking to minimise risk, the market is governed by key bodies including the National Police Chiefs Council (NPCC) and the National Security Inspectorate. Electronic security systems are essential for most commercial premises and the market is demonstrating trends towards internet connected devices.

Demand across the sector is underpinned by stringent regulation which applies to all commercial premises, typically placing the burden of responsibility on employers or landlords to ensure that fire does not place lives at risk. Fire legislation includes: The Regulatory Reform (Fire Safety) Order 2005, The Health and Safety at Work Act 1974 and The Management of Health and Safety at Work Regulations 1999 and typically dictates that fire safety measures require recurring periodic testing and inspection services.

Our ability to provide customers with fire, security and monitoring services gives us a significant competitive advantage in developing new business relationships with customers who prefer to source all their fire and security services from a single provider.

Key services: fire detection and alarm systems, aspirating systems, emergency lighting, fire extinguishers, fire risk assessments, fire safety training, gaseous extinguishing systems, room integrity testing, kitchen fire suppression systems, dry/wet risers, sprinkler systems, emergency voice communication, fire alarm monitoring. CCTV, intruder alarms, access control, connected services: monitoring, remote diagnostics, lone-worker solutions.

Water Treatment & Hygiene

The water treatment market in the UK is worth an estimated

£1.6bn

at March 2020

Growing at an estimated 3% per year

Every day, we help manufacturers, commercial businesses, public organisations, institutions and facilities management companies look for better ways to ensure compliance across their water systems. From strategically located sites around the UK, we deliver testing, sampling, consulting, engineering and other compliance related services that ensure safety, maintain clean environments, optimise water and energy use, improve operational efficiency, manage water systems related to heating and cooling systems and maintain critical water-related plant and equipment. We tailor risk assessments, chemical dose, monitoring, water treatment and hygiene solutions by sector, customer need and by individual plant configuration delivering predictability and measurable results. The complexity of many of the water services that we provide presents a strong rationale for customers to remain with existing suppliers.

We assure BS 2486, BG 50, HSG 274 part 1 and ACoP L8 compliance and control improvements for customers in aerospace and defence, energy, food, healthcare, hospitality, industrial markets and the public sector. We deliver compliance surrounding comprehensive regulations and legislation including The Health & Safety at work Act 1974, The Control of Substances Hazardous to Health 2002 (COSHH) and The Water Supply (Water Fittings) Regulations 1999 assuring legal compliance for organisations that have a duty to prepare and manage a scheme for maintaining safe water quality. We help organisations comply with the full requirements of water regulations.

Key services: water treatment, sampling, compliance, hygiene, dosing, remote monitoring, engineering, testing, control of scale, corrosion and bacteria, waste water and effluent, water purification, steam boilers, cooling towers, chemical supplying, dosing closed circuit and chiller systems and evaporative condensers.

Air Testing & Quality

The air quality market in the UK is worth an estimated

£400m

at March 2020

Growing at an estimated 3% per year

Our Air Quality activities centre on two main business activities: the compliance and management of ducting and ventilation systems in commercial premises and the management of contaminants and hazardous materials including asbestos. The requirement for regular compliance related to ventilation systems is driven by the need to comply with fire safety and air quality regulations as ventilation systems build up combustible materials such as grease and present other health hazards.

Our services are also necessitated by the increasing understanding of the importance of air quality and the need to provide safe, clean air to building occupants. The industry is fast-growing, fragmented and relatively young. Our compliance activities extend to the checking of the operation of fire dampers within the ductwork systems, which is required to be undertaken annually in all commercial buildings. Operators of commercial buildings are required to comply not only with The Fire Regulatory Reform (Fire Safety) Order 2005 and TR19 regulations, but also with the requirements of their insurance policies to have their ventilation systems cleaned of potentially combustible materials.

We also provide Health & Safety Executive licenced, UKAS accredited asbestos surveying, testing and inspection in buildings with on-going occupancy, such as schools, hospitals and social housing dwellings. Asbestos consultancy offers a strong source of recurring revenue due to the requirement for periodic inspections and the vast amount of asbestos that remains in buildings across the UK.

In January 2020 Marlowe acquired Eurosafe, a York-based asbestos and safety management consultancy. Its operations will integrate into Marlowe's Tersus brand. As part of this ongoing focus on resilient and recurring business, we also divested of our asbestos remediation activities in March 2020 in order to pivot away from project-driven revenue. A focus on ventilation hygiene and recurring asbestos surveying services aligns more strongly with the Marlowe strategic thesis.

Key services: consulting, inspection, monitoring, testing, training, ductwork and ventilation testing, cleaning and compliance, fire and smoke damper maintenance, fan maintenance and kitchen canopy compliance.

Finance Director's review

For the year ended 31 March 2020

Mark Adams
Group Finance Director

"The financial results reflect a year of transition in accounting policies with the adoption of IFRS 16 'Leases', having a material effect on the consolidated income statement and balance sheet. As such, the results are shown under IFRS 16 and additionally on a consistent basis without IFRS 16, to enable like for like comparison with FY19 and to prepare for FY21 reporting."

Financial Highlights

ADJUSTED RESULTS Continuing operations	Using consistent accounting policies* FY20	FY19	% change	Post IFRS 16** FY20
Revenue	£185.4m	£128.5m	+44%	£185.4m
EBITDA***	£16.6m	£11.0m	+51%	£22.1m
Operating profit	£14.7m	£9.5m	+55%	£14.8m
Profit before tax	£13.6m	£8.9m	+54%	£13.2m
Earnings per share - basic	24.3p	18.8p	+30%	23.6p
Net debt	£32.3m	£20.1m		£46.6m

STATUTORY RESULTS Continuing operations	FY20	FY19*
Revenue	£185.4m	£128.5m
Operating profit	£2.1m	£2.6m
Profit before tax	£0.5m	£2.0m
Earnings per share - basic	(0.8)p	3.8p

Revenue

Revenue for the year ended 31 March 2020 increased by 44% to £185.4 million (2019: £128.5 million) reflecting improved organic growth and the contribution from acquisitions completed in the year, together with the full year benefit of those completed in FY19.

* Excluding the effects of the adoption of IFRS 16 - Leases
** Including the effects of the adoption of IFRS 16 - Leases
*** Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA")

Profitability

On a statutory basis, profit before tax from continuing operations for the year ended 31 March 2020 was £0.5 million (2019: £2.0 million) and is stated after the adoption of IFRS 16 Leases which had the effect of increasing charges to the Income Statement by £0.4 million. In addition, statutory profit was impacted by the disposal of non-core businesses in FY20 and FY19. These activities reduced profit before tax by £0.8 million in FY20 and increased profit before tax by £1.9 million in FY19. Adjusted profit before tax, on a consistent accounting policy basis, for the year was £13.6 million (2019: £8.9 million). Our key measures of profitability for the Group are, on a consistent accounting policy basis, adjusted operating profit and adjusted EBITDA. In the year ended 31 March 2020, adjusted operating profit increased by 55% to £14.7 million (2019: £9.5 million) and adjusted EBITDA increased by 51% to £16.6 million (2019: £11.0 million). Adjusted EBITDA means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs.

Non-IFRS measures

The financial statements contain all the information and disclosures required by the relevant accounting standards and regulatory obligations that apply to the Group. The Annual Report and financial statements also include measures which are not defined by generally accepted accounting principles such as IFRS. We believe this information, along with comparable IFRS measures, is useful as it provides investors with a basis for measuring the performance of the Group on a comparable basis. The Board and our managers use these financial measures to evaluate our operating performance. Non-IFRS financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with IFRS. Similarly, non-IFRS measures as reported by us may not be comparable with similar measures reported by other companies.

Due to the nature of acquisition and other costs in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted EBITDA and adjusted measures of operating profit, profit before tax and earnings per share provide shareholders with a useful representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group.

To arrive at adjusted profit before tax the following adjustments have been made:

Continuing operations

		Using consistent accounting policies	
	FY20 £'m	FY20 £'m	FY19 £'m
Profit before tax	0.5	0.9	2.0
Acquisition costs	1.1	1.1	1.0
Restructuring costs	6.7	6.7	5.2
Amortisation of acquisition intangibles	3.4	3.4	1.8
Share-based payments	0.7	0.7	0.8
Loss/(profit) on disposal of non-core business	0.8	0.8	(1.9)
Adjusted profit before tax – continuing operations	**13.2**	**13.6**	**8.9**

Reconciliation of adjusted operating profit and adjusted EBITDA

		Using consistent accounting policies	
	FY20 £'m	FY20 £'m	FY19 £'m
Adjusted operating profit	14.8	14.7	9.5
Depreciation	7.3	1.9	1.5
Adjusted EBITDA	**22.1**	**16.6**	**11.0**

Acquisition and other costs

Acquisition and other costs totalled £12.7 million in the year (2019: £6.9 million).

		Using consistent accounting policies	
	FY20 £'m	FY20 £'m	FY19 £'m
Acquisition costs	1.1	1.1	1.0
Restructuring costs	6.7	6.7	5.2
Amortisation of acquisition intangibles	3.4	3.4	1.8
Share-based payments	0.7	0.7	0.8
Loss/(profit) on disposal of non-core business	0.8	0.8	(1.9)
Total	**12.7**	**12.7**	**6.9**

Acquisition costs include legal fees, professional fees and staff costs incurred as part of the acquisitions.

Finance Director's review continued

Restructuring costs, being the costs associated with the integration of acquisitions, remain the key component of acquisition and other costs and increased to £6.7 million in the year (2019: £5.2 million). The increase reflects both the number of transactions completed in the year and the scale of restructuring required at certain acquired businesses, in particular, the acquisition of Clearwater Group Limited ("Clearwater"), completed in May 2019. This business was loss making at the time of the acquisition but significant synergies were identified following its integration into WCS Group, Marlowe's Water operation. Restructuring costs of £4.2 million were incurred in the year relating to the acquisition of Clearwater.

Restructuring costs primarily consisted of:

- The cost of duplicated staff roles during the integration and restructuring period;
- The redundancy cost of implementing the post completion staff structures;
- IT costs associated with the integration and transfer to Group IT systems.

The majority of these costs are incurred in the 12 months following an acquisition.

Amortisation of intangible assets for the year was £3.4 million (2019: £1.8 million) with the increase attributable to the higher carrying value of intangible assets.

Long term incentive schemes have been established to incentivise certain key members of the Group's senior management to create shareholder value through the successful acquisition, restructuring and integration of businesses in their chosen service sectors. As such, we consider share based payments to be part of "Acquisition and other costs" as we continue to execute our stated strategy. Share-based payments decreased to £0.7 million (2019: £0.8 million) during the year.

On 30 March 2020 the Group sold certain non-core assets for a loss of £0.8 million. These assets comprised of primarily non-recurring asbestos remediation project work, acquired in July 2017 as part of the acquisition of DCUK which carried out one-off projects alongside its core ventilation hygiene and air quality business.

Earnings per share

Basic adjusted earnings per share are calculated as adjusted profit for the year less a standard tax charge divided by the weighted average number of shares in issue in the year.

Basic earnings per share reflect the actual tax charge.

Earnings per share* (EPS)

		Using consistent accounting policies	
	FY20 £'m	FY20 £'m	FY19 £'m
Basic adjusted earnings per share	23.6	24.3	18.8
Basic earnings per share	(0.8)p	(0.1)p	3.8

* Refer to note 9

Interest

Net finance costs amounted to £1.6 million in the year (2019: £0.6 million) of which £0.5m is associated with the adoption of IFRS 16.

Taxation

UK Corporation Tax is calculated at 19% (2019: 19%) of the estimated assessable profit for the year.

Statement of financial position

The adoption of IFRS 16 has a material impact on the shape of the Group's balance sheet with an increase in right of use assets and equivalent increase in lease liabilities.

On a consistent accounting basis, excluding IFRS 16, net assets increased by £19.5 million to £97.0 million. As a result of the adoption of IFRS 16, net assets increased to £96.7 million (2019: £77.5 million) primarily due to the placing of shares in May and June 2019. Goodwill and intangibles at 31 March 2020 were £123.2 million (2019: £89.6 million).

Property, plant and equipment totalled £5.9 million (2019: £6.3 million), comprising freehold and long leasehold property, leasehold improvements, operational equipment, vehicles and computer systems.

Cash flow

The net cash inflow from operating activities before restructuring costs, using consistent accounting policies, was £5.7 million (2019: £3.2 million) in the year. Cash conversion (being the ratio of cash generated from operations, excluding any acquisition related flows, to adjusted operating profit) was 83% (2019: 83%).

There was a net working capital outflow in the year, on a consistent accounting policy basis, of £7.9 million (2019: £5.8 million). The movement reflects the continuing increased scale of the Group but also includes additional working capital investment at certain businesses acquired in the year. In particular, the acquisition of Clearwater where a significant investment in working capital was identified during the acquisition process contributing £2.6 million to the outflow in the year. Management of working capital remains a key focus across the Group with a strong emphasis on cash collection and overdue debt reduction. Net working capital as a percentage of revenue, the key metric used to manage working capital, improving by 2 percentage points in the year to 8% (2019: 10%).

Capital expenditure totalled £2.9 million (2019: £1.8 million) following investment in our IT systems and motor fleet across the business.

Net debt and financing

Net debt, using consistent accounting policies, at the end of the year was £32.3 million (2019: £20.1 million). Following the adoption of IFRS 16 net debt has increased to £46.6 million reflecting the inclusion of the valuation of future lease payments.

Whilst the Group has seen some disruption from COVID-19 which affected the early part of its new financial year, the impact has been manageable and, given the regulations that govern the requirement for its essential services, the business model has demonstrated resilience. As set out in the Chief Executive's review, certain measures have been implemented to mitigate against the additional risks and uncertainties that have arisen as a result of COVID-19. In the event of further disruption to the business in the future as a result of COVID-19, additional cost reduction and cash preservation measures could be utilised in conjunction with the Group's existing debt facility to reduce costs and preserve cash.

The Group continues to have sufficient headroom on its financing facility to meet the needs of the business and to continue to fund acquisitions as part of its strategy should it choose to do so with debt. In addition, the placing to raise £40 million announced on 26 June 2020, provides additional funding for further acquisitions as part of the Group's ongoing targeted acquisition strategy.

Key Performance Indicators ('KPIs')

The Group uses many different KPI's at an operational level which are specific to the business and provide information to management. The Board uses KPIs that focus on the financial performance of the Group such as revenue, gross profit, adjusted EBITDA and adjusted operating profit.

IFRS 16

IFRS 16 'Leases' was issued in January 2016. The Group has applied the standard from 1 April 2019 and use the modified retrospective approach.

The adoption of the standard has a material impact on the Group's Financial Statements. The changes at 31 March 2020 can be summarised as follows:

- Right of use assets increased by £14.3 million primarily reflecting the sizeable leasehold property and vehicle portfolio of the Group.
- Liabilities increased by £14.3 million reflecting the valuation of future lease payments
- Profit Before Tax decreased by £0.4 million reflecting the following adjustments:
  - Credit to the P&L in relation to operating lease payments, primarily motor vehicles, of £5.5 million.
  - Increase in depreciation charge relating to capitalisation of leases of £5.4 million.
  - Increase in non-cash interest charges relating to the notional finance costs of the assets in use of £0.5 million.

The debt covenants on the Group's borrowing facility are unaffected by the application of IFRS 16 as the covenant calculation are based on the accounting principles in place at the date the agreement was entered into and exclude IFRS16. The cash-flows of the Group remain unaltered as a result of adoption of this new standard.

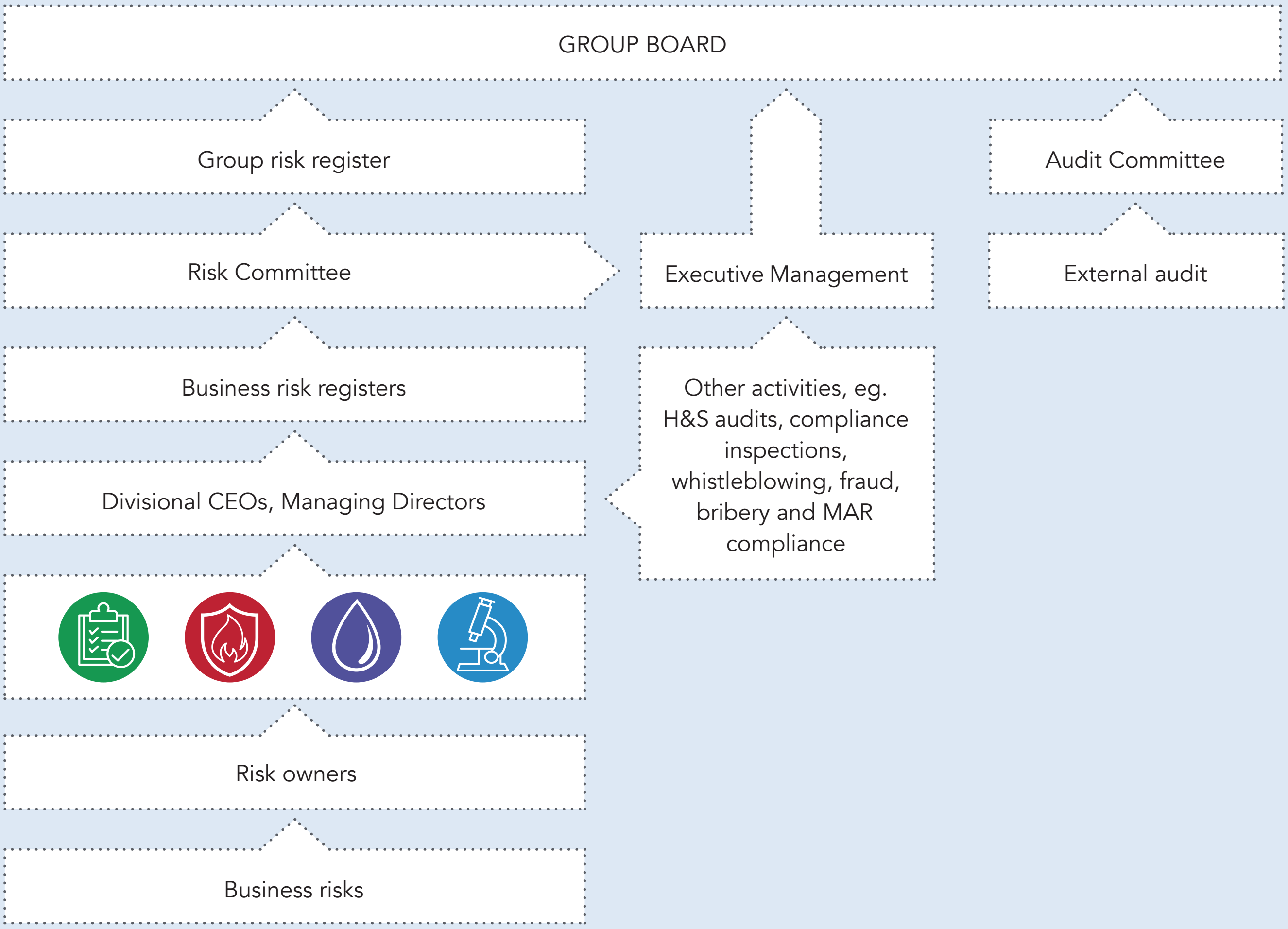
The strategic report on pages 5 to 37 has been approved by the Board and signed on its behalf by:

Alex Dacre
Chief Executive

Mark Adams
Group Finance Director

7 July 2020

Risk management



Risk management framework

Marlowe's Board has overall responsibility for the evaluation of the Group's risk management process which is combined with an active responsibility from all levels of leadership across the Group. The Risk Committee is responsible for reviewing the effectiveness of the Group's risk management processes and for reviewing and maintaining the Group's risk register.

The Risk Committee reports directly to the Board and is chaired by Kevin Quinn. The duties and responsibilities of the Committee are set out in Terms of Reference that were approved by the Board in March 2019. The key responsibilities of the Committee can be summarised as follows:

- Oversee and advise the Board on the current risk exposures of the Company and future risk strategy;
- Keep under review the Company's overall risk management systems including the methodologies adopted and the parameters used in assessing risk;
- Review the Company's capability to identify and manage new risk types; and
- Review the Company's procedures for preventing and detecting fraud and bribery.

COVID-19

The COVID-19 pandemic has resulted in this risk crystallising and the Group's ability to respond being tested. Whilst this is still an evolving situation, the Group has demonstrated a swift and effective response and has been able to maintain good levels of service and put in place measures to minimise the financial impact. The Group has a strong balance sheet and sufficient headroom against its debt facility such that it is well positioned to face any ongoing challenges of COVID-19. Whilst this risk has crystallised, consideration is being given to a wider emerging risk of the potential for other pandemics in the future. The results of this analysis will inform the Group's longer term approach to the monitoring and managing or risk.

Principal risks and uncertainties

Risk	Potential impact	Risk mitigation
Acquisition strategy	As the Group continues to pursue acquisitions as part of its overall growth strategy, overpaying for an acquisition, underestimating the time and resources to integrate an acquired business or the failure to properly integrate or to realise the anticipated benefits from acquisitions could have a negative impact on performance.	All transactions are subject to strict investment criteria and require Board approval. Extensive due diligence is carried out prior to any acquisition. The Group has a strong track record of successful acquisitions and integration of acquired businesses. The Group's integration processes are well defined and are carried out by experienced and dedicated resources and management teams.
Dependence on key personnel	The Group's ability to deliver against its strategy is dependent on the skills, experience and performance of its key personnel. Failure to attract, retain and motivate technical and managerial personnel could impact on performance.	Remuneration and benefits, including long-term incentives are regularly reviewed and designed to be competitive and attract, motivate and incentivise key personnel.
Damage to reputation	A major incident, inadequate service delivery or major system failure could expose the Group to reputational damage resulting in a loss of business or impacting on the ability to attract new customers.	The Group has well established processes and procedures to ensure service standards are maintained. These include full compliance reporting processes and auditing of service delivery standards.
Health and safety incident	Some of the Group's operations involve physical labour, use of machinery and take place in locations where there is the potentially for harm. Death or injury to an employees, customer or member of the public could result in reputational damage, bad publicity, an insurance claim and potential financial impact.	The Group has well established and robust processes to identify and minimise the risk of death or injury including training, detailed risk assessments and accident reporting procedures. The Group also maintains insurance to mitigate any financial risk.
Compliance with regulations and changes in legislation	The markets in which the Group operates are subject to a range of environmental, health and safety and other regulatory requirements. Failure to comply with these requirements could result in the suspension of certain activities or lead to fines or otherwise impact on the business.	The Group is very aware of its regulatory requirements and this is given the highest importance across the organisation. The Group employs regulatory specialists and compliance teams to maintain standards.
Information security and cyber protection	In line with other businesses, the Group is subject to the increased frequency and sophistication of cyber-attacks. Inadequate internal controls and procedures could lead to a data breach or loss. Any loss of systems and/or data could cause a disruption to service delivery, impacting on reputation, involving significant rectification costs and potential regulatory action or legal liability.	There is increased awareness across the Group of this risk and focus on ensuring systems and processes are in place to ensure any risk is minimised. The Group has upgraded its capabilities, controls and countermeasures and will ensure that these are kept under constant review. All employees receive regular training including a cyber awareness programme.
Systems and technology	Technology is a key differentiator and is central to service planning, delivery and customer interaction. Failure to invest or maintain systems, the loss of systems and/or data or poor system performance could cause a disruption to service delivery, impacting on performance with a potential financial impact.	The Group has a clear systems and technology strategy with continuous investment in upgrading and maintenance of all operational systems. It has well established operating processes and procedures including systems and data security and disaster recovery.
Competition	Increased competition or failure to meet changing customer demands could result in lower customer retention and impact on growth leading to lower revenue and profitability.	The Group has low customer concentration and high service standards leading to low customer attrition. It has clear focus on developing and maintaining relationships with key customers.
Liquidity	Poor financial performance resulting in failure to meet banking covenants, reduced appetite from banks to lend or the inability to raise equity could result in insufficient funding to meet the needs of the business and to enable the continuation of the strategy.	All of the Group's businesses benefit from high levels of recurring revenue and good revenue visibility. The Group maintains strong financial controls, a conservative approach to leverage and a proactive approach to investor relations.

Our Water Treatment & Hygiene division works with

38%

of all NHS hospital trusts in the UK

HEALTHCARE

This leading teaching hospital is one of the largest children's hospitals in the UK. We handle pre-commission cleaning and manage all water-related hygiene and infection control on site, among 800+ other healthcare sites across the UK.

Case study

Integration expertise

Clearwater and our market-leading water division

"The acquisition of Clearwater, announced in May 2019, was the most significant step in our strategy of consolidating the UK water treatment and hygiene market."

Alex Dacre, Chief Executive

The Acquisition strengthened Marlowe's position as a major player in the water treatment and hygiene market, with the Group's enlarged business now benefitting from run-rate revenues in the water services market of c.£75m. The Acquisition also broadened Marlowe's technical capabilities and enhanced its route density nationally. Upon completion, Clearwater was integrated into WCS Group, Marlowe's Water operation, which has allowed for significant synergies to be realised whilst broadening the capabilities of the combined business to enhance the range of services it provides to customers.

Founded in 1990 and employing approximately 375 staff across 11 locations, Clearwater, which had been owned by Baird Capital Partners Europe since 2015, provides a range of services mainly related to water treatment, hygiene and compliance across the UK and Ireland. Clearwater has approximately 2,400 customers across a broad range of end markets including healthcare, education, food processing, leisure and public services. The business had revenues of about £24m upon acquisition.

The majority of Clearwater's revenues are recurring and derived from long-term contracted customer relationships.

Since the acquisition, the business has undergone a significant restructuring programme which has resulted in improved compliance standards for Clearwater's clients, greater efficiency and technician utilisation as a result of enhanced route density, reduced sub-contractor usage and improved field service planning & management. In addition, we have realised a major reduction in duplicated back office cost.

Additionally, new IT systems and operating practices have been implemented and the business has been moved onto our unified CRM platform.

Clearwater's annual water treatment chemical blending spend of approximately £1 million were insourced to B&V Chemicals, Marlowe's water treatment chemical blending business, from the incumbent external supplier.

As a result of the implementation of improved service & compliance standards, our sales and account management disciplines, and in spite of the significant restructuring programme, the acquired revenues of Clearwater have demonstrated pleasing organic growth and reduced customer attrition since acquisition.

The success of Clearwater's acquisition and subsequent successful integration is a clear example of the shareholder returns that can be created through the Marlowe model of fast-paced acquisition-led growth to significantly accelerate our organic growth.

Board of Directors

as at 31 March 2020

The Company is led by a Board of Directors who bring strong track records in value creation and years of experience in running large quoted and private businesses across B2B service sectors


Alex Dacre
Chief Executive


Mark Adams
Group Finance Director


Kevin Quinn
Non-Executive Chairman


Charles Skinner
Non-Executive Director


Peter Gaze
Non-Executive Director

Alex Dacre has a background in the quoted business-to-business services sector and an expertise in executing buy-and-build growth strategies. Prior to founding Marlowe, he directed Impellam plc's corporate development activities. During an 18-month period of acquisitions, Impellam saw its market capitalisation more than double to over £400 million and it became the UK's second largest temporary staffing business. Prior to this, he worked with Charles Skinner to turn around AIM-listed Restore plc into one of the UK's leading office services companies and the leading consolidator in the document management and commercial relocation sectors.

Mark Adams brings to Marlowe more than 20 years of experience in senior finance roles in a broad range of sectors. Most recently Mark was interim Chief Financial Officer ("CFO") at Stobart Group Ltd, Pets at Home Group plc and Cognita Schools. He has previously served as CFO at Hastings Insurance Group, easyJet plc, Helphire Group plc and Alpha Airports Group plc.

Kevin Quinn joined the Board on 4 December 2018 as a Non-Executive Director and Chairman Designate and assumed the role of Chairman on 1 April 2019. Kevin has extensive experience of the FTSE 250 support services sector, gained through his 13-year tenure as Chief Financial Officer at Berendsen plc, a leading European textile service business, where he played a significant role in its growth from a market capitalisation of less than £700 million during 2005 to a total implied equity value of approximately £2.2 billion as part of its sale to Elis SA in 2017. Prior to Berendsen, Kevin held a number of senior finance roles at Amersham plc and was previously a partner at PriceWaterhouseCoopers. He is currently a Non-Executive Director and Chair of the Audit Committee at Benchmark Holdings plc.

Charles Skinner was until his retirement on 31 March 2019 Chief Executive of Restore plc, the AIM-listed UK leader in document management and business relocation services. Under his leadership its market capitalisation grew from £1 million to in the region of £600 million in 2018. He was previously Chief Executive of Johnson Services Group plc and Brandon Hire plc, prior to which he was at SG Warburg, 3i plc and was Editor of Management Today. Charles has 20 years' experience as Chief Executive of quoted companies, all operating in the business-to-business services sector. He chairs the Remuneration Committee.

Peter Gaze was the Chief Financial Officer and a Director of BCB Holdings Limited and of Waterloo Investment Holdings Limited. Peter was an executive at ADT Group plc during its expansion in the UK and US, in the period leading up to its acquisition by Tyco International for £3.7 billion in 1997. He chairs the Audit Committee.

Case study

Helping to keep the UK safe, healthy and compliant

Managed Occupational Health

"In acquiring Managed Occupational Health, we have continued to scale Marlowe's leading health and safety operations and extended our capabilities to work with clients across the full spectrum of their compliance needs."

Alex Dacre, Chief Executive

Occupational Health is a growing and under-served market in which we see significant growth potential. It addresses the physical and mental health risks of employees in the workplace and seeks to mitigate these whilst helping employers remain compliant with health & safety legislation. In acquiring Managed Occupational Health, we have continued to scale Marlowe's leading health and safety operations and extended our capabilities to work with clients across the full spectrum of their compliance needs.

The occupational health market is focussed on the advice, assurance and preventive measures that can be made to reduce risks in the workplace and includes services such as health monitoring and surveillance, which are the ongoing checks required to prevent those at risk of work-related injuries or ill-health and the more reactive measures such as absence management, which is the provision of advice to employers on absenteeism and the implementation of strategies to return employees to work quickly.

Established in 2004 Managed Occupational Health (MOH)'s workforce includes 40 technicians, nurses and doctors who provide recurring occupational health advice, assessments and monitoring to help employers comply with health and safety legislation and assure the physical and mental health and wellbeing of their employees. It works across a broad range of sectors including education, financial services and food processing.

Directors' report

The Directors submit their report and the financial statements of Marlowe plc for the year ended 31 March 2020

Matthew Allen
Company Secretary

Marlowe plc is a public limited company quoted on AIM, incorporated and domiciled in the United Kingdom where the vast majority of trading occurs.

Business review and future developments

The Chief Executive's Report on pages 20 to 25 includes a review of the business, the Group's trading for the year ended 31 March 2020 and an overview of future developments.

Principal activities

The principal activities of the Group during the year were the provision of specialist services which assure safety and regulatory compliance, whilst managing risk for businesses across the country.

Results and dividend

The Group's results for the year ended 31 March 2020 are set out in the consolidated statement of comprehensive income on page 56. The profit before tax for the year was £0.5 million (2019: £2.0 million).

The Company has not declared any dividends in respect of the current or prior period.

Directors

The following Directors have held office during the year:

Alex Dacre (Chief Executive)
Mark Adams (Group Finance Director)
Kevin Quinn (Chairman)
Charles Skinner (Non-Executive Director)
Peter Gaze (Non-Executive Director)

The biographical details of the Directors are given on page 38.

Directors' remuneration, long-term incentive plans, pension contributions and benefits are set out in the Directors' Remuneration Report on pages 45 to 47. The Company maintains liability insurance for its Directors and Officers.

Share capital

Full details of the share capital of the Company are set out in note 23 to the financial statements.

Substantial shareholdings

At 31 March 2020, the Company had been notified of the following interests amounting to 3% or more of the Company's issued share capital:

	Number of 50p ordinary shares	Percentage of issued share capital
Lord Ashcroft	11,877,361	25.89%
Alex Dacre	3,521,334	7.67%
Danske Capital Management	2,663,652	5.81%
Canaccord Genuity Wealth Management	2,499,783	5.45%
Royce & Associates	1,872,506	4.08%
Majedie Asset Management	1,421,095	3.10%
Columbia Threadneedle Investments	1,388,011	3.03%

Employees

The Directors believe that the Group's people are its most important asset. Our policy is to employ the best people irrespective of race, gender, nationality, disability or sexual orientation. Consultation with employees or their representatives occurs at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests.

Disabled employees
Applications for employment by disabled persons are always fully considered, having regard to their particular aptitudes and abilities. In the event of an employee becoming disabled, every effort is made to ensure that their employment with the Group continues. It is the policy of the Group that the training, career development and promotion opportunities of disabled persons should, as far as possible, be identical to those of other employees.

Environmental policy
Maintaining and improving the quality of the environment in which we live is an important concern for the Group, our staff, customers, suppliers, sub-contractors and communities. We have adopted high standards of environmental practices and aim to minimise our impact on the environment wherever this is practical. In particular, we comply with, and endeavour to exceed the requirements of, all laws and regulations relating to the environment.

Health and safety
Health and safety is a particular concern to our customers. Consequently, each of our operating segments has appointed Health and Safety Officers. The Group's operations monthly report to the Board includes a detailed section on all health and safety matters.

Financial risk management
Information in respect of the financial risk management objectives and policies of the Group, is contained in note 3 to the financial statements.

Political and charitable donations
Donations of £10,000 were made by the Group for charitable purposes during the year (2019: £10,000). The Group does not make political donations.

Statement as to disclosure of information to auditors
The Directors in office on 7 July 2020 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Post balance sheet events
Details of post balance sheet events are given in note 34 to the financial statements.

Annual General Meeting
The notice of the Annual General Meeting, scheduled to be held on 30 September 2020, will be communicated separately to the Annual Report.

Going concern
The Directors have considered the Group's forecast cash flows and net debt, as well as the Group's liquidity requirements and borrowing facilities, including downside scenarios reflecting the full financial impact of a more severe COVID-19 scenario. Whilst the Group has seen some disruption from COVID-19 which affected the early part of its new financial year, the impact has been manageable and, given the regulations that govern the requirement for its essential services, the business model has demonstrated resilience. To mitigate against the additional risks and uncertainties that have arisen the Group has selectively used the Government furlough scheme and implemented a pay increase freeze while refocusing certain other discretionary costs. In the event of further disruption to the business in the future as a result of COVID-19 the Directors are confident that additional cost reduction and cash preservation measures could be utilised in conjunction with the Group's existing debt facility to reduce costs and preserve cash. In addition, a successful placing of 4,410,430 shares on 26 June 2020 raised additional gross proceeds of £21.1 million. While it is management's intention for the proceeds to be used to fund further acquisitions, if a further significant event was to impact the business, the funds could be redeployed thus providing further support to the ongoing operations of the business. A further placing of 3,957,770 shares, subject to approval by the Company's shareholders at a General Meeting to be held on 15 July, will raise additional gross proceeds of £18.9 million, thus further enhancing the Group's cash position. Following this review and a discussion of the sensitivities the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further detail on the basis of our going concern assessment is set out on in note 2 to the financial statements.

Approval
This Directors' Report was approved on behalf of the Board on 7 July 2020.

Matthew Allen
Company Secretary 7 July 2020

Corporate governance statement

The Directors recognise the importance of sound corporate governance.

The Directors recognise the importance of sound corporate governance. The policy of the Board is to manage the affairs of the Company having regard to the guidance issued by the Quoted Company Alliance ("QCA") to the extent appropriate for a group of the size of Marlowe plc.

The Company complies with all the provisions of the QCA with the exception of Board evaluation. Since the Company is at its early growth stage, no formal processes have been established, but will be kept under review going forward. Our statement of compliance with the QCA Corporate Governance Code can be found on the Company website.

Directors Duties

Section 172 of the Companies Act 2006 requires the Directors of a Company to act in a way they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its shareholders as a whole and, in doing so have regard (amongst other matters) to:

a) The likely consequences of any decisions in the long-term;
b) The interests of the Company's employees;
c) The need to foster the Company's business relationships with suppliers, customers and others;
d) The impact of the Company's operations on the community and environments;
e) The desirability of the Company maintaining a reputation for high standards of business conduct; and
f) The need to act fairly as between shareholders of the Company.

New Directors receive a formal and tailored induction to the Group's operations including corporate governance, its legislative framework and visits to Group premises. In order to perform their duties they can access professional advice, either from the Company Secretary or, if they judge it necessary, from an independent advisor. The Board confirms that, during the year, it has had regard to the matters set out above. Further details as to how the Directors have fulfilled their duties are set out below.

Risk Management

The Company recognises the importance of identification, evaluation and management its risk. Details of the principal risks and uncertainties of the Group are set out on pages 34 and 35. The Group's statement on going concern is included in the Directors' Report on page 41.

Employees

The Company is committed to being a responsible employer and strives to create a working environment where its employees are actively engaged and part of its success. Further details of the Company's commitment to its employees is included in the Directors' Report on pages 40 and 41.

Business Relationships

The Company understands the value of maintaining and developing relationships with its customers and suppliers, as it is these strong relationships which underpin its current

and future growth. The Company's investment proposition on page 6 and model for creating shareholder value on pages 12 to 13 provide further information on how the Company's strategy seeks to solidify these relationships.

Community and Environment
The Company acknowledges the significance of maintaining and improving the quality of the environment in which we live and work in. Further information on how the Company interacts with its community and its environment can be found in the environmental, social and governance report on page 19 and in the Directors' report on page 41.

Shareholders
The Board is committed to openly engaging with its shareholders to understand their needs and expectations. It is vital our shareholders understand the Company's strategy and objectives and that the Board are able to receive feedback on a regular basis. By understanding the requirements of the shareholder base the Company is able to refine its business strategy to ensure maximum value is delivered. Further details on how shareholder engagement is maintained is outlined on page 44.

The Board of Directors
The Board currently comprises of two Executive Directors and three Non-Executive Directors (including the Chairman). The roles of the Chairman and the Chief Executive are separated, and their responsibilities are clearly defined. The Chairman is responsible for leadership of the Board and ensuring its effectiveness while the Chief Executive is responsible for the day to day running of the Group's activities. The Board retains a range of commercial and financial experience and there is a good balance of skills and knowledge of both the Group and the sectors in which it operates.

Board meetings are held on a regular basis to review, formulate and approve the Group's strategy, budgets, corporate actions and to oversee the Group's progress towards its goals. The Board receives timely information on all material aspects of the Group to enable it to discharge its duties.

All Directors participate in the key areas of decision-making and there is a written statement of matters which require Board approval.

Board Committees
The Company has established an Audit Committee comprising the Chairman and Non-Executive Directors who are responsible for monitoring the integrity of the financial statements of the Company, advising on appropriate accounting policies and reviewing management judgements, reviewing effectiveness of internal control and approving the external audit plan and reviewing the effectiveness of the external auditor.

The Company has an established Remuneration Committee and its report is set out on pages 45 to 47.

The Nomination Committee was established during the prior year and comprises of the Non-Executive Directors. The Committee is chaired by the Chairman unless the matter under discussion is his own succession. Other Directors are invited to attend as appropriate. The Committee is also assisted by executive search consultants as and when required. The Committee's principal responsibility is to lead the process for Board appointments and to make recommendations for maintaining an appropriate balance of skills on the Board. It is anticipated that the Committee will usually meet to discuss succession planning for key senior executives.

The Risk Committee was also established during the prior year and comprises of the Chairman and Non-Executive Directors. The Committee reports directly to the Board and is chaired by Kevin Quinn. The key responsibilities of the Committee are to oversee and advise the Board on the current risk exposures of the Company and future risk strategy, to review the Company's overall risk management systems, the Company's capability to identify and manage new risk types and the Company's procedures for preventing and detecting fraud and bribery.

The role of the Chairman is to ensure that contributions made to the Board are relevant, independent, effective and encourage debate. Over the next 12 months further review of the Board functionality will be undertaken to include assessments of whether Board members attend and actively contribute to meetings as well as thoughts on Board composition, external advisers and other relevant matters.

Relations with shareholders

The Chief Executive, Group Finance Director and Chairman are the Company's principal contacts for investors, fund managers, the press and other interested parties. There is regular dialogue with institutional and major shareholders including meetings following the announcement of the Group's annual and interim results. During the year the Chairman contacted the Company's top 10 investors and held meetings with a number of them. At the Annual General Meeting, private and institutional investors are given the opportunity to question the entire Board.

Internal control

The Board acknowledges its responsibility for establishing and monitoring the Group's systems of internal control.

Although no system of internal control can provide absolute assurance against material mis-statement or loss, the Group's systems are designed to provide the Directors with reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

The key procedures that have been established and which are designed to provide effective control are as follows:

Management structure – the Board meets regularly to discuss all issues affecting the Group.

Investment appraisal – the Group has a clearly defined framework for investment appraisal and approval is required by the Board where appropriate.

The Board regularly reviews the effectiveness of the systems of internal control and considers the major business risks and the control environment.

The Board considers that, in light of the control environment described above, there is no current requirement for a separate internal audit function. The Board will continue to review the need to put in place an internal audit function.

Going concern

As more fully explained in note 2 to the financial statements, having made appropriate enquiries and having examined the major areas which could affect the Group's financial position, the Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future.

The Executive Directors are not members of the Audit Committee, Remuneration Committee or Nomination Committee but may attend the meetings as a guest of the Chair of the committee.

Number of meetings attended during the year ended 31 March 2020

	Board Total: 9	Audit Committee Total: 3	Remuneration Committee Total: 6
Executive Directors			
Alex Dacre	9	3	-
Mark Adams	9	3	-
Non-Executive Directors			
Kevin Quinn	9	3	6
Charles Skinner	9	3	6
Peter Gaze	9	3	5

Directors' remuneration report

For the year ended 31 March 2020

Charles Skinner
Chairman of the Remuneration Committee

Remuneration Committee

The Company has an established remuneration committee consisting of the Chairman and the Non-Executive Directors. The Committee meets at least once a year and at other times as appropriate.

The Committee is responsible for the consideration and approval of the terms of service, remuneration, bonuses, share-based incentives and other benefits of the Executive Directors and other senior executives. All decisions made are after giving due consideration to the size and nature of the business and the importance of retaining and motivating management.

Directors' Contracts and Letters of Appointment

The Company's policy on Executive Directors' service contracts is that, in line with the best practice provisions of the UK Corporate Governance code, they are to be terminable by the Company on 6 months notice.

	Date of Contract	Notice Period
Executive Directors		
Alex Dacre	29 February 2016	6 months
Mark Adams	17 January 2018	6 months

The Non-Executive Directors have either a service contract or a letter of appointment.

	Date of Contract/Letter	Notice Period
Non-Executive Directors		
Kevin Quinn	3 December 2018	1 month
Charles Skinner	29 February 2016	1 month
Peter Gaze	29 February 2016	1 month

Directors' remuneration report continued

Directors' Emoluments

The aggregate emoluments of the Directors of the Company were:

	Salary & Fees		Bonus		Benefits		Pension costs		Total	
	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000	2020 £'000	2019 £'000
Executive Directors										
Alex Dacre	225	123	176	175	-	-	-	-	401	298
Mark Adams	150	129	59	50	-	-	-	-	209	179
Non-Executive Directors										
Derek O'Neill*	-	30	-	-	-	3	-	-	-	33
Kevin Quinn**	65	11	-	-	-	-	-	-	65	11
Charles Skinner	25	23	-	-	-	-	-	-	25	23
Peter Gaze	35	35	-	-	-	-	-	-	35	35
Total	**500**	**351**	**235**	**225**	**-**	**3**	**-**	**-**	**735**	**579**

*Resigned 31 March 2019 **Appointed 4 December 2018

The £35,000 (2019: £35,000) paid regarding Peter Gaze is paid directly to Deacon Street Partners Limited for the provision of his services as a Non-Executive Director. The £nil (2019: £30,000) paid regarding Derek O'Neill was paid directly to Signature Quality Refurbished Homes Limited for the provision of his services as Chairman.

The Committee undertook a review of the remuneration of the Executive Directors in the prior year. The Committee considered current market arrangements for comparable companies and the need to provide more balance between fixed and variable elements of the packages for the Chief Executive and Group Finance Director. A further review is scheduled in the next financial year. The remuneration for Alex Dacre and Mark Adams respectively was composed of the following elements: salary £225,000 and £150,000; bonus up to a maximum of 100% and 50% of salary, based on specific financial performance targets for each financial year; and in both cases, eligibility for annual awards of share options under the Company's Long-Term Incentive Plans. Vesting will be subject to the achievement of performance conditions over a period of three years. From 1 April 2020 the Finance Director's salary has increased to £187,500 reflecting a contractual increase in the days employed by the Company from four to five.

The bonuses awarded for the Executive Directors for the year ended 31 March 2020 were based against financial performance targets for adjusted EBITDA and working capital ratio set at the beginning of the financial year. The Directors have agreed to take fifty percent of their bonus in shares.

Following the outbreak of COVID-19 in March, Alex Dacre voluntarily waived 100% of his salary for the three months commencing 1 April 2020. Mark Adams voluntarily waived 25% of his salary for the same period. In addition, the Non-Executive Directors waived their fees for the same three-month period. The savings from the salaries and Directors fees were allocated to a hardship fund to support any individuals experiencing significant financial hardship as a result of the pandemic.

Incentive Plans

The Company has in place a number of Incentive Plans, details which are given in note 29 on page 99. The Directors' interest in the Marlowe 2016 Incentive Scheme are as follows:

	Number of performance units	
	31 March 2020	31 March 2019
Alex Dacre	5,460	5,460
Charles Skinner	1,183	1,183

The Remuneration Committee agreed to extend the exercise period for Alex Dacre to redeem his interest in the Scheme by one year to March 2022.

Alex Dacre and Mark Adams are also the sole participants of the Group's Long Term Incentive Plan 2019, to drive and reward the achievement of the Group's longer-term objectives and to support retention. 92,975 of the New Share Options have been granted to Alex Dacre, Chief Executive, and 41,322 of the New Share Options have been granted to Mark Adams, Group Finance Director. The New Share Options will vest, in whole or in part, on 1 April 2022 (or upon a change of control) subject to the a number of performance conditions.

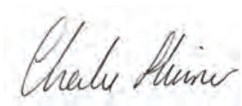
In addition, Mark Adams holds 151,515 phantom shares, granted on 3 April 2018, as part of the Company's Phantom Award Scheme.

Directors' Interest in Shares

The beneficial interests of the Directors who were in office at 31 March 2020 in the shares of the Company (including family interests) were as follows:

Number of ordinary shares of 50p each	31 March 2020	31 March 2019
Alex Dacre	3,521,334	3,516,234
Peter Gaze	600,925	600,925
Charles Skinner	467,156	467,156
Kevin Quinn	11,200	-
Mark Adams	7,500	-

By order of the Board



Charles Skinner
Chairman of the
Remuneration Committee

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual report, the Strategic report and the Directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare Group and Company financial statements for each financial year. The Directors are required by the AIM Rules of the London Stock Exchange to prepare Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and have elected under company law to prepare the Company financial statements also in accordance with IFRS.

The Group financial statements are required by law and IFRS adopted by the EU to present fairly the financial position and performance of the Group; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

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 Group and the Company and of the profit or loss of the Group for that period.

In preparing each of the Group and Company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- for the Group and Company financial statements, state whether they have been prepared in accordance with IFRS adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

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

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Marlowe plc website (www.marloweplc.com).

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's report

to the Members of Marlowe plc

Opinion

Our opinion on the financial statements is unmodified
We have audited the financial statements of Marlowe plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020, which comprise the consolidated statement of comprehensive income, the consolidated and company statements of changes in equity, the consolidated and company statements of financial position, the consolidated statement of cash flows, and notes to the consolidated and company financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion
- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2020 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

The impact of macro-economic uncertainties on our audit

Our audit of the financial statements requires us to obtain an understanding of all relevant uncertainties, including those arising as a consequence of the effects of macro-economic uncertainties such as Covid-19 and Brexit. All audits assess and challenge the reasonableness of estimates made by the directors and the related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the group's and the parent company's future prospects and performance.

Covid-19 and Brexit are amongst the most significant economic events currently faced by the UK, and at the date of this report their effects are subject to unprecedented levels of uncertainty, with the full range of possible outcomes and their impacts unknown. We applied a standardised firm-wide approach in response to these uncertainties when assessing the group's and the parent company's future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a group or a parent company associated with these particular events.

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 group's and parent 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.

In our evaluation of the directors' conclusions, we considered the risks associated with the group's and parent company's business model, including effects arising from macro-economic uncertainties such as Covid-19 and Brexit, and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the period of at least twelve months from the date when the financial statements are authorised for issue. In accordance with the above, we have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the group and the parent company will continue in operation.

Overview of our audit approach

- Overall group materiality: £471,000, which represents 5% of the group's normalised profit before tax, being profit before tax with acquisition and restructuring costs and losses on disposal of non-core businesses added back;
- Key audit matters were identified as going concern, measurement at acquisition of goodwill and other intangible assets, valuation of goodwill and other intangible assets, classification, presentation and disclosure of acquisition and other costs, and transition to IFRS 16 'Leases' – valuation, presentation and disclosure; and
- We performed full scope procedures on the financial statements of the parent company and on the financial information of all other components that are individually financially significant to the group, and analytical procedures on the financial information of all other components.

Grant Thornton

Independent Auditors' report continued

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter - Group	How the matter was addressed in the audit - Group
Going concern	
As stated in 'the impact of macro-economic uncertainties on our audit' section of our report, Covid-19 is one of the most significant economic events currently faced by the UK, and at the date of this report its effects are subject to unprecedented levels of uncertainty. This event could adversely impact the future trading performance of the group and parent company and as such increases the extent of judgement and estimation uncertainty associated with management's decision to adopt the going concern basis of accounting in the preparation of the financial statements. As such we identified going concern as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our work included, but was not restricted to: • Obtaining management's base case forecasts covering the period to June 2022. We assessed how these forecasts were compiled and assessed the appropriateness of management's forecasts by applying appropriate sensitivities to the underlying assumptions which were also challenged; • Assessing the accuracy of management's forecasting by comparing the reliability of past forecasts to the base case forecast; • Obtaining management's more extreme case scenario prepared to assess the potential impact of Covid-19. We evaluated the assumptions regarding the impact of an extended lockdown period and delays in cash receipts from customers. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed work undertaken; • Assessing the impact of the mitigating factors available to management in respect of the ability to restrict cash impact, including the level of available facilities; • Considering the forecasts prepared in respect of the most likely impact of Covid-19; and • Assessing the adequacy of related disclosures within the Annual Report and Financial Statements. The Group's going concern policy is set out on pages 60 and 61.
Key observations: We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.	

Measurement at acquisition of goodwill and other intangible assets The group has acquired 8 businesses in the year (2019: 8), as disclosed on pages 80 to 84, and has finalised the fair values in respect of the businesses it acquired in the previous year. Additions to goodwill totalled £26.8m (2019: £34.3m) Additions to customer relationships were £12.0m (2019: £12.3m)	
Under IFRS 3 'Business combinations', management is required to recognise, separately from goodwill, the assets acquired and liabilities assumed, and then recognise goodwill on the purchase. Management make significant judgements to identify specific intangible assets that are acquired with a new business and make significant estimates to value these assets. The residual goodwill is subsequently updated for any fair value adjustments identified during the measurement period of one year from the date of acquisition and such adjustments also require significant judgements and estimates to be made by management. We therefore identified measurement at acquisition of goodwill and other intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the group's accounting policy for valuation of goodwill and other intangible assets is in accordance with IFRSs as adopted by the European Union, and checking that fair value measurements are accounted for in accordance with the stated accounting policy; • obtaining the acquisition date balance sheet of each acquired subsidiary and performing audit procedures in respect of the material trading assets and liabilities acquired, including testing the recoverability of acquired debtors and inspecting expenditure post acquisition to identify any unrecorded creditors; • obtaining the details of the consideration paid, and agreeing these to relevant source documents, such as sale and purchase agreements; • obtaining the details of any fair value adjustments made to the acquired assets and liabilities post acquisition and agreeing them to supporting evidence; • obtaining management's purchase price allocation used to value specific acquired intangibles as contained within their Multi-Period Excess Earnings Method and assessing the appropriateness and reasonableness of key assumptions made in the calculations, such as growth rates, customer attrition rates and discount rates, and engaging our internal valuation specialists as auditor's experts to assess the reasonableness of such models and assumptions, and thus inform our challenge; and • challenging management's assessment of the identifiable intangible assets acquired by the group, and whether any further intangible assets, such as brands or trademarks, should be identified. The group's accounting policy on goodwill and intangible assets is shown in note 2 to the group financial statements and related disclosures are included in notes 11 and 12.
Key observations: Based on our audit work, we did not identify any material misstatements in the measurement at acquisition of goodwill and separately identifiable intangible assets. In addition, we also considered the valuation methodologies used and the assumptions made therein by management to be balanced.	

Key Audit Matter - Group	How the matter was addressed in the audit - Group
Valuation of goodwill and other intangible assets The group has significant intangible assets arising from its acquisition strategy. Goodwill totalled £94.6m (2019: £70.2m) Customer relationships totalled £31.8m (2018: £19.8m) Other intangibles totalled £3.4m (2019: £2.8m)	
Under International Accounting Standard (IAS) 36 'Impairment of Assets', management is required to make an annual assessment to determine whether the group's goodwill and intangible assets are impaired, and to test goodwill for impairment. Management are also required to test intangibles for impairment if indicators of impairment are identified. The process for assessing whether impairment of assets exists under IAS 36 is complex. Management prepare impairment models to assess the valuation in use. The process of determining the value in use, through forecasting cash flows related to cash generating units (CGUs) and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified the valuation of goodwill and other intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • obtaining management's assessment of the alignment of subsidiaries to the relevant cash generating unit (CGUs) used in their impairment calculations and comparing those to our understanding of the business units and operating structure of the group; • checking the arithmetical accuracy of those impairment calculations including the associated sensitivity analyses; • testing the assumptions utilised in the impairment models, including comparing growth rates to those achieved historically and using our internal valuation specialists to inform our challenge of the assumptions used within the calculation of the pre-tax weighted average cost of capital by benchmarking to those used by other companies in the market; • testing whether these assumptions are consistent across the business, and where different assumptions are used based on the profile of different CGUs, that these are consistent with our knowledge of the business; • testing whether the forecasts used are consistent with those used for going concern; • testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and inspecting the forecast cash flows for unusual items or assumptions. Where we identified significant shortfalls against budget in prior years, this informed our determination of sensitivities to apply as we formed our independent view about reasonable downside scenarios; • assessing one-off items in the impairment models which management have identified as impacting the current year and challenging management regarding the risk of these items being pervasive in the business in the future; and • challenging management's assessment of impairment indicators relating to intangible assets by assessing whether any CGUs showed further indicators of impairment such as decline in performance or performance below budget. The group's accounting policy on goodwill and intangible assets is shown in note 2 to the group financial statements and related disclosures are included in notes 11 and 12.
Key observations: Our audit work did not identify any material misstatements in the valuation of goodwill and other intangible assets. Management's pre-tax weighted average cost of capital was below our acceptable range, but this did not lead to a material unadjusted amount.	

Independent Auditors' report continued

<table>
<tr><th>Key Audit Matter - Group</th><th>How the matter was addressed in the audit - Group</th></tr>
<tr><td colspan="2">Classification, presentation and disclosure of acquisition and other costs
The group has presented separately certain items in relation to acquisition and other costs on the face of the consolidated statement of comprehensive income.</td></tr>
<tr><td>In the group's reported results, significant adjustments have been made to statutory operating profit of £2.1m to derive adjusted operating profit of £14.8m, and to statutory profit before tax of £0.5m to derive adjusted profit before tax of £13.2m. The most significant of these and the reconciliation from adjusted to statutory measures are disclosed in notes 4 and 5 to the group financial statements.

The presentation of these costs is not defined by IFRSs as adopted by the European Union. Consequently, management have written an accounting policy to define acquisition and other costs in the group financial statements, which is set out in note 2. In applying this accounting policy, management exercises significant judgement in respect of what it determines as acquisition and other costs. In making this assessment, management has identified significant costs that by their size or nature require separate presentation. As such, there is a risk of management bias in the selection of the items identified.

We therefore identified the classification, presentation and disclosure of acquisition and other costs as a significant risk, which was one of the most significant assessed risks of material misstatement.</td>
<td>Our audit work included, but was not restricted to:

Classification
• inspecting and challenging the nature of the items included within acquisition and other costs by obtaining a detailed breakdown of these items and obtaining an understanding of the nature of each cost;
• testing a sample of items to invoices or other supporting evidence; and
• confirming that the specific cost incurred is one identified in the policy drafted by management.

Presentation
• challenging management's rationale for the basis for inclusion of certain classes of items within acquisition and other costs, particularly around the areas of higher judgement such as identified duplicated personnel staff role costs, to check whether the types of items identified meet the criteria of the accounting policy for such items defined by the group; and
• evaluating the appropriateness of the inclusion of items, both individually and in aggregate, within acquisition and other costs, including checking that the presentation does not prevent compliance with the requirements of IFRSs as adopted by the EU and adheres to latest FRC best practice findings, and comparing them to similar disclosures seen in other companies in similar industries.

Disclosure
Assessing the disclosures made and checking:
• the extent to which the prominence given to the 'adjusted' financial information and related commentary in the Annual Report, compared to the statutory financial information and related commentary, could be misleading;
• whether the statutory and adjusted financial information are reconciled, with sufficient prominence given to that reconciliation;
• whether the basis of the adjusted financial information is clearly and accurately described and consistently applied; and
• whether the 'adjusted' financial information is not otherwise misleading in the form and context in which it appears in the Annual Report and whether the overall presentation is fair, balanced and understandable.

The group's accounting policy on acquisition and other costs and profit measures is shown in note 2 to the group financial statements.</td></tr>
<tr><td colspan="2">Key observations: Our audit work did not identify any material misstatement in the classification, presentation and disclosure of acquisition and other costs.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter - Group</th><th>How the matter was addressed in the audit - Group</th></tr>
<tr><td colspan="2">Transition to IFRS 16 ‘Leases’ – valuation, presentation and disclosure
IFRS 16 has been adopted by the group for the first time in the year. Management have elected to adopt the modified retrospective approach to transitioning to the new standard.
Application resulted in the recognition on transition of total lease liabilities of £8.7m and right-of-use assets of £8.7m.</td></tr>
<tr><td>In order to compute the impact on the group’s assets, liabilities and income statement, group management has made a number of key judgments and estimates, including determining the appropriate discount rate to be applied to each lease.

There is also a risk that the lease data is inaccurate or incomplete and is not appropriately included within the transition and subsequent accounting entries.

Finally, there is a risk that the disclosures in the financial statements are insufficient and prevent the users of the financial statements from understanding the impact of judgments and estimates.

The process for measuring the impact of IFRS 16 is complex and requires significant judgement, therefore we identified the transition to IFRS 16 – valuation, presentation and disclosure as a significant risk, which was one of the most significant assessed risks of material misstatement.</td><td>Our audit work included, but was not restricted to:
• Reading management’s adoption papers and workings and assessing the implementation of key controls around first year IFRS 16 adoption;
• Assessing the appropriateness of the discount rate applied in determining lease assets and liabilities with input from management and our own valuation specialists;
• Testing the arithmetical accuracy and integrity of the underlying data by reperforming the calculations for a sample of leases and agreeing to the underlying lease agreements;
• Considering the completeness by testing the reconciliation of the group’s operating lease commitment disclosure in the previous period, and the operating lease commitments disclosed by the subsidiaries that are accounted for under FRS 102, to the lease data used in the calculation, and by viewing lease agreements and payments and checking that they are included on the listing; and
• Assessing the accounting policy and disclosures for compliance with IFRS 16.

The group’s accounting policy and related lease transition disclosures are shown in note 2.</td></tr>
<tr><td colspan="2">Key observations: Our audit work did not identify any material misstatement in the transition to IFRS 16.</td></tr>
</table>

We did not identify any key audit matters relating to the audit of the financial statements of the parent company.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality in determining the nature, timing and extent of our audit work and in evaluating the results of that work.

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£471,000, which represents 5% of group’s normalised profit before tax, being profit before tax with acquisition and restructuring costs and losses on disposal of non-core businesses added back. This benchmark is considered the most appropriate because adjusted profit before tax (which is normalised profit before tax after the deduction of amortisation of intangible assets and share-based payments) is a key performance measure used by the Board of Directors to report to investors on the financial performance of the group. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2019 to reflect the change in benchmark from 4.8% of adjusted operating profit last year to 5% of normalised profit before tax. If the same benchmark had been used in the current year, materiality would have been £710,000.	£330,000 which is 2% of the parent company’s total assets capped at 70% of group financial statement materiality. Total assets is considered the most appropriate benchmark because the parent company is a holding company and does not earn revenue. Materiality for the current year is lower than the level that we determined for the year ended 31 March 2019 to reflect the growth of the group.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Specific materiality	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.	We determined a lower level of specific materiality for certain areas such as directors' remuneration and related party transactions.
Communication of misstatements to the audit committee	£23,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£17,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

Our audit approach was a risk-based approach founded on a thorough understanding of the group's business, its environment and risk profile and in particular included evaluation by the group audit team of identified components to assess the significance of that component and to determine the planned audit response based on a measure of materiality considering each as a percentage of total group assets, liabilities, revenues and profit before taxes, to assess the significance of the component and to determine the planned audit response.

In order to gain appropriate audit coverage of the group, audits for group reporting purposes were carried out at 5 significant components from the Risk Management & Compliance division and 7 significant components from the Water Treatment & Air Quality division.

We evaluated the group's internal control environment including its IT systems and controls relevant to the audit. For those components that we considered to be individually financially significant to the group, a full scope audit approach was undertaken. As part of these components' audits, we documented our understanding of the controls relevant to financial reporting and evaluated the appropriateness of management's treatment of critical accounting matters at a component level, including the recognition of revenue, recoverability of debtors and accrued income, none of which are key audit matters at group level. We then undertook substantive testing on significant transactions and material account balances.

The components that were subject to full scope audit procedures comprised 91% of consolidated revenues and 86% of consolidated adjusted operating profit.

The remaining components were not considered significant to the group and were subject to analytical audit procedures. These components comprised 9% of consolidated revenues and 14% of consolidated adjusted operating profit.

Components where there was a statutory audit requirement were audited by teams in other Grant Thornton UK offices, other than two components which were audited by other firms in the UK. Detailed audit instructions were issued to the auditors of these components. The instructions included the significant risks that were to be addressed through the audit procedures and detailed the information to be reported back to the group audit team. The group audit team performed a detailed review of the work performed by the component auditors. The group audit team communicated with all component auditors throughout the planning, fieldwork and concluding stages of the local audits.

All other work, including full scope audits performed on components that have taken a parental guarantee from audit, was performed by the group audit team.

Other information

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

We have nothing to report in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

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 the directors' report have been prepared in accordance with applicable legal requirements

Matters on which we are required to report under the Companies Act 2006

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

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 48, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

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.

Marc Summers, BSc (Hons) FCA
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

7 July 2020

Consolidated statement of comprehensive income

For the year ended 31 March 2020

	Notes	Year ended 31 March 2020 £'m	Using consistent accounting policies Year ended 31 March 2020 (unaudited) £'m	Year ended 31 March 2019 £'m
Revenue	4	**185.4**	**185.4**	**128.5**
Cost of sales		(109.3)	(112.0)	(82.5)
Gross profit		76.1	73.4	46.0
Administrative expenses excluding acquisition and other costs		(61.3)	(58.7)	(36.5)
Acquisition costs		(1.1)	(1.1)	(1.0)
Restructuring costs	5	(6.7)	(6.7)	(5.2)
Amortisation of acquisition intangibles	12	(3.4)	(3.4)	(1.8)
Share-based payments	29	(0.7)	(0.7)	(0.8)
(Loss)/profit on disposal of non-core business	30	(0.8)	(0.8)	1.9
Total administrative expenses		**(74.0)**	**(71.4)**	**(43.4)**
Operating profit	6	**2.1**	**2.0**	**2.6**
Finance costs	7	(1.6)	(1.1)	(0.6)
Profit before tax		**0.5**	**0.9**	**2.0**
Income tax charge	8	(0.9)	(1.0)	(0.5)
(Loss)/profit for the year		**(0.4)**	**(0.1)**	**1.5**
Other comprehensive income		**-**	**-**	**-**
(Loss)/profit and total comprehensive income for the year from continuing operations		**(0.4)**	**(0.1)**	**1.5**
Attributable to owners of the parent		**(0.4)**	**(0.1)**	**1.5**
Earnings per share attributable to owners of the parent (pence)	9			
Total				
Basic		(0.8)p	(0.1)p	3.8p
Diluted		(0.8)p	(0.1)p	3.6p
Continuing operations				
Basic		(0.8)p	(0.1)p	3.8p
Diluted		(0.8)p	(0.1)p	3.6p

Consolidated statement of changes in equity

For the year ended 31 March 2020

	Notes	Attributable to owners of the parent Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 April 2018		17.3	30.4	0.6	(0.2)	48.1
Profit for the year		-	-	-	1.5	1.5
Total comprehensive income for the year		-	-	-	1.5	1.5
Transactions with owners						
Issue of shares during the year		3.1	25.4	-	-	28.5
Issue costs		-	(0.9)	-	-	(0.9)
Share-based payments		-	-	0.3	-	0.3
		3.1	**24.5**	**0.3**	**-**	**27.9**
Balance at 31 March 2019		**20.4**	**54.9**	**0.9**	**1.3**	**77.5**
Loss for the year		-	-	-	(0.4)	(0.4)
Total comprehensive loss for the year		**-**	**-**	**-**	**(0.4)**	**(0.4)**
Transactions with owners						
Issue of shares during the year	23/24	2.5	17.7	(0.2)	-	20.0
Issue costs	24	-	(0.7)	-	-	(0.7)
Share-based payments	29	-	-	0.3	-	0.3
		2.5	**17.0**	**0.1**	**-**	**19.6**
Balance at 31 March 2020		**22.9**	**71.9**	**1.0**	**0.9**	**96.7**

Using consistent accounting policies

	Notes	Attributable to owners of the parent Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 April 2019		20.4	54.9	0.9	1.3	77.5
Loss for the year		-	-	-	(0.1)	(0.1)
Total comprehensive loss for the year		**-**	**-**	**-**	**(0.1)**	**(0.1)**
Transactions with owners						
Issue of shares during the year	23/24	2.5	17.7	(0.2)	-	20.0
Issue costs	24	-	(0.7)	-	-	(0.7)
Share-based payments	29	-	-	0.3	-	0.3
		2.5	**17.0**	**0.1**	**-**	**19.6**
Balance at 31 March 2020 (unaudited)		**22.9**	**71.9**	**1.0**	**1.2**	**97.0**

Consolidated statement of financial position

As at 31 March 2020

Company registered no. 09952391

Using consistent accounting policies

	Notes	2020 £'m	2020 (unaudited) £'m	2019 £'m
ASSETS				
Non-current assets				
Intangible assets	12	123.2	123.6	89.6
Trade and other receivables	17	3.9	3.9	-
Right of use assets	14	14.3	-	-
Property, plant and equipment	13	5.9	5.9	6.3
Deferred tax asset	22	0.6	0.5	0.2
		147.9	133.9	96.1
Current assets				
Inventories	15	4.1	4.1	4.5
Trade and other receivables	17	48.2	48.2	39.8
Held for sale property	13	1.3	1.3	-
Other financial assets		-	-	0.5
Cash and cash equivalents	21	7.2	7.2	7.7
		60.8	60.8	52.5
Total assets		**208.7**	**194.7**	**148.6**
LIABILITIES				
Current liabilities				
Trade and other payables	18	(45.1)	(45.1)	(33.2)
Financial liabilities – lease liabilities	20	(5.0)	-	-
Other financial liabilities	20	(0.6)	(0.6)	(0.4)
Current tax liabilities		-	(0.1)	(0.8)
Provisions		(0.4)	(0.4)	(0.5)
		(51.1)	(46.2)	(34.9)
Non-current liabilities				
Trade and other payables	18	(7.2)	(7.2)	(5.0)
Financial liabilities – borrowings	19	(38.5)	(38.5)	(26.7)
Financial liabilities – lease liabilities	20	(9.3)	-	-
Other financial liabilities	20	(0.4)	(0.4)	(0.7)
Deferred tax liability	22	(5.5)	(5.4)	(3.8)
		(60.9)	(51.5)	(36.2)
Total liabilities		**(112.0)**	**(97.7)**	**(71.1)**
Net assets		**96.7**	**97.0**	**77.5**
EQUITY				
Share capital	23	22.9	22.9	20.4
Share premium account	24	71.9	71.9	54.9
Other reserves	25	1.0	1.0	0.9
Retained earnings	26	0.9	1.2	1.3
Equity attributable to the owners of the parent		**96.7**	**97.0**	**77.5**

These financial statements were approved by the Board of Directors and authorised for issue on 7 July 2020 and were signed on its behalf by:

Kevin Quinn
Chairman

Alex Dacre
Chief Executive

Consolidated statement of cash flows

For the year ended 31 March 2020

			Using consistent accounting policies	
	Note	Year ended 31 March 2020 £'m	Year ended 31 March 2020 (unaudited) £'m	Year ended 31 March 2019 £'m
Net cash generated from operations	27	**14.2**	**8.7**	**5.2**
Net finance costs		(0.8)	(0.8)	(0.5)
Income taxes paid		(2.2)	(2.2)	(1.5)
Net cash generated from operating activities before acquisition and restructuring costs		**11.2**	**5.7**	**3.2**
Acquisition and restructuring costs	5	(7.8)	(7.8)	(6.2)
Net cash generated from/(used) in operating activities		**3.4**	**(2.1)**	**(3.0)**
Cash flows used in investing activities				
Purchase of property, plant and equipment		(2.9)	(2.9)	(1.8)
Disposal of property, plant and equipment		0.2	0.2	0.3
Purchase of subsidiary undertakings, net of cash acquired	11	(20.6)	(20.6)	(38.6)
Disposal of non-core business	30	1.5	1.5	2.3
Cash flows used in investing activities		**(21.8)**	**(21.8)**	**(37.8)**
Cash flows from financing activities				
Proceeds from share issues		20.0	20.0	27.0
Repayment of bank borrowings		(9.4)	(9.4)	(17.6)
Repayment of debt upon purchase of subsidiary undertaking		(7.7)	(7.7)	(1.6)
New bank loans raised		21.2	21.2	34.3
Cost of share issues		(0.7)	(0.7)	(0.9)
Finance lease repayments		(6.0)	(0.5)	(0.5)
Other financing activities		0.5	0.5	0.1
Net cash generated from financing activities		**17.9**	**23.4**	**40.8**
Net (decrease)/increase in cash and cash equivalents		**(0.5)**	**(0.5)**	**-**
Cash and cash equivalents at start of year		**7.7**	**7.7**	**7.7**
Cash and cash equivalents at end of year	21	**7.2**	**7.2**	**7.7**
Cash and cash equivalents shown above comprise:				
Cash at bank		7.2	7.2	7.7

Notes to the Group financial statements

For the year ended 31 March 2020

1. GENERAL INFORMATION

Marlowe plc (the "Company") and its subsidiaries (together referred to as the "Group") is focused on developing companies wich assure safety and regulatory compliance. The Group primarily operates in the United Kingdom. The Company is a public limited company incorporated on 14 January 2016 and domiciled in the United Kingdom. The address of its registered office is 20 Grosvenor Place, London, SW1X 7HN.

The Company is listed on the AIM market.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 7 July 2020.

Exemption from audit

For the year ended 31 March 2020 Marlowe plc has provided a guarantee in respect of all liabilities due by its following subsidiaries: Advance Environmental Limited, G.P.C.S. Limited, Future Water Limited, Firecrest Services Limited, Tersus Consultancy Limited, Tersus Management Services Ltd, Tersus Training Services Ltd, Kingfisher Environmental Services Limited, Fire & Security (Group) Limited, Connect Monitoring Ltd, Marlowe Fire and Security Group Limited, Hentland Limited, Island Fire Protection Limited, Atana Ltd, Atana (Scotland) Limited, Fire Alarm Fabrication Services (South) Limited, Flamefast Fire Systems Limited, William Martin 2018 Limited, William Martin Firefly Ltd, Nestor Business Consulting Limited, Law at Work (Holdings) Limited, Law at Work (IS) Ltd, Law at Work Limited, Law at Work Empire Limited, Law at Work (Group) Limited, Square Circle HR Ltd, Empire HR Group Limited, Solve HR Limited, HR Solver Limited, Managed Occupational Health Limited, Independent Funcional Assessments Ltd, Managed Medical Care Ltd, MOH Limited, Occpsych Ltd, Eurosafe UK Group Limited, Eurosafe Plus Limited, Eurosafe UK (CDM Services) Limited, Eurosafe UK Ltd, Clouds Ultimate Manager Limited, Clearwater Group Limited, FSE Fire Safety Systems Limited, FSE Security Systems Ltd, FSE Sprinklers and Risers Limited, Aquatreat Group Limited, Aquatreat UK Limited, Aquatreat Chemical Products Limited, Quantum Risk Management Ltd, Cirrus Holdco Limited. This entitles them to exemption from audit under 479A of the Companies Act 2006 relating to subsidiary companies.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Marlowe plc have been prepared in accordance with EU endorsed International Financial Reporting Standards (IFRS), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared on a historical cost basis although derivatives are reflected at their fair value. The preparation of financial statements in conformity with IFRS requires the use of certain accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed later in this note.

The consolidated financial statements are presented in pounds sterling and, unless stated otherwise, shown in pounds million to one decimal place.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance, financial position, its cash flows, liquidity position, principal risks and uncertainties affecting the business are set out in the Strategic report on pages 5 to 37.

The Group meets its day-to-day working capital requirements through its financing facility which is due to expire in November 2021. Details of the Group's borrowing facility is given in note 21 of the financial statements.

The Directors have considered the Group's forecast cash flows and net debt, as well as the Group's liquidity requirements and borrowing facilities, including downside scenarios reflecting the full financial impact of a more severe COVID-19 scenario. Whilst the Group has seen some disruption from COVID-19 which affected the early part of its new financial year, the impact has been manageable and, given the regulations that govern the requirement for its essential services, the business model has demonstrated resilience. To mitigate against the additional risks and uncertainties that have arisen the Group has selectively used the government furlough scheme, implemented a pay increase freeze while refocusing certain other discretionary costs. In the event of further disruption to the business in the future as a result of COVID-19 the Directors are confident that additional cost reduction and cash preservation measures could be utilised in conjunction with the Group's

2. SIGNIFICANT ACCOUNTING POLICIES continued

Going concern continued

existing debt facility to reduce costs and preserve cash. In addition, a successful placing of 4,410,430 shares on 26 June 2020 raised additional gross proceeds of £21.1m. While it is management's intention for the proceeds to be used to fund further acquisitions, if a further significant event was to impact the business, the funds could be redeployed thus providing further support to the ongoing operations of the business. A further placing of 3,957,770 shares, subject to approval by the Company's shareholders at a General Meeting to be held on 15 July, will raise additional gross proceeds of £18.9m, thus further enhancing the Group's cash position. Following this review and a discussion of the sensitivities the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The Consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued, contingent consideration and liabilities incurred or assumed at the date of exchange. Costs directly attributable to the acquisition are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are initially measured at fair value at the acquisition date. Provisional fair values are adjusted against goodwill if additional information is obtained within one year of the acquisition date about facts or circumstances existing at the acquisition date. Other changes in provisional fair values are recognised through profit or loss.

Control and ownership of acquired companies

A combined put and call option over non-controlling interests is recognised at fair value at the acquisition date and included within the valuation of goodwill. Subsequent changes to fair value are recognised in profit or loss.

Where a combined written put and call option exists over a non-controlling interest, and the conditions of the agreement provide the Group with present access to the benefits of the ownership of the non-controlling interest, then the acquisition is deemed to reflect 100% ownership and no non-controlling interest is recognised. A liability is recorded for the expected future acquisition of the non-controlling interest, and is recognised as part of the fair value of the consideration.

Where the written put and call option has an embedded valuation mechanism to reward and retain key individuals employed by the acquired business, who are also non-controlling shareholders, then the expected increase in the financial liability is charged to the income statement as an acquisition and other cost evenly over the option period. The written put and call option is not contingent on the individuals remaining with the Company post acquisition.

Contingent consideration

Contingent consideration is recognised at fair value at the acquisition date and is based on the actual and/or expected performance of the entity in which the contingent consideration relates. Contingent consideration is subject to performance targets of the business and is not contingent on the employee remaining with the company. Subsequent changes to the fair value of contingent consideration are based on the actual and/or expected performance of the entity in which the contingent consideration relates. These changes which are deemed to be an asset or liability is recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

Changes in contingent consideration arising from additional information, obtained within one year of the acquisition date, about facts or circumstances that existed at the acquisition date are recognised as an adjustment to goodwill.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker.

In the opinion of the Directors, the chief operating decision maker is the Board of Marlowe plc and there are two segments, Risk Management & Compliance ("Risk & Compliance"); and Water Treatment & Air Quality ("Water & Air"), whose reports are reviewed by the Board in order to allocate resources and assess performance. Segment revenue comprises sales to external customers most of whom are located in the UK. Services are provided primarily from the UK.

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer the Group follows a five-step process:

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;
- Allocating the transaction price to the performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and
- Recognising revenue when/as performance obligation(s) is/are satisfied

Revenue for contract variations are included in the Group's estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur. In making this assessment the Group considers its historical record of performance on similar contracts, whether the Group has access to the labour and materials resources needed to meet the contract programme, and the potential impact of other reasonably foreseen constraints.

Sale of services

Revenue is recognised in the consolidated statement of comprehensive income on the delivery of those services based upon the proportion of the total delivered at the date of the consolidated statement of financial position. It is recognised at the fair value consideration received or receivable net of discounts, VAT, returns, rebates and after eliminating intra-group sales.

Sale of goods

Revenue is recognised in the consolidated statement of comprehensive income on the delivery of those services based upon the proportion of the total delivered at the date of the consolidated statement of financial position. It is recognised at the fair value consideration received or receivable net of discounts, VAT, returns, rebates and after eliminating intra-group sales.

Interest income

Interest income is accrued on a time basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Contract assets and liabilities

The Group recognises contract liabilities for consideration received in respect of unsatisfied performance obligations and reports these amounts as other liabilities in the statement of financial position (see note 16). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position depending on whether something other than the passage of time is required before the consideration is due.

The Group applies the simplified approach to measuring expected credit losses. To measure the expected credit losses, trade receivables have been grouped according to shared credit risk characteristics and the days past due. The expected loss rates are based on historic payment profiles and the credit losses experienced. A specific provision for impairment of contract assets is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Acquisition and other costs

Acquisition and other costs are those significant costs which are separately disclosed by virtue of their size or incidence to enable a full understanding of the Group's financial performance. Transactions which may give rise to acquisition costs are principally costs incurred upon acquisition of a company, which include legal and professional fees and staff costs incurred as part of the acquisitions. Restructuring costs predominately relate to the cost of duplicated staff roles during the integration and restructuring period, redundancy costs of implementing the post completion staff structures and IT costs associated with the integration and transfer to Group IT systems. The majority of these costs are incurred in the 12 months following acquisition.

Profit measures

Due to the one-off nature of acquisition and other costs in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted operating profit, adjusted EBITDA and adjusted measures of profit before tax and earnings per share provide shareholders with a more appropriate representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group. The items adjusted for in arriving at these are share-based payments, profit on disposal of non-core business, acquisition costs, restructuring costs, exceptional loss on customer liquidation, amortisation of intangible assets and a standard tax charge.

Intangible assets

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of identifiable assets and liabilities of a subsidiary, at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill which is recognised as an asset is reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Other intangible assets

Other intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and their fair value can be reliably measured.

Customer relationships

Acquired customer relationships are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. This valuation also assesses the life of the particular relationship. The life of the relationship is assessed annually and is determined on a company by company basis. All customer relationships are being amortised on a straight-line basis between one and ten years. The customer lists are considered annually to ensure that this classification is still appropriate.

Application software

Acquired unique computer software products are identified as a separate intangible asset as they are separable and can be reliably measured by using a "Relief from Royalty" approach which determines value by reference to the hypothetical royalty payments that would be saved through owning the asset compared with licensing the asset from a third party. These costs are amortised on a straight-line basis over their estimated useful lives (up to ten years).

Computer software development costs recognised as assets are amortised on a straight-line basis over their estimated useful lives (expected to be up to ten years). Residual values and useful lives are reviewed each year.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Property, plant and equipment

Property, plant and equipment is stated at historical cost, less accumulated depreciation and accumulated impairment losses. Depreciation is provided on the following basis:

	Basis
Freehold and long leasehold buildings	2% per annum
Short leasehold land and buildings	Over the life of the lease
Leasehold improvements	Shorter of life of the lease or 10 years
IT hardware	33% per annum
Plant and machinery	20% per annum
Office equipment, fixtures and fittings	20% per annum
Motor vehicles	25% reducing balance

Leased assets

The Group as a lessee

For any new contracts entered into on or after 1 April 2019, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract the Group has the right to direct the use of the identified asset throughout the period of use.
- the Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been presented in non-current assets and the lease liabilities have been presented in current liabilities or non-current liabilities as appropriate.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Leased assets continued

The Group as a lessor

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

Where property lease contracts contain guaranteed minimum incremental rental payments, the total committed cost is determined and is amortised on a straight-line basis over the life of the lease. Leases of property, plant and equipment which transfer substantially all the risks and rewards of ownership to the Group are classified as finance leases. Finance leases are classified as a financial liability and measured at amortised cost. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property, plant and equipment and the present value of the minimum lease payments and depreciated over the period of the lease. The resulting lease obligations are included in liabilities. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Investments

The Company has investments in fifty eight subsidiaries. Investments are valued at cost less allowances for impairment.

An impairment test is performed annually on the carrying value of the investment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, when there is objective evidence for impairment including significant or prolonged decline in fair value below cost.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis. Net realisable value is the price at which inventories can be sold in the normal course of business. Provision is made where necessary for obsolete, slow moving and defective inventories.

Trade and other receivables

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost less provision, with the exception of deferred consideration which is measured at fair value through profit or loss. The Group applies the simplified approach to measuring expected credit losses. To measure the expected credit losses, trade receivables have been grouped according to shared credit risk characteristics and the days past due. The expected loss rates are based on historic payment profiles and the credit losses experienced. A specific provision for impairment of trade receivables is established when there is evidence that the Group will not be able to collect all amounts due according to the original terms.

Any other receivables are recognised at their initial fair value less an allowance for any doubtful amounts. An allowance is made when collection of the full amount is no longer considered probable.

Cash and cash equivalents

Cash and cash equivalents as defined for the Consolidated statement of cash flows comprise cash in hand, cash held at bank with immediate access, other short-term investments and bank deposits with maturities of three months or less from the date of inception.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Other payables are stated at amortised cost.

Borrowings

Borrowings are recorded at the fair value of the consideration received, net of direct transaction costs. Finance charges, including bank interest and non-utilisation fees, are accounted for in profit or loss over the term of the instrument using the effective interest rate method.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from accounting profit as reported in the Consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit and accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profits nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based upon tax rates that have been enacted or substantively enacted at the reporting date. Deferred tax is charged or credited in profit or loss, except when it relates to items charged or credited directly to other comprehensive income and equity, in which case the deferred tax is also dealt with in other comprehensive income and equity.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at an appropriate pre-tax discount rate.

Equity instruments

Equity instruments issued by the Company are recorded at fair value net of transaction costs.

Share-based payments

The Group has applied the requirements of IFRS 2 Share-based Payment.

The Group issues equity and cash-settled share-based payments to certain directors and employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest. Fair value is measured by use of a Monte Carlo pricing model. Where director and employees' contracts are terminated the options are treated as having been forfeited and accordingly previous charges are credited back to profit or loss if the option has not yet vested or retained earnings if the option has vested. Cash-settled share-based payments are measured at fair value at each reporting date and at settlement date. The fair value is recognised over the vesting period by discounting the expected liability at an appropriate pre-tax discount rate, based on the Group's estimation of the share price at vesting date. Fair value is measured by use of a Binomial pricing model. Where director and employees' contracts are terminated the options are treated as having been forfeited and accordingly previous charges are credited back to profit or loss if the option has not yet vested or retained earnings if the option has vested.

Further details of the Group's Incentive Schemes are documented in note 29.

Pensions

The Group operates a number of defined contribution pension schemes. Contributions are charged to profit or loss as incurred.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group has become party to the contractual provisions of the instrument.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Critical accounting judgements and estimates

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimates that are dealt with separately below, which have the most significant effect on the amounts recognised in the financial statements.

Identification of separable intangibles on acquisition and rate of customer attrition

Intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and their fair value can be reliably measured. Customer relationships and application software have been identified by management as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows or via a "Relief from Royalty" approach which determines value by reference to the hypothetical royalty payments that would be saved through owning the asset compared with licensing the asset from a third party. Management do not believe there are any other intangible assets that have arisen on acquisition during the year which can be identified and reliably measured. The rate of customer attrition is determined by reference to the acquired company's historical customer life cycle.

Acquisition and other costs

Due to the nature of acquisition and other costs in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted operating profit, adjusted EBITDA and adjusted measures of profit before tax and earnings per share provide shareholders with a more appropriate representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group.

Discontinued operations

The disposal of Ductclean (UK) Limited is not deemed to be a discontinued operation since its activities were non-core to the Group and not previously recognised as a separately identifiably cash-generation unit.

Critical judgements in determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Valuation of separable intangibles on acquisition

When valuing the customer relationship acquired in a business combination, management estimate the expected future cash flows from the asset and select a suitable discount rate in order to calculate the present value of those cash flows. Application software has been valued via a "Relief from Royalty" approach which determines value by reference to the hypothetical royalty payments that would be saved through owning the asset compared with licensing the asset from a third party. Separable intangibles valued on acquisitions made in the year were £12.0m (2019: £12.3m) in respect of customer relationships and £nil (2019: £2.7) in respect of application software as defined further in note 12.

Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill is tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable.

When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 12 and within our acquisition strategy risk on page 35.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued
Critical accounting judgements and estimates continued

Impairment of trade receivables
Management regularly review trade receivables that are past due and WIP and accrued income for signs of impairment taking into account credit ratings, recent history of default and the number of days past due date. Following this assessment, a £1.7m (2019: £1.0m) provision for impairment of trade receivables has been made. Refer to note 17 for further information.

Recoverability of amounts due from contract assets
The Group recognises revenue in accordance with a contract's stage of completion, with any variable consideration estimated using the expected value method as constrained if necessary. As part of our monthly review procedures management review accrued income for recoverability. If a contract is in dispute, management use their judgement based on evidence and external expert advice, where appropriate, to estimate the value of accrued income recoverable on the contract. Actual future outcome may differ from the estimated value currently held in the financial statements but the outcome of any amounts subject to dispute is not anticipated to have a material impact on the financial statements.

At 31 March 2020 amounts due from contract assets totalled £5.4m (2019: £7.1m). Please refer to Note 16.

Valuation of deferred consideration receivable
During the year the Group divested of non-core activities within its Air Quality business following the sale of Ductclean (UK) Limited. The fair value of this consideration is determined using an estimate of discounted cash flows that are expected to be received within the next five years. The discount rate used is based on a risk-free rate adjusted for asset-specific risks. Please refer to note 17 for further information.

Adoption of IFRS 16: Presentation of figures under consistent accounting policies
During the period the Group has incorporated the following changes to its accounting policies:
The adoption of IFRS 16 which came into effect on 1 January 2019. As disclosed in the 2019 Annual Report the Group has used the modified retrospective approach to adopt this standard. In addition to the impact on the income statement detailed below, on 1 April 2019, the Group recognised £8.7m of right of use assets and £8.7m of lease liabilities on the statement of financial position.

The changes in accounting policies noted above have had a material impact on the Group's financial statements. Under IFRS 16 the Group is not required to restate prior periods. As a result the Board has decided for the 2019-20 reporting cycle it is appropriate to show adjusted performance measures. There are two adjusted performance measures:

Firstly, using consistent accounting policies. This provides year on year comparison of performance using the same accounting policies in both periods allowing the reader to discern relative trading performance.

Secondly, adjusted results under revised accounting policies. This provides the reader with the adjusted performance measures derived using accounting policies that the Group has now adopted.

A reconciliation between the statutory profit and the adjusted performance measures noted above is shown below:

Continuing operations	Profit before tax £'m	Operating profit £'m	EBIDTA £'m
Statutory reported	0.5	2.1	12.8
Amortisation of acquisition intangibles	3.4	3.4	-
Loss on disposal of non-core business	0.8	0.8	0.8
Share based payments	0.7	0.7	0.7
Restructuring & acquisition costs	7.8	7.8	7.8
Adjusted results under revised accounting policies	**13.2**	**14.8**	**22.1**
Exclusion of rental charges under IFRS 16 leases	(5.5)	(5.5)	(5.5)
Depreciation on IFRS 16 leased assets	5.4	5.4	-
Interest charges on IFRS 16 leased assets	0.5	-	-
Adjusted results under consistent accounting policies	**13.6**	**14.7**	**16.6**

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Adoption of new and revised standards

New standards, amendments and interpretations issued and effective during the financial year commencing 1 April 2019:

Periods commencing on or after 1 April 2019

IFRS 16 Leases (endorsed for use in the EU on 31 October 2017)

IFRS 16 'Leases' replaces IAS 17 'Leases' along with three Interpretations (IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC 15 'Operating Leases-Incentives' and SIC 27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease').

The adoption of this new Standard has resulted in the Group recognising a right-of-use asset and related lease liability in connection with all former operating leases except for those identified as low-value or having a remaining lease term of less than 12 months from the date of initial application.

The new Standard has been applied using the modified retrospective approach, with the cumulative effect of adopting IFRS 16 being recognised in equity as an adjustment to the opening balance of retained earnings for the current period. Prior periods have not been restated.

For contracts in place at the date of initial application, the Group has elected to apply the definition of a lease from IAS 17 and IFRIC 4 and has not applied IFRS 16 to arrangements that were previously not identified as lease under IAS 17 and IFRIC 4.

The Group has elected not to include initial direct costs in the measurement of the right-of-use asset for operating leases in existence at the date of initial application of IFRS 16, being 1 April 2019. At this date, the Group has also elected to measure the right-of-use assets at an amount equal to the lease liability adjusted for any prepaid or accrued lease payments that existed at the date of transition.

Instead of performing an impairment review on the right-of-use assets at the date of initial application, the Group has relied on its historic assessment as to whether leases were onerous immediately before the date of initial application of IFRS 16.

On transition, for leases previously accounted for as operating leases with a remaining lease term of less than 12 months and for leases of low-value assets the Group has applied the optional exemptions to not recognise right-of-use assets but to account for the lease expense on a straight-line basis over the remaining lease term.

For those leases previously classified as finance leases, the right-of-use asset and lease liability are measured at the date of initial application at the same amounts as under IAS 17 immediately before the date of initial application.

On transition to IFRS 16 the weighted average incremental borrowing rate applied to lease liabilities recognised under IFRS 16 was 3.09%.

The Group has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued
Adoption of new and revised standards continued

Periods commencing on or after 1 April 2019 - IFRS 16 Leases (endorsed for use in the EU on 31 October 2017) (continued)

The following is a reconciliation of total operating lease commitments at 31 March 2019 (as disclosed in the financial statements to 31 March 2019) to the lease liabilities recognised at 1 April 2019:

Continuing operations	£'m
IAS17 operating lease commitments	9.6
Add: adjustments related to variable lease payments based on an index or rate	-
Less: adjustments due to disposal of subsidiary	-
Less: contracts to which the short-term leases exemption has been applied	(0.6)
Less: contracts to which the low value exemption has been applied	(0.1)
Add: service/non-lease components of lease contracts	-
Subtotal gross IFRS 16 liabilities recognised at 01 April 2019	8.9
Discounted at a weighted average discount rate of 3.09%	8.7
Add: finance lease liabilities recognised at 31 March 2019	1.1
IFRS 16 lease liability as at 1 April 2019	9.8
Of which are:	
Current lease liabilities	3.4
Non-current lease liabilities	6.4
	9.8

The associated right of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 31 March 2019. The recognised right of use assets are shown in note 14.

At 31 March 2020, the IFRS 16 lease liabilities were:

Continuing operations	£'m
Current lease liabilities	5.0
Non-current lease liabilities	9.3
	14.3

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:
- right of use assets – increase by £8.7m
- lease liabilities – increase by £8.7m

As the modified retrospective method was adopted, there was no impact on retained earnings on 1 April 2019.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

The Group's leasing activities and how these are accounted for

The Group leases various properties, plant and equipment and motor vehicles. Rental contracts are typically made for fixed periods and may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. Until the 2019 financial year, leases of property, plant and equipment were classified as either finance or operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

From 1 April 2019, leases are recognised as a right of use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis.

Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined interest rate structures based on the lessee's incremental borrowing rate have been used, to reflect the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right of use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less and low-value assets comprise IT-equipment and small items of office furniture.

Extension and termination options

Extension and termination options are included in a number of property and equipment leases across the Group. These terms are used to maximise operational flexibility in terms of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor.

Notes to the Group financial statements continued

3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk, credit risk, liquidity risk and capital risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Risk management is carried out centrally under policies approved by the Board of Directors. The Board provides written principles for overall risk management.

Market risk

Foreign exchange risk

The Group operates primarily in the UK and has limited exposure to foreign exchange risk.

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2020 and 2019 the Group's borrowings at variable rates were denominated in pounds sterling. The Group analyses its interest rate exposure using financial modelling on a periodic basis. Based on the various scenarios, the Group does not currently consider any hedging appropriate.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment, delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. The maximum exposure is the carrying amount as disclosed in note 21.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments as also shown in note 21.

Liquidity risk

The Group monitors its risk to a shortage of funds using a forecasting model. This model considers the maturity of both its financial assets and financial liabilities and projected cash flows from operations. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts, bank loans and finance in order to ensure that there is sufficient cash or working capital facilities to meet the requirements of the Group for its current business plan. A detailed analysis of the Group's debt facility is given in note 21.

Notes to the Group financial statements continued

3. FINANCIAL RISK MANAGEMENT continued

Capital risk

The Group's main objective when managing capital is to protect returns to shareholders by ensuring the Group will trade profitably in the foreseeable future. The Group also aims to maximise its capital structure of debt and equity so as to minimise its cost of capital.

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis. The Group considers its capital to include share capital, share premium, other reserves, retained earnings and net cash as noted below. Net cash includes short and long-term borrowings (including overdrafts) net of cash and cash equivalents.

No changes were made in the objectives, policies or processes during the year ended 31 March 2020 and prior year ended 31 March 2019.

The Group's strategy is to strengthen its capital base in order to sustain the future development of the business.

		Using consistent accounting policies	
	2020 £'m	2020 (unaudited) £'m	2019 £'m
Cash at bank	7.2	7.2	7.7
Bank loans due after one year	(38.5)	(38.5)	(26.7)
Finance leases due within one year	(5.6)	(0.6)	(0.4)
Finance leases due after one year	(9.7)	(0.4)	(0.7)
Net debt	**(46.6)**	**(32.3)**	**(20.1)**

Under the terms of its financing facilities during the year the Group was required to meet quarterly covenant tests in respect of interest cover and leverage. All tests were met during the year and the Directors expect to continue to meet these tests.

Fair value estimation

The fair value of financial instruments is market value.

Notes to the Group financial statements continued

4. SEGMENTAL ANALYSIS

The Group is organised into two main operating segments, Risk Management & Compliance ("Risk & Compliance") and Water Treatment & Air Quality ("Water & Air"). Services per segment operate as described in the Strategic report. The key profit measures are adjusted operating profit and adjusted EBITDA and are shown before acquisition and restructuring costs, amortisation of acquisition intangibles, share-based payments, profit on disposal of non-core business and exceptional loss on customer liquidation. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and operating cash. Central assets include deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to computer software, property, plant and equipment and includes additions resulting from acquisitions through business combinations. Segment assets and liabilities are allocated between segments on an actual basis.

Continuing operations	Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2020 Total £'m
Revenue	81.6	108.6	-	190.2
Inter-segment elimination	(1.4)	(3.4)	-	(4.8)
Revenue from external customers	80.2	105.2	-	185.4
Segment adjusted operating profit/(loss)	8.1	8.9	(2.2)	14.8
Acquisition costs				(1.1)
Restructuring costs				(6.7)
Amortisation of acquisition intangibles				(3.4)
Share-based payments				(0.7)
Loss on disposal of non-core business				(0.8)
Operating profit				2.1
Finance costs				(1.6)
Profit before tax				0.5
Tax charge				(0.9)
Loss after tax				(0.4)
Segment assets	38.8	34.2	135.7	208.7
Segment liabilities	(25.6)	(25.3)	(61.1)	(112.0)
Capital expenditure	(0.9)	(2.0)	-	(2.9)
Depreciation and amortisation	(2.5)	(4.8)	(3.4)	(10.7)

Notes to the Group financial statements continued

4. SEGMENTAL ANALYSIS continued

Continuing operations	Using consistent accounting policies Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2020 Total (unaudited) £'m
Revenue	81.6	108.6	-	190.2
Inter-segment elimination	(1.4)	(3.4)	-	(4.8)
Revenue from external customers	80.2	105.2	-	185.4
Segment adjusted operating profit/(loss)	8.1	8.8	(2.2)	14.7
Acquisition costs				(1.1)
Restructuring costs				(6.7)
Amortisation of acquisition intangibles				(3.4)
Share-based payments				(0.7)
Loss on disposal of non-core business				(0.8)
Operating profit				2.0
Finance costs				(1.1)
Profit before tax				0.9
Tax charge				(1.0)
Loss after tax				(0.1)
Segment assets	32.9	26.2	135.6	194.7
Segment liabilities	(19.5)	(17.1)	(61.1)	(97.7)
Capital expenditure	(0.9)	(2.0)	-	(2.9)
Depreciation and amortisation	(0.6)	(1.3)	(3.4)	(5.3)

Continuing operations	Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2019 Total £'m
Revenue	68.5	62.2	-	130.7
Inter-segment elimination	(1.1)	(1.1)	-	(2.2)
Revenue from external customers	67.4	61.1	-	128.5
Segment adjusted operating profit/(loss)	5.8	5.3	(1.6)	9.5
Acquisition costs				(1.0)
Restructuring costs				(5.2)
Amortisation of acquisition intangibles				(1.8)
Share-based payments				(0.8)
Profit on disposal of non-core business				1.9
Operating profit				2.6
Finance costs				(0.6)
Profit before tax				2.0
Tax charge				(0.5)
Profit after tax				1.5
Segment assets	30.3	27.8	90.5	148.6
Segment liabilities	14.9	15.5	40.7	71.1
Capital expenditure	0.3	1.4	-	1.7
Depreciation and amortisation	0.5	1.0	1.8	3.3

The revenue from external customers was derived from the Group's principal activities primarily in the UK (where the Company is domiciled).

Notes to the Group financial statements continued

4. SEGMENTAL ANALYSIS continued

Reconciliation of segment adjusted operating profit to adjusted EBITDA

	Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2020 Total £'m
Segment adjusted operating profit/(loss)	8.1	8.9	(2.2)	14.8
Depreciation	2.5	4.8	-	7.3
Adjusted EBITDA	**10.6**	**13.7**	**(2.2)**	**22.1**

	Using consistent accounting policies			
	Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2020 Total (unaudited) £'m
Segment adjusted operating profit/(loss)	8.1	8.8	(2.2)	14.7
Depreciation	0.6	1.3	-	1.9
Adjusted EBITDA	**8.7**	**10.1**	**(2.2)**	**16.6**

	Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2019 Total £'m
Segment adjusted operating profit/(loss)	5.8	5.3	(1.6)	9.5
Depreciation	0.5	1.0	-	1.5
Adjusted EBITDA	**6.3**	**6.3**	**(1.6)**	**11.0**

The above tables reconcile segment adjusted operating profit/(loss), which excludes separately disclosed acquisition and other costs, to the standard profit measure under International Financial Reporting Standards (Operating Profit). This is the Groups' Alternate Profit Measure used when discussing the performance of the Group. The Directors believe that adjusted EBITDA and operating profit is the most appropriate approach for ascertaining the underlying trading performance and trends as it reflects the measures used internally by senior management for all discussions of performance and also reflects the starting profit measure when calculating the Group's banking covenants.

Adjusted EBITDA is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute, or superior to, IFRS measurements of profit.

Major customers

For the year ended 31 March 2020, no customers (2019: Nil) individually accounted for more than 10% of the Group's total revenue.

Notes to the Group financial statements continued

5. RESTRUCTURING COSTS

Restructuring costs, being the costs associated with the integration of acquisitions, remain the key component of acquisition and other costs and increased to £6.7 million (2019: £5.2 million). The increase reflects both the number of transactions completed in the year and the scale of restructuring required at certain acquired businesses, in particular, the acquisition of Clearwater Group Limited ("Clearwater"), completed in May 2019. This business was loss making at the time of the acquisition but significant synergies were identified following its integration into WCS Group, Marlowe's Water operation. Restructuring costs of £4.2 million were incurred in the year relating to the acquisition of Clearwater.

These costs arise due to the following:

- The cost of duplicated staff roles during the integration and restructuring period
- The redundancy cost of implementing the post completion staff structures
- IT costs associated with the integration and transfer to Group IT systems.

The majority of these costs are incurred in the 12 months following an acquisition.

6. OPERATING PROFIT

		Using consistent accounting policies	
	2020 £'m	2020 (unaudited) £'m	2019 £'m
The following items have been included in arriving at operating profit:			
Amortisation of intangible assets	3.4	3.4	1.8
Depreciation of property, plant and equipment	7.3	1.9	1.5
Share-based payments charge	0.7	0.7	0.8
Operating leases – plant and machinery	-	0.1	0.2
Operating leases – land and buildings	-	1.5	1.0
Auditors' remuneration*:			
– Parent and consolidated financial statements	0.1	0.1	0.1
– Audit of Company's subsidiaries pursuant to legislation	0.2	0.2	0.2
– Review of half yearly financial report	-	-	-
– Non-audit fees	0.1	0.1	-

* Audit fees of £134k (2019: £75k) in respect of the parent and consolidated financial statements and £216k (2019: £188k) in respect of the audit of the Company's subsidiaries were incurred during the year. £15k (2019: £14k) was incurred by the Group in respect of the review of the half yearly financial reports. Non-audit fees of £63k (2019: £Nil) relate to due diligence work undertaken on the acquisition of Clearwater.

7. FINANCE COSTS

		Using consistent accounting policies	
	2020 £'m	2020 (unaudited) £'m	2019 £'m
Interest on bank loans and overdrafts	1.0	1.0	0.5
Amortisation of deferred finance costs	0.1	0.1	0.1
Interest costs from finance lease liabilities	0.5	-	-
Total	1.6	1.1	0.6

Notes to the Group financial statements continued

8. TAXATION

	2020 £'m	Using consistent accounting policies 2020 (unaudited) £'m	2019 £'m
Current tax:			
UK corporation tax on profit/loss for the year	0.4	0.4	1.1
Foreign tax	0.1	0.1	-
Adjustment in respect of previous periods	0.1	0.1	(0.1)
Total current tax	0.6	0.6	1.0
Deferred tax: (note 22)			
Current year	0.3	0.4	(0.5)
Adjustment in respect of previous periods	-	-	-
Total deferred tax	0.3	0.4	(0.5)
Total tax charge	0.9	1.0	0.5

The charge for the year can be reconciled to the profit in the Consolidated statement of comprehensive income as follows:

	2020 £'m	Using consistent accounting policies 2020 (unaudited) £'m	2019 £'m
Profit before tax	0.5	0.9	2.0
Profit before tax multiplied by the rate of corporation tax of 19%	0.1	0.2	0.4
Effects of:			
Expenses not deductible for tax purposes	0.5	0.5	0.2
Prior year adjustments	0.1	0.1	(0.1)
Change in tax rates	0.2	0.2	-
Tax charge	0.9	1.0	0.5

Notes to the Group financial statements continued

9. EARNINGS PER ORDINARY SHARE

Basic earnings per share have been calculated on the (loss)/profit for the year after taxation and the weighted average number of ordinary shares in issue during the year.

	2020	Using consistent accounting policies 2020 (unaudited)	2019
Weighted average number of shares in issue	45,059,959	45,059,959	38,019,985
Total (loss)/profit for the year	£(0.4)m	£(0.1)m	£1.5m
Total basic earnings per ordinary share (pence)	(0.8)p	(0.1)p	3.8p
Weighted average number of shares in issue	45,059,959	45,059,959	38,019,985
Executive incentive plan	1,437,476	1,437,476	1,748,928
Weighted average fully diluted number of shares in issue	46,497,435	46,497,435	39,768,193
Total fully diluted earnings per share (pence)	(0.8)p	(0.1)p	3.6p

Adjusted earnings per share

The Directors believe that the adjusted earnings per share provide a more appropriate representation of the underlying earnings derived from the Group's business. The adjusting items are shown in the table below:

	2020 £'m	Using consistent accounting policies 2020 (unaudited) £'m	2019 £'m
Profit before tax	0.5	0.9	2.0
Adjustments:			
Acquisition costs	1.1	1.1	1.0
Restructuring costs	6.7	6.7	5.2
Amortisation of acquisition intangibles	3.4	3.4	1.8
Share-based payments	0.7	0.7	0.8
Loss/(profit) on disposal of non-core business	0.8	0.8	(1.9)
Adjusted continuing profit for the year	13.2	13.6	8.9

The adjusted earnings per share, based on the weighted average number of shares in issue during the year is calculated below:

	2020 £'m	Using consistent accounting policies 2020 (unaudited) £'m	2019 £'m
Adjusted profit before tax (£'m)	13.2	13.6	8.9
Tax at 19% (£'m)	(2.5)	(2.6)	(1.8)
Adjusted profit after tax (£'m)	10.7	11.0	7.1
Adjusted basic earnings per share (pence)	23.6	24.3	18.8
Adjusted fully diluted earnings per share (pence)	22.9	23.6	17.9

Notes to the Group financial statements continued

10. DIVIDENDS

The Company has not declared any dividends in respect of the current year or prior year.

11. BUSINESS COMBINATIONS

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £208m and Group profit before tax would have been £3.2m. As explained in Note 5, following acquisitions a number of restructuring costs are incurred, and after this post acquisition restructuring the acquisitions have a positive impact on Group profit before tax.

The factors which make up goodwill are disclosed in note 12.

Finalisation of fair values for acquisitions acquired in the current year

Acquisition of Clearwater Group Limited

On 21 May 2019, the Group acquired Clearwater Group Limited ("Clearwater"), a provider of water treatment & hygiene services, for a total consideration of £3.3m, satisfied by the payment of £3.3m in cash on completion

The final fair values are shown to the right.

One hundred percent of the equity of Clearwater was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £463k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Clearwater would have generated £22.6m revenue and £1.5m loss before tax.

	Fair value at acquisition £'m
Trade and other receivables	4.8
Right of use assets	4.6
Intangible assets – customer relationships	3.9
Inventories	0.4
Deferred tax asset	0.4
Cash	0.2
Property, plant and equipment	0.2
Trade and other payables	(7.2)
Loans payable	(6.1)
Leases	(4.7)
Provisions	(0.6)
Tax liabilities	(0.4)
Net liabilities acquired	**(4.5)**
Goodwill	**7.8**
Consideration	**3.3**
Satisfied by:	
Cash to vendors	**3.3**

Notes to the Group financial statements continued

11. BUSINESS COMBINATIONS continued

Provisional fair values for acquisitions acquired in the current year

Acquisition of Aquatreat Group Limited

On 26 July 2019, the Group acquired Aquatreat Group Limited ("Aquatreat"), a provider of water treatment services, for a total consideration of £0.5m, satisfied by the payment of £0.4m in cash on completion and £0.1m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of Aquatreat was acquired in this transaction. Acquisition costs of £25k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Aquatreat would have generated £1.4m revenue and £0.2m loss before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	0.3
Trade and other receivables	0.2
Inventories	0.2
Property, plant and equipment	0.1
Right of use assets	0.1
Trade and other payables	(0.3)
Leases	(0.1)
Deferred tax liabilities	(0.1)
Net assets acquired	**0.4**
Goodwill	**0.1**
Consideration	**0.5**
Satisfied by:	
Cash to vendors	**0.4**
Deferred cash consideration to vendors	**0.1**

Acquisition of Quantum Risk Management Ltd

On 9 August 2019, the Group acquired Quantum Risk Management Ltd ("Quantum"), a provider of risk compliance and consultancy services, for a total consideration of £7.8m, satisfied by the payment of £4.6m in cash on completion and £3.2m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of Quantum was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £141k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Quantum would have generated £5.8m revenue and £0.3m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.8
Trade and other receivables	1.8
Cash	0.5
Right of use assets	0.1
Trade and other payables	(1.1)
Deferred tax liabilities	(0.5)
Tax liabilities	(0.2)
Leases	(0.1)
Net assets acquired	**3.3**
Goodwill	**4.5**
Consideration	**7.8**
Satisfied by:	
Cash to vendors	**4.6**
Deferred cash consideration to vendors	**3.2**

Notes to the Group financial statements continued

11. BUSINESS COMBINATIONS continued
Provisional fair values for acquisitions acquired in the current year continued

Acquisition of FSE Fire Safety Systems Limited

On 29 November 2019 the Group acquired FSE Fire Safety Systems Limited ("FSE"), a provider of fire and security services, for a total consideration of £3.0m, satisfied by the payment of £2.8m in cash on completion and £0.2m in cash payable subject to the achievement of certain performance targets by the acquired business in the periods ending 31 August 2020 and 2021. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of FSE was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £66k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year FSE would have generated £4.0m revenue and £0.4m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	0.8
Cash	0.8
Trade and other receivables	0.5
Property, plant and equipment	0.3
Inventories	0.1
Trade and other payables	(0.8)
Finance leases	(0.2)
Tax liabilities	(0.2)
Deferred tax liabilities	(0.1)
Net assets acquired	**1.2**
Goodwill	**1.8**
Consideration	**3.0**
Satisfied by:	
Cash to vendors	**2.8**
Deferred cash consideration to vendors	**0.2**

Acquisition of Law At Work (Holdings) Limited

On 2 December 2019 the Group acquired Law At Work (Holdings) Limited ("LAW"), a leading national provider of subscription-based employment law compliance and health and safety services, for a total consideration of £9.7m, satisfied by the payment of £5.7m in cash on completion and £4.0m in cash payable subject to the achievement of certain performance targets by the acquired business in the periods ending 31 May 2020, 2021 and 2022.

Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of LAW was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £219k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year LAW would have generated £5.3m revenue and £0.1m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.5
Cash	1.4
Right of use assets	0.6
Trade and other receivables	0.5
Property, plant and equipment	0.1
Trade and other payables	(1.7)
Loans payable	(1.2)
Leases	(0.6)
Deferred tax liabilities	(0.5)
Tax liabilities	(0.2)
Net assets acquired	**0.9**
Goodwill	**8.8**
Consideration	**9.7**
Satisfied by:	
Cash to vendors	**5.7**
Deferred cash consideration to vendors	**4.0**

Notes to the Group financial statements continued

11. BUSINESS COMBINATIONS continued
Provisional fair values for acquisitions acquired in the current year continued

Acquisition of Eurosafe UK Group Limited and Clouds Ultimate Manager Limit

On 31 January 2020 the Group acquired Eurosafe UK Group Limited and Clouds Ultimate Manager Limited (together "Eurosafe"), a provider of safety consultancy services, for a total consideration of £3.2m, satisfied by the payment of £2.4m in cash on completion and £0.8m cash payable subject to the achievement of certain performance targets by the acquired business 6 months post completion. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of Eurosafe was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £64k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Eurosafe would have generated £2.6m revenue and £0.1m profit before tax.

	Fair value at acquisition £'m
Cash	0.5
Loans receivable	0.5
Intangible assets – customer relationships	0.5
Trade and other receivables	0.5
Property, plant and equipment	0.2
Trade and other payables	(0.4)
Deferred tax liabilities	(0.1)
Net assets acquired	**1.7**
Goodwill	**1.5**
Consideration	**3.2**
Satisfied by:	
Cash to vendors	**2.4**
Deferred cash consideration to vendors	**0.8**

Acquisition of Managed Occupational Health Limited

On 9 March 2020 the Group acquired Managed Occupational Health Limited ("MOH"), a provider of occupational health services, for a total consideration of £3.7m, satisfied by the payment of £2.5m in cash on completion and £1.2m cash payable subject to the achievement of certain performance targets by the acquired business 12, 24 and 36 months post acquisition.

Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of MOH was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £85k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year MOH would have generated £4.0m revenue and £0.6m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	1.1
Loans receivable	0.6
Cash	0.6
Right of use assets	0.3
Property, plant and equipment	0.2
Leases	(0.4)
Trade and other payables	(0.5)
Deferred tax liabilities	(0.2)
Tax liabilities	(0.1)
Net assets acquired	**1.6**
Goodwill	**2.1**
Consideration	**3.7**
Satisfied by:	
Cash to vendors	**2.5**
Deferred cash consideration to vendors	**1.2**

Notes to the Group financial statements continued

11. BUSINESS COMBINATIONS continued
Provisional fair values for acquisitions acquired in the current year continued

Acquisition of Solve HR Limited

On 10 March 2020 the Group acquired Solve HR Limited ("Solve HR"), a provider of HR & Employment Law compliance services, for a total consideration of £0.5m, satisfied by the payment of £0.3m in cash on completion and £0.2m in cash payable subject to the achievement of certain performance targets by the acquired business 12 and 24 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

	Fair value at acquisition £'m
Trade and other receivables	0.1
Intangible assets – customer relationships	0.1
Net assets acquired	**0.2**
Goodwill	**0.3**
Consideration	**0.5**
Satisfied by:	
Cash to vendors	**0.3**
Deferred cash consideration to vendors	**0.2**

One hundred percent of the equity of Solve HR was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £21k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Solve HR would have generated £0.3m revenue and £0.1m profit before tax.

12. INTANGIBLE ASSETS

	Goodwill £'m	Customer relationships £'m	Application software £'m	Order backlog £'m	Total £'m
Cost					
1 April 2018	35.9	7.9	-	0.1	43.9
Arising on acquisition of subsidiaries	34.3	12.3	2.7	-	49.3
Additions	-	-	0.1	-	0.1
Disposals	-	(0.4)	-	(0.1)	(0.5)
31 March 2019	70.2	19.8	2.8	-	92.8
1 April 2019	70.2	19.8	2.8	-	92.8
Arising on acquisition of subsidiaries	26.8	12.0	-	-	38.8
Additions	-	-	0.6	-	0.6
Disposals	(2.4)	-	-	-	(2.4)
31 March 2020	**94.6**	**31.8**	**3.4**	**-**	**129.8**
Accumulated amortisation and impairment					
1 April 2018	-	1.4	-	0.1	1.5
Charge for the year	-	1.7	0.1	-	1.8
Disposals	-	-	-	(0.1)	(0.1)
31 March 2019	-	3.1	0.1	-	3.2
1 April 2019	-	3.1	0.1	-	3.2
Charge for the year	-	3.2	0.2	-	3.4
Disposals	-	-	-	-	-
31 March 2020	**-**	**6.3**	**0.3**	**-**	**6.6**
Carrying amount					
31 March 2020	**94.6**	**25.5**	**3.1**	**-**	**123.2**
31 March 2019	**70.2**	**16.7**	**2.7**	-	**89.6**

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS continued

The customer relationships and application software have a remaining life of between 1 and 10 years.

The changes to goodwill during the year and prior year were as follows:

	£'m
Cost	
31 March 2019	**70.2**
Adjusted - Kingfisher	0.1
Adjusted - Suez WCS	(0.1)
Adjusted - William Martin	(0.3)
Adjusted - Atana	0.2
Acquired - Clearwater	7.8
Acquired - Aquatreat	0.1
Acquired - Quantum	4.5
Acquired - FSE	1.8
Acquired - LAW	8.8
Acquired - Eurosafe	1.5
Acquired - MOH	2.1
Acquired - Solve HR	0.3
Disposed - DCUK	(2.4)
31 March 2020	**94.6**
Accumulated impairment	
1 April 2019 and March 2020	-
31 March 2019	**-**
Net book value	
31 March 2020	**94.6**
31 March 2019	**70.2**

Finalisation of fair values for acquisitions acquired in the prior year

Further assessments have been made during the year as more information has become available and the fair values of the following acquisitions have been finalised.

Kingfisher Environmental Services Limited ("Kingfisher") - the main change is to the consideration paid for the company, increasing the value by £0.1m, which resulted in an increase in goodwill of £0.1m.

Suez Water Conditioning Services Limited - the main change is to the consideration paid for the company, decreasing the value by £0.1m, which resulted in a decrease in goodwill of £0.1m.

William Martin Compliance Solutions Limited and Ivor Roy Limited ("William Martin") - the main change is to deferred tax liabilities, decreasing the value by £0.3m, which resulted in a decrease of goodwill by £0.3m.

Atana Ltd - ("Atana") - the main change is to finance leases, increasing the value by £0.2m, which resulted in an increase of goodwill by £0.2m.

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS continued

Allocation to cash-generating units

Goodwill has been allocated for impairment testing purposes using the following cash-generating units. The carrying value is as follows:

Risk & Compliance	2020 £'m	2019 £'m
MFS	15.7	15.7
FAFS	2.7	2.7
BBC	2.5	2.5
Flamefast	0.3	0.3
Island Fire	0.8	0.8
William Martin	22.8	23.1
Quantum	4.5	-
FSE	1.8	-
LAW	8.8	-
MOH	2.1	-
Solve HR	0.3	-
Total	**62.3**	**45.1**

Water & Air	2020 £'m	2019 £'m
WCS	5.3	5.3
DCUK	-	8.0
Guardian	7.4	1.8
Kingfisher	2.0	1.9
Suez WCS	2.4	2.5
Tersus	1.8	1.8
Atana	4.0	3.8
Clearwater	7.8	-
Aquatreat	0.1	-
Eurosafe	1.5	-
Total	**32.3**	**25.1**

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS continued
Allocation to cash-generating units continued

Intangible assets are calculated for each acquired company using the Multi-Period Excess Earnings Method where excess earnings are discounted to present value at an appropriate rate of return to estimate the fair value of the intangible assets. Goodwill is calculated as the residual measure of the excess consideration paid over the acquired assets and liabilities. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two to ten using growth rates that are considered to be in line with the general trends in which each cash-generating unit operates. The industries in which we operate are characterised by long standing customer relationships and as such ten year cash flow projections are deemed to be an appropriate forecast window. Terminal cash flows are based on these ten year projections, assumed to grow perpetually at 1%.

In accordance with IAS 36, the growth rates for beyond the forecasted ten years do not exceed the long-term average growth rate for the industry. The forecasts have been discounted at an average rate of 21.81% (2019: 13.45%). The key assumptions forming inputs to cash flows are in revenues and margins. Revenues for FY20 have been assessed by reference to existing contracts and market volumes. Margins have been assumed to be consistent with historical performance of the acquired business and reflect management's view of the post-acquisition performance following integration into the Marlowe Group.

For the purpose of impairment testing, goodwill and other intangibles are allocated to business segments which represent the lowest level at which that those assets are monitored for internal management purposes. The recoverable amount of each cash-generating unit is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two to five using growth rates that are considered to be in line with the general trends in which each cash-generating unit operates. Terminal cash flows are based on these five year projections, assumed to grow perpetually at 2%. In accordance with IAS 36, the growth rates for beyond the forecasted five years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are in revenues and margins. Budgeted revenues for FY21 have been assessed by reference to existing contracts and market volumes. Having begun moving out of the restructuring and integration phase, budgeted margins in FY21 reflect the impact of implemented restructuring and post-integration performance improvement measures. Although these performance improvements are yet to be fully realised, management consider the FY21 budgets to contain reasonable and supportable assumptions.

The forecasts have been discounted at a pre-tax rate of 8.40% (2019: 9.23%) for cash generating units in the Risk & Compliance division and 8.40% (2019: 11.55%) for cash generating units in the Water & Air division. These discount rates were calculated using a pre-tax rate based on the weighted average cost of capital for each operating segment. The key assumptions used for the value in use calculations are as follows:

	Risk & Compliance %	Water & Air %
Revenue growth – average over 5 years	5	3
Revenue growth – remainder	2	2
Cost growth – employee/overheads, average over 5 years	3	3

Management do not consider that a reasonably possible change in any key assumption would result in an impairment.

Notes to the Group financial statements continued

13. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold land & buildings £'m	Leasehold improvements £'m	Plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost						
1 April 2018	1.7	0.5	0.3	1.8	2.3	6.6
Additions	-	0.5	0.8	0.4	1.0	2.7
Disposals	-	(0.4)	(0.2)	(1.1)	(1.0)	(2.7)
Acquisitions	-	-	0.2	0.1	2.3	2.6
31 March 2019	**1.7**	**0.6**	**1.1**	**1.2**	**4.6**	**9.2**
1 April 2019	1.7	0.6	1.1	1.2	4.6	9.2
Additions	-	0.8	0.8	1.1	0.7	3.4
Disposals	-	-	-	(0.2)	(1.0)	(1.2)
Acquisitions	0.3	-	0.1	1.0	0.8	2.2
Transfer to held for sale asset	(1.4)	-	-	-	-	(1.4)
Disposed with subsidiary	-	(0.1)	(0.4)	(0.6)	(1.8)	(2.9)
31 March 2020	**0.6**	**1.3**	**1.6**	**2.5**	**3.3**	**9.3**
Accumulated depreciation						
1 April 2018	-	0.1	0.1	1.1	1.1	2.4
Charge for the year	0.2	0.1	0.3	0.4	0.5	1.5
Disposals	-	(0.1)	(0.3)	(1.1)	(0.7)	(2.2)
Acquisitions	-	-	-	-	1.2	1.2
31 March 2019	**0.2**	**0.1**	**0.1**	**0.4**	**2.1**	**2.9**
1 April 2019	0.2	0.1	0.1	0.4	2.1	2.9
Charge for the year	0.1	0.1	0.4	0.6	0.7	1.9
Disposals	-	-	-	(0.2)	(0.7)	(0.9)
Acquisitions	-	-	0.1	0.7	0.3	1.1
Transfer to held for sale asset	(0.1)	-	-	-	-	(0.1)
Disposed with subsidiary	-	-	(0.1)	(0.5)	(0.9)	(1.5)
31 March 2020	**0.2**	**0.2**	**0.5**	**1.0**	**1.5**	**3.4**
Net book value						
31 March 2020	**0.4**	**1.1**	**1.1**	**1.5**	**1.8**	**5.9**
31 March 2019	**1.5**	**0.5**	**1.0**	**0.8**	**2.5**	**6.3**

Depreciation is charged to profit or loss as an administrative expense. Motor vehicle assets with a net book value of £0.9m (2019: £1.4m) were held under finance leases.

Notes to the Group financial statements continued

14. RIGHT OF USE ASSETS

	Leasehold property £'m	Plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost					
31 March 2019	-	-	-	-	-
Change in accounting policy (note 2)	4.2	0.1	-	4.4	8.7
01 April 2019	4.2	0.1	-	4.4	8.7
Additions	2.1	0.3	0.1	3.5	6.0
Disposals	(0.7)	-	-	(0.1)	(0.8)
Acquisitions	3.0	0.1	0.1	2.5	5.7
31 March 2020	**8.6**	**0.5**	**0.2**	**10.3**	**19.6**
Accumulated depreciation					
1 April 2019	-	-	-	-	-
Depreciation charge for the year	1.6	0.1	0.1	3.6	5.4
Disposals	(0.1)	-	-	-	(0.1)
31 March 2020	**1.5**	**0.1**	**0.1**	**3.6**	**5.3**
Net book value					
31 March 2020	**7.1**	**0.4**	**0.1**	**6.7**	**14.3**
1 April 2019	4.2	0.1	-	4.4	8.7
31 March 2019	-	-	-	-	-

Depreciation is charged to profit or loss as an administrative expense.

15. INVENTORIES

	2020 £'m	2019 £'m
Finished goods and goods for resale	4.1	4.5

Notes to the Group financial statements continued

16. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

	31 March 2020 £'m	Business related changes £'m	Disposal of subsidiary £'m	Acquisition of subsidiary £'m	31 March 2019 £'m
Amounts due from contract assets included in trade and other receivables	5.4	2.5	(4.8)	0.6	7.1
	5.4	**2.5**	**(4.8)**	**0.6**	**7.1**

	31 March 2019 £'m	Business related changes £'m	Disposal of subsidiary £'m	Acquisition of subsidiary £'m	31 March 2018 £'m
Amounts due from contract assets included in trade and other receivables	7.1	3.8	-	0.7	2.6
	7.1	**3.8**	**-**	**0.7**	**2.6**

Contract assets related to the portion of performance obligations already fulfilled by the Group and for which the definitive right to receive cash was subject to completing further work under the relevant contracts. Contract assets are converted into trade receivables at the point that work delivered to the client is invoiced resulting in the Group's unconditional right to receive cash. Contract assets therefore represent a portion of future payments receivable by the Group under existing contracts.

(b) Contract liabilities

	31 March 2020 £'m	Business related changes £'m	Disposal of subsidiary £'m	Acquisition of subsidiary £'m	31 March 2019 £'m
Deferred income included in trade and other payables	3.2	(0.3)	-	1.2	2.3
	3.2	**(0.3)**	**-**	**1.2**	**2.3**

	31 March 2019 £'m	Business related changes £'m	Disposal of subsidiary £'m	Acquisition of subsidiary £'m	31 March 2018 £'m
Deferred income included in trade and other payables	2.3	(0.5)	-	1.2	1.6
	2.3	**(0.5)**	**-**	**1.2**	**1.6**

These liabilities consist mainly of cash advances received from customers on account of orders received and the remaining liabilities relate to the amount of performance obligations still to be fulfilled and for which payment has already been received from the client.

Notes to the Group financial statements continued

17. TRADE AND OTHER RECEIVABLES

	2020 £'m	2019 £'m
Trade receivables	35.8	31.4
Less: provision for impairment of trade receivables	(1.7)	(1.0)
Trade receivables – net	34.1	30.4
Other receivables	1.1	0.6
Amounts due from contract assets	5.4	7.1
Prepayments and accrued income	2.4	1.7
Deferred consideraton receivable in less than one year	5.2	-
	48.2	**39.8**
Non current		
Deferred consideraton receivable in more than one year	3.9	-
	3.9	**-**

Trade receivables are provided for based on estimated irrecoverable amounts, determined by reference to past payment history and the current financial status of the customers.

As at 31 March 2020, trade and other receivables includes amounts due from contract assets of £5.4m (2019: £7.1m). Revenue is recognised based on contracted terms with customers, in accordance with a contract's stage of completion, with any variable consideration estimated using the expected value method as constrained if necessary. If a contract is in dispute, management use their judgement based on evidence and external expert advice, where appropriate, to estimate the value of accrued income recoverable on the contract. Actual future outcome may differ from the estimated value currently held in the financial statements. The outcome of any amounts subject to dispute is not anticipated to have a material impact on the financial statements.

Deferred consideration represents the divestment of non-core activities within the Group's Air Quality business following the sale of Ductclean (UK) Limited for a consideration of up to £7.0m and additional amounts receivable on projects concluded before the transaction. These are financial assets classified as measured at fair value through profit or loss. The fair value of this consideration is determined using an estimate of discounted cash flows that are expected to be received within the next five years. The discount rate used is based on a risk-free rate adjusted for asset-specific risks. The consideration is subject to a number of variables which may result in the amount received being materially greater or lower than currently recognised.

As at 31 March 2020, trade receivables of £12.4m (2019: £10.5m) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2020 £'m	2019 £'m
0-120 days	10.9	8.4
Greater than 120 days	1.5	2.1

Notes to the Group financial statements continued

18. TRADE AND OTHER PAYABLES

	2020 £'m	2019 £'m
Current		
Trade payables	13.6	12.1
Other taxation and social security	8.5	6.1
Other payables	1.1	1.1
Accruals	10.0	6.7
Deferred income	3.2	2.3
Deferred consideration payable in less than one year	8.7	4.9
	45.1	**33.2**
Non-current		
Deferred consideration payable in one to three years	7.2	5.0
	7.2	**5.0**

Trade and other payables principally comprise amounts outstanding for trade purchases, ongoing costs and deferred consideration.

Notes to the Group financial statements continued

19. FINANCIAL LIABILITIES – BORROWINGS

	2020 £'m	2019 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	-	-
		-
Non-current		
Bank loans – secured	38.5	26.7
	38.5	**26.7**

The bank debt is due to HSBC UK Bank plc and National Westminster Bank plc and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 21. Under the terms of the finance facility the Group is required to meet quarterly covenant tests in respect of interest cover and leverage.

Analysis of net debt

		Using consistent accounting policies	
	2020 £'m	2020 (unaudited) £'m	2019 £'m
Cash at bank and in hand	7.2	7.2	7.7
Bank loans due after one year	(38.5)	(38.5)	(26.7)
Finance leases due within one year	(5.6)	(0.6)	(0.4)
Finance leases due after one year	(9.7)	(0.4)	(0.7)
Net debt	**(46.6)**	**(32.3)**	**(20.1)**

20. OTHER FINANCIAL LIABILITIES

		Using consistent accounting policies	
	2020 £'m	2020 (unaudited) £'m	2019 £'m
Obligations under finance leases – present value of finance lease liabilities			
Repayable by instalments:			
In less than one year	5.6	0.6	0.4
In two to five years	7.4	0.4	0.7
Over five years	2.3	-	-
	15.3	**1.0**	**1.1**

Notes to the Group financial statements continued

21. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash, bank and various other receivable and payable balances that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations.

Cash and cash equivalents

	2020 £'m	2019 £'m
Cash at bank and in hand	7.2	7.7

The main financial risks arising from the Group's financial instruments are interest rate risk and liquidity risk. The Directors review and agree policies for managing each of these risks. Interest rates are regularly reviewed to ensure competitive rates are paid. Detailed cash flow forecasts are produced on a regular basis to minimise liquidity risks.

Carrying value of financial assets and (liabilities) excluding cash and borrowings

		Using consistent accounting policies	
	2020 £'m	2020 (unaudited) £'m	2019 £'m
Loans and receivables	40.7	40.7	38.5
Financial liabilities measured at amortised cost	(49.0)	(34.7)	(38.3)

Currency and interest rate risk profile of financial liabilities

All bank borrowings are subject to floating interest rates, at LIBOR plus a margin between 1.5% and 2.1%. Any undrawn borrowings are charged at 35% of a lending margin between 1.5% and 2.1%.

The interest rate risk profile of the Group's gross borrowings for the year was:

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 March 2020	**38.5**	**38.5**	**2.72**
Sterling at 31 March 2019	26.7	26.7	2.5

The exposure of Group borrowings to interest rate changes and contractual pricing dates at the end of the year are as follows:

	2019 £'m	2019 £'m
3 months or less	38.5	26.7

The interest rate risk profile of the Group's undrawn borrowings at the end of the year was:

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 March 2020	**6.5**	**6.5**	**0.74**
Sterling at 31 March 2019	3.3	3.3	0.5

The exposure of the Group's undrawn borrowings to interest rate changes and contractual pricing dates at the end of the year are as follows:

	2020 £'m	2019 £'m
3 months or less	-	3.3

Notes to the Group financial statements continued

21. FINANCIAL INSTRUMENTS continued

Interest rate sensitivity

At 31 March 2020, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Group's profit before tax would be approximately £133k lower (2019: £79k). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year.

The Group's sensitivity to future interest rates changes has increased during the current year due to the increased debt and debt facility.

Financial assets recognised in the statement of financial position and interest rate profile

All financial assets are short-term receivables and cash at bank. The cash at bank earns interest based on the Bank of England Base rate less a margin of 0.40% and is held with HSBC UK Bank plc.

Maturity of financial liabilities

The maturity profile of the carrying amount of the Group's financial liabilities (including interest payment) other than short-term trade payables and accruals which are due within one year was as follows:

	Bank debt £'m	Other financial liabilities £'m	Financial liabilities lease liabilities £'m	2020 Total £'m
Within one year, or on demand	-	0.6	5.6	6.2
Between one and two years	38.5	0.4	7.4	46.3
Between two and five years	-	-	2.3	2.3
	38.5	**1.0**	**15.3**	**54.8**

	Using consistent accounting policies					
	Bank debt £'m	Other financial liabilities £'m	2020 Total (unaudited) £'m	Bank debt £'m	Other financial liabilities £'m	2019 Total £'m
Within one year, or on demand	-	0.5	0.5	-	0.4	0.4
Between one and two years	38.5	-	38.5	-	0.7	0.7
Between two and five years	-	-	-	26.7	-	26.7
	38.5	**0.5**	**39.0**	**26.7**	**1.1**	**27.8**

Borrowing facilities

The Group has a £30m revolving credit facility and an additional accordion facility of £15m with HSBC UK Bank plc and National Westminster Bank plc which expires on 22 November 2021. £6.5m of the facility was undrawn as at 31 March 2020. All of the Group's borrowings are in sterling.

Fair values of financial assets and financial liabilities

The Group's financial assets and liabilities bear floating interest rates and are relatively short-term in nature. In the opinion of the Directors the book values of the assets and liabilities equate to their fair value.

Notes to the Group financial statements continued

22. DEFERRED TAX

Summary of balances

	2020 £'m	2020 (unaudited) £'m	2019 £'m
		Using consistent accounting policies	
Deferred tax liabilities	(5.5)	(5.4)	(3.8)
Deferred tax asset	0.6	0.5	0.2
	(4.9)	**(4.9)**	**(3.6)**

The movement in the year in the Group's net deferred tax position is as follows:

	2020 £'m	2020 (unaudited) £'m	2019 £'m
		Using consistent accounting policies	
1 April	(3.6)	(3.6)	(1.3)
Charge to profit for the year	(0.3)	(0.4)	0.5
Acquisitions	(1.0)	(0.9)	(2.8)
31 March	**(4.9)**	**(4.9)**	**(3.6)**

The following are the major deferred tax liabilities and assets recognised by the Group and the movements thereon during the year:

Deferred tax liabilities

	Intangible assets £'m	Intangible assets (unaudited) £'m
		Using consistent accounting policies
31 March 2018	(1.3)	(1.3)
Charge to income for the year	0.3	0.4
Acquisitions	(2.8)	(2.9)
31 March 2019	**(3.8)**	**(3.8)**
Charge to income for the year	(0.2)	(0.2)
Acquisitions	(1.5)	(1.4)
31 March 2020	**(5.5)**	**(5.4)**

Deferred tax assets

	Property, plant and equipment timing differences £'m	Property, plant and equipment timing differences (unaudited) £'m
		Using consistent accounting policies
31 March 2018	-	-
Charge to income for the year	0.2	0.2
Acquisitions	-	-
31 March 2019	0.2	0.2
Charge to income for the year	(0.1)	(0.2)
Acquisitions	0.5	0.5
31 March 2020	**0.6**	**0.5**

Notes to the Group financial statements continued

23. CALLED UP SHARE CAPITAL

	2020 £'m	2019 £'m
Allotted, issued and fully paid:		
45,883,835 ordinary shares of 50p each (2019: 40,786,879 ordinary shares of 50p each)	22.9	20.4

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
31 March 2018	**34,517,425**	
18 July 2018 – Subscription Shares	4,210,000	475p
20 December 2018 – Consideration Shares ("William Martin")	359,454	417p
28 December 2018 – Subscription Shares	1,700,000	410p
31 March 2019	**40,786,879**	
23 May 2019 - Subscription Shares	3,118,159	426p
28 May 2019 - Marlowe 2016 Incentive Scheme Conversion	387,366	50p
11 June 2019 - Subscription Shares	1,576,677	426p
30 March 2020 - Marlowe 2016 Incentive Scheme Conversion	14,754	50p
31 March 2020	**45,883,835**	

24. SHARE PREMIUM ACCOUNT

	2020 £'m	2019 £'m
1 April	54.9	30.4
Premium on shares issued during the year	17.7	25.4
Share issue costs	(0.7)	(0.9)
31 March	**71.9**	**54.9**

The Company may use the reserve to reduce a deficit in the retained earnings of the Company from time to time subject to shareholders and court approval and the Company may release the reserve upon transferring to a blocked trust bank account a sum equal to the remaining amount outstanding to non-consenting creditors that existed at the date of the capital reduction.

25. OTHER RESERVES

Share-based payments reserve	2020 £'m	2019 £'m
1 April	0.9	0.6
Charge for the year	0.3	0.3
Marlowe 2016 Incentive Scheme Conversion	(0.2)	-
31 March	**1.0**	**0.9**

The share-based payments reserve comprises charges made to the income statement in respect of share-based payments under the Group's equity incentive scheme.

Notes to the Group financial statements continued

26. RETAINED EARNINGS

	2020 £'m	Using consistent accounting policies 2020 (unaudited) £'m	Using consistent accounting policies 2019 £'m
1 April	1.3	1.3	(0.2)
(Loss)/profit for the year	(0.4)	(0.1)	1.5
31 March	**0.9**	**1.2**	**1.3**

27. NET CASH GENERATED FROM OPERATIONS

	2020 £'m	Using consistent accounting policies 2020 (unaudited) £'m	Using consistent accounting policies 2019 £'m
Continuing operations			
Profit before tax	0.5	0.9	2.0
Depreciation of property, plant and equipment	7.3	1.9	1.5
Amortisation of intangible assets	3.4	3.4	1.8
Net finance costs	1.6	1.1	0.6
Acquisition costs	1.1	1.1	1.0
Restructuring costs	6.7	6.7	5.2
Share-based payments charge	0.7	0.7	0.8
Loss/(profit) on disposal of non-core business	0.8	0.8	(1.9)
Increase in inventories	(0.3)	(0.3)	(1.3)
Increase in trade and other receivables	(6.0)	(6.0)	(3.6)
Decrease in trade and other payables	(1.6)	(1.6)	(0.9)
Net cash generated from operations	**14.2**	**8.7**	**5.2**

28. PENSIONS

The Group operates a number of defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to profit or loss of £2.0m (2019: £0.9m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

Notes to the Group financial statements continued

29. SHARE-BASED PAYMENTS

Marlowe 2016 Incentive Scheme

The Directors believe the success of the Group will depend to a significant degree on the future performance of the management team. Accordingly, arrangements have been put in place to create incentives for those who are expected to make key contributions to the success of the Group. A long term incentive scheme was created in February 2016 to reward the key contributors for the creation of shareholder value. In order to make these arrangements most efficient, they are based around a subscription for B Shares in Marlowe 2016 Limited, a 100% wholly owned subsidiary of Marlowe plc, by the B Shareholders.

The B Shareholders have subscribed for B Shares. A subscription price of £0.01 was paid for each share. In certain circumstances, detailed below, the B shareholders can give notice to the Company and Marlowe 2016 redeem their B Shares in exchange for the issue by the Company of Ordinary Shares.

On such redemption, the aggregate value of the B Shares is to be 10% of the result of the following:

- the market value of Ordinary Shares that were in issue at Admission (being 21,084,998 Ordinary Shares), in addition to the market value of any Ordinary Shares issued following Admission in relation to net shareholder investments of up to £40m (any Ordinary Shares issued where net shareholder investments exceed £40m will be excluded); less
- the Ordinary Shares in issue at Admission (being 21,084,998 Ordinary Shares) multiplied by the Issue Price of 100 pence (equalling £21,084,998); less
- net shareholder investments of up to £40m in the Company raised by way of a share placing following Admission; plus
- the amount of any dividends declared by the Company following Admission.

The market value of Ordinary Shares for these purposes will be the average closing price of the Ordinary Shares over the 10 Business Days immediately preceding the day on which notice of redemption is given by a B Shareholder.
The B Shareholders may only give notice to redeem their B Shares in any of the following circumstances:

- a sale of all or a material part of the business of the Enlarged Group;
- a sale of more than 51% of the Ordinary Shares to an unconnected person;
- a winding up of the Company, or any other return of capital; and
- not earlier than the third anniversary of the relevant agreement relating to the B Shares and not later than the sixth anniversary of the relevant agreement relating to the B Shares.

The B Shareholders have agreed that if they cease to be involved with the Group in the three years after Admission for a reason other than death, long-term disability, injury or ill-health, redundancy, retirement at or after the date on which the B Shareholder would normally be expected to retire, dismissal other than for gross misconduct, or being voted off a board of the Group other than for poor performance, Marlowe 2016 will have the ability to redeem the B Shareholder's B Shares for the amount subscribed for those B Shares. No other rights are attached to the B shares.

The B Shares were valued using a Monte Carlo model. The effective date of the award is deemed to be 1 April 2016.

Date of issue of Marlowe 2016 Limited redeemable B ordinary shares	27 February 2016
Issue price of B shares	£0.01
Marlowe plc share price at effective date	£1.375
Redemption value	See below
Number of employees	5
B shares issued	10,000
Vesting period (years)	Up to 6.9 years
Expected volatility	50%
Option life (years)	6.9
Expected life (years)	4.45
Risk free rate	1.15%
Expected dividends expressed as a dividend yield	0%

Notes to the Group financial statements continued

29. SHARE-BASED PAYMENTS continued
Marlowe 2016 Incentive Scheme (continued)

The Director's interests in the performance units of the Incentive Scheme is as follows:

	2020	2019
Alex Dacre	5,460	5,460
Charles Skinner	1,183	1,183

*Nigel Jackson retired as a Director of Marlowe on 30 September 2017. For the purposes of the Scheme Nigel Jackson would benefit up to a capped value at his time of retirement with any excess that would have passed to him at redemption being shared amongst the other B shareholders in proportion to the number of B shares they hold. Following Nigel Jackson's retirement he continues to hold an interest in the Marlowe 2016 Incentive Scheme. His interest is subject to a maximum value based on the contribution made to the Group prior to retirement.

The issued B Share capital is as follows:

	Number of B Shares	Issue price
28 January 2016	-	
27 February 2016 - equity issued	9,100	£0.01
31 March 2016	9,100	
1 April 2017 - equity issued	900	£0.01
31 March 2017	10,000	

A charge of £0.3m (£2019: £0.3m) was recognised in the year in respect of the Marlowe 2016 Incentive Scheme.

Phantom Award Scheme

The Phantom Award Scheme (the "Scheme") provides eligible participants with the right to receive cash based on the appreciation in the Company's share price between the date of grant and the vesting date. Under the scheme, such eligible participants are granted phantom shares. Phantom shares are settled in cash and contain a service condition of 2-4 years. 50% of the phantom shares are settled for cash on the third anniversary of the grant date and the remaining 50% of the phantom shares are settled for cash on the fourth anniversary of the grant date. The fair value of the liability for the awards made is remeasured at each reporting date and at the settlement date. The fair value is recognised over the vesting period. The amount of expense recognised takes into account the best available estimate of the number of equity instruments expected to vest under the service and performance conditions underlying each phantom share granted.

The Phantom Award Schemes were valued using a Binomial model using the following assumption:

Grant date	11 May 2017	12 July 2017	3 April 2018	1 December 2019
Share price at grant date	320p	360p	340p	440p
Number of employees	2	1	1	1
Phantom shares granted	170,000	50,000	151,515	25,000
Vesting period	3-4	3-4	3-4	2
Expected volatility	36.05	36.05	36.05	36.05
Risk free rate	0.12%	0.12%	0.12%	0.12%
Fair value per phantom share	373p	419p	425p	476p

Notes to the Group financial statements continued

29. SHARE-BASED PAYMENTS continued

Long Term Investment Plan

During the year the Remuneration Committee approved Long Term Incentive Plan ("LTIP") Awards to senior management of the William Martin business, which can be exercised between the third and fifth year of employment from 1 April 2019. The LTIP is calculated by reference to the financial performance of the William Martin business.

LTIP awards remain in place for Robert Flinn, Chief Executive of the Fire businesses, and Phil Greenwood, Chief Executive of the Water businesses, which can be exercised between the third and fifth year of their employment, which commenced on 1 September 2019 and 3 January 2018 respectively. The LTIP Awards were extended to certain senior management individuals of the Fire and Water businesses on 1 April 2018. The LTIP is calculated by reference to the financial performance of the Fire and Water businesses.

Robert Flinn, Chief Executive of the Fire businesses, and Phil Greenwood, Chief Executive of the Water businesses, which can be exercised between the third and fifth year of their employment, which commenced on 1 September 2017 and 3 January 2018 respectively. The LTIP Awards were extended to certain senior management individuals of the Fire and Water businesses from 1 April 2018. The LTIP is calculated by reference to the financial performance of the Fire and Water businesses.

The fair value of the liability for the LTIPs is remeasured at each reporting date and at the settlement date. The fair value is recognised over the vesting period.

In total, a charge of £0.3m (2019: £0.4m) was recognised in respect of the Phantom Award Scheme and Long Term Investment Plan.

As at 31 March 2020, the liability was £0.8m (2019: £0.5m).

Marlowe plc Long Term Incentive Plan 2019

Alex Dacre and Mark Adams are the sole participants of the Group's Long Term Incentive Plan 2019, to drive and reward the achievement of the Group's longer-term objectives and to support retention. 92,975 of the New Share Options have been granted to Alex Dacre and 41,322 of the New Share Options have been granted to Mark Adams. The New Share Options will vest, in whole or in part, on 1 April 2022 (or upon a change of control) subject to the following performance conditions having been met over the preceding three-year period:

Compound Annual Total Shareholder Return	Vesting
Less than 5%	0%
More than 15%	100%
Between 5% and 15%	0% - 100% on a straight-line basis

Unless special circumstances apply, the New Share Options will normally lapse immediately on cessation of employment. Upon vesting, the New Share Options will be exercisable at a price of 50 pence per ordinary at any time prior to expiry on 31 March 2029.

A charge of £0.1m (2019: £-m) was recognised in administrative expenses in respect of the Long Term Incentive Plan 2019.

Notes to the Group financial statements continued

30. DISPOSAL OF NON-CORE BUSINESS

	2020 £'m	2019 £'m
(Loss)/profit on disposal of non-core business	(0.8)	1.9

On 30 March 2019 the Group divested of non-core activities within its Air Quality business through the sale of Ductclean (UK) Limited ("DCUK"). The non-core activities, primarily non-recurring asbestos remediation project work, were acquired in July 2017 as a part of the acquisition of DCUK, which carried out one-off projects alongside its core ventilation hygiene and air quality business.

On 21 January 2019 the Group sold non-core assets comprising of two contracts which produced specialist chemical products with applications in healthcare and clinical disinfection that were acquired as part of the acquisition of Suez Water Conditioning Services Limited on 24 August 2018.

31. DIRECTORS AND EMPLOYEES

Staff costs during the year	2020 £'m	2019 £'m
Wages and salaries	76.7	53.4
Social security costs	8.2	5.4
Post employment benefits	2.0	1.0
Share-based payments charge	0.7	0.4
	87.6	**60.2**

Average monthly number of employees during the year	Number	Number
Directors	5	5
Management	340	278
Engineers	1,140	787
Administration	469	316
Sales	176	106
	2,130	**1,492**

Total amounts for Directors' remuneration and other benefits	2020 £'m	2019 £'m
Emoluments for Directors' services	0.7	0.6
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	0.4	0.3

Key management compensation	2020 £'m	2019 £'m
Short-term employment benefits	1.7	1.2
Social security costs	0.2	0.1
Post employment benefits	-	-
Other benefits	0.1	-
Share-based payments charge	0.3	0.3
	2.3	**1.6**

The key management of the Group include the Directors of the Company, the Company Secretary and the Managing Directors of each Division.

Notes to the Group financial statements continued

32. LEASING COMMITMENTS

Prior to the adoption of IFRS 16 – 'Leases' the Group had leases for premises and assets under non-cancellable operating lease agreements of varying terms. The majority of the lease agreements are renewable at the end of the lease period at market rate.

	Land and buildings 2020 £'m	Land and buildings 2019 £'m	Vehicles 2020 £'m	Vehicles 2019 £'m
Future aggregate minimum lease payments under non-cancellable operating leases				
– Within one year	-	0.9	-	2.0
– Within two to five years	-	2.4	-	2.9
– Over five years	-	1.4	-	-
	-	**4.7**	**-**	**4.9**

The operating leases represent rentals payable by the Group for certain properties, vehicles and equipment.

33. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

The remuneration of key management personnel and details of the Directors' emoluments are shown in note 31.

On 31 March 2020, the Group divested of non-core activities within its Air Quality business for a consideration of up to £7.0 million and additional amounts receivable on projects concluded before the transaction. Further information on the deferred consideration arising from the disposal is documented in note 17. The acquirer of the Group's non-core air quality activities, Nigel Jones, was a director of DCUK prior to completion of the disposal and therefore, as a director of a subsidiary of the Group, is deemed to be a related party of Marlowe pursuant to rule 13 of the AIM Rules for Companies. Accordingly, the disposal constitutes a related party transaction.

No trading related party transactions were identified in the year.

34. POST BALANCE SHEET EVENTS

On 28 May 2020 the Company acquired Deminos Consulting Limited, a provider of subscription-based HR and employment law services, for a total consideration (net of cash acquired) of £0.6 million, satisfied by the payment of £0.4 million in cash on completion and £0.2 million in cash payable subject to the achievement of certain performance targets by the acquired business in the periods ending 28 February 2021.

On 25 June 2020 the Company acquired Elogbooks Facilities Management Limited and Elogbooks Facilities Limited (together with their subsidiaries, "Elogbooks") for an enterprise value of up to £14.05 million. Of the total enterprise value, £7.35 million was paid in cash on completion. Subject to the achievement of certain EBITDA targets over a 2-year period, an earnout of up to £4.9 million will be satisfied in cash. Key management will remain with the business going forward and will retain 14% of the shares in Elogbooks with a value of approximately £1.8 million, which will be exercisable under a put and call option after 3 years. A purchase price allocation has not yet been performed as the Company is still in the process of establishing the fair value of the assets and liabilities acquired in this acquisition.

On 26 June 2020 the Company announced the successful placing of 8,368,200 ordinary shares raising gross proceeds of £40 million. Of this this placing, 3,957,770 are subject to approval by the Company's shareholders at a General Meeting to be held on 15 July 2020.

Company statement of changes in equity

For the year ended 31 March 2020

	Attributable to owners of the parent				
	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 April 2018	17.3	30.4	0.6	(3.5)	44.8
Loss for the year	-	-	-	(3.5)	(3.5)
Total comprehensive income for the year	-	-	-	(3.5)	(3.5)
Transactions with owners					
Issue of shares during the year	3.1	25.4	-	-	28.5
Issue costs	-	(0.9)	-	-	(0.9)
Share-based payments	-	-	0.3	-	0.3
	3.1	**24.5**	**0.3**	**-**	**27.9**
Balance at 31 March 2019	**20.4**	**54.9**	**0.9**	**(7.0)**	**69.2**
Balance at 1 April 2019	20.4	54.9	0.9	(7.0)	69.2
Loss for the year	-	-	-	(2.2)	(2.2)
Total comprehensive income for the year	-	-	-	(2.2)	(2.2)
Transactions with owners					
Issue of shares during the year	2.5	17.7	(0.2)	-	20.0
Issue costs	-	(0.7)	-	-	(0.7)
Share-based payments	-	-	0.3	-	0.3
	2.5	**17.0**	**0.1**	**-**	**19.6**
Balance at 31 March 2020	**22.9**	**71.9**	**1.0**	**(9.2)**	**86.6**

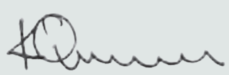
Company statement of financial position

As at 31 March 2020

			Using consistent accounting policies	
	Note	2020 £'m	2020 £'m	2019 £'m
ASSETS				
Non-current assets				
Investments	35	56.2	56.2	55.7
Trade and other receivables	36	3.9	3.9	-
Right of use assets		0.1	-	-
		60.2	60.1	55.7
Current assets				
Trade and other receivables	36	98.3	98.3	60.5
Cash and cash equivalents		-	-	0.8
Held for sale asset		1.3	1.3	-
Other financial assets		-	-	0.5
Tax asset		0.5	0.5	0.5
		100.1	100.1	62.3
Total assets		**160.3**	**160.2**	**118.0**
LIABILITIES				
Current liabilities				
Trade and other payables	37	(21.9)	(21.9)	(18.6)
Cash and cash equivalents		(7.0)	(7,0)	-
Financial liabilities – lease liabilities		(0.1)	-	-
		(29.0)	(28.9)	(18.6)
Non-current liabilities				
Financial liabilities – borrowings	38	(38.5)	(38.5)	(26.7)
Trade and other payables	37	(6.2)	(6.2)	(3.5)
		(44.7)	(44.7)	(30.2)
Total liabilities		**(73.7)**	**(73.6)**	**(48.8)**
Net assets		**86.6**	**86.6**	**69.2**
EQUITY				
Share capital	39	22.9	22.9	20.4
Share premium account	40	71.9	71.9	54.9
Other reserves		1.0	1.0	0.9
Retained earnings		(9.2)	(9.2)	(7.0)
Equity attributable to the owners of the parent		**86.6**	**86.6**	**69.2**

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement in these financial statements. The Company results for the year included a loss after tax of £2.2m (2019: £3.5m).

These financial statements were approved by the Board of Directors and authorised for issue on 7 July 2020 and were signed on its behalf by:



Kevin Quinn
Chairman

Alex Dacre
Chief Executive

Company accounting policies

These financial statements were prepared in accordance with Financial Reporting Standard 101 "Reduced Disclosure Framework" ("FRS 101") and in accordance with applicable accounting standards. The Company has adopted the following accounting policies, which are the same as applied by the Group: Revenue, Interest Income, Property, Plant and Equipment, Acquisition and Other Costs, Leased Assets, Investments, Trade and Other Receivables, Cash and Cash Equivalents, Trade Payables, Borrowings, Taxation, Provisions, Share-based Payments, Pensions and Financial Instruments.

The Company has taken advantage of the following disclosure exemptions under FRS 101:

The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 "Share based Payment" because equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated;

The requirements of IFRS 7 "Financial Instruments: Disclosures" because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;

The requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement" because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;

The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:

paragraph 79(a)(iv) of IAS 1;
paragraph 73(e) of IAS 16 "Property, Plant and Equipment; paragraph 118 (e) of IAS 38 "Intangible Assets";
the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 "Presentation of Financial Statements";
the requirements of IAS 7 "Statement of Cash Flows";
the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors"; the requirements of paragraph 17 of IAS 24 "Related Party Disclosures";
the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 "Impairment of Assets"; and
the requirement to produce a balance sheet at the beginning of the earliest comparative period.

GOING CONCERN

The going concern basis has been applied in these accounts on the basis the Company generate management charges and has access to funds made available from other Group companies.

The going concern position is discussed further in the consolidated financial statements of the Group on page 60 and applies to the Company.

COMPANY INCOME STATEMENT

In accordance with section 408 of the Companies Act 2006 the Company is exempt from the requirement to present its own income statement. The results for the financial year of the Company are given on page 105 of the financial statements.

Notes to the Company Financial Statements

For the period ended 31 March 2020

35. INVESTMENTS

Shares in subsidiary undertakings.

	£'m
Cost:	
1 April 2018	22.6
William Martin	33.1
31 March 2019	**55.7**
1 April 2019	55.7
LAW	9.7
DCUK	(9.2)
31 March 2020	**56.2**
Provision for impairment	
1 April 2018	-
Charge for the year	-
31 March 2019	**-**
1 April 2019	-
Charge for the year	-
31 March 2020	**-**
Net book value:	
31 March 2020	**56.2**
31 March 2019	**55.7**

At 31 March 2019, the Company held directly and indirectly equity and voting rights of the following undertakings:

	Company	Class of holding	% held	Country of incorporation	Nature of business
	All Management Divisions All companies are registered at: Marlowe Plc, 20 Grosvenor Place, London, SW1X 7HN				
*	Marlowe 2016 Limited	Ordinary	100%	England & Wales	Holding Company
*	William Martin 2018 Limited	Ordinary	100%	England & Wales	Holding Company
*	William Martin Compliance Solutions Limited	Ordinary	88%	England & Wales	Risk Compliance Consultancy Services
*	William Martin Firefly Limited	Ordinary	88%	England & Wales	Risk Compliance Consultancy Services
*	Nestor Business Consultancy Limited	Ordinary	88%	England & Wales	Risk Compliance Consultancy Services
*	Law at Work (Holdings) Limited	Ordinary	100%	Scotland	Holding Company
*	Law at Work (IS) Ltd	Ordinary	100%	England & Wales	Employment Law Compliance Services
*	Law at Work Limited	Ordinary	100%	Scotland	Employment Law Compliance Services
*	Law at Work Empire Limited	Ordinary	100%	Scotland	Employment Law Compliance Services
*	Law At Work (Group) Limited	Ordinary	100%	Scotland	Dormant
*	Square Circle HR Ltd	Ordinary	100%	Scotland	Dormant

Notes to the Company financial statements continued

35. INVESTMENTS continued

	Company	Class of holding	% held	Country of incorporation	Nature of business
*	Empire HR Group Limited	Ordinary	100%	Scotland	Dormant
*	Woodfield Propco Limited	Ordinary	100%	England & Wales	Dormant
**	*Fire & Security (Group) Limited	Ordinary	100%	England & Wales	Holding Company
**	Connect Monitoring Limited	Ordinary	100%	England & Wales	Dormant
**	Marlowe Fire & Security Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	Marlowe Fire & Security Group Limited	Ordinary	100%	England & Wales	Holding Company
**	Fire Alarm Fabrication Services Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	Hentland Limited	Ordinary	100%	England & Wales	Dormant
**	BBC Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	WCS Environmental Limited	Ordinary	100%	England & Wales	Water Treatment Services
**	Advance Environmental Limited	Ordinary	100%	England & Wales	Dormant
**	Guardian Water Treatment Limited	Ordinary	100%	England & Wales	Water Treatment Services
**	G.P.C.S. Limited	Ordinary	100%	England & Wales	Water Treatment Services
**	Firecrest Services Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	Tersus Consultancy Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
**	Tersus Management Services Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
**	Tersus Training Services Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
**	Island Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	Kingfisher Environmental Services Limited	Ordinary	100%	England & Wales	Water Treatment Services
**	Atana Limited	Ordinary	100%	England & Wales	Water Treatment Services
**	Atana (Scotland) Limited	Ordinary	100%	Scotland	Dormant
**	Fire Alarm Fabrication Services (South) Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	Flamefast Fire Systems Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	WCS Services Limited	Ordinary	100%	England & Wales	Water Treatment Services
**	Clearwater Group Limited	Ordinary	100%	England & Wales	Holding Company
**	Clearwater Compliance Limited	Ordinary	100%	Ireland	Water Treatment Services
**	Clearwater Technology Ltd	Ordinary	100%	England & Wales	Water Treatment Services
**	Aquatreat Group Limited	Ordinary	100%	England & Wales	Holding Company
**	Aquatreat UK Limited	Ordinary	100%	England & Wales	Dormant
**	Aquatreat Chemical Products Limited	Ordinary	100%	England & Wales	Water Treatment Services
**	Quantum Risk Management Ltd	Ordinary	100%	England & Wales	Risk Compliance Consultancy Services
**	FSE Fire Safety Systems Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	FSE Security Systems Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	FSE Sprinklers & Risers Limited	Ordinary	100%	England & Wales	Fire and Security Services
**	Eurosafe UK Group Limited	Ordinary	100%	England & Wales	Testing and Inspection Services

Notes to the Company financial statements continued

35. INVESTMENTS continued

	Company	Class of holding	% held	Country of incorporation	Nature of business
**	Eurosafe Plus Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
**	Eurosafe UK (CDM Services) Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
**	Eurosafe UK Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
**	Clouds Ultimate Manager Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
**	Managed Occupational Health Limited	Ordinary	100%	England & Wales	Occupational Health Services
**	Independent Functional Assessments Ltd	Ordinary	100%	England & Wales	Dormant
**	Managed Medical Care Ltd	Ordinary	100%	England & Wales	Dormant
**	MOH Ltd	Ordinary	100%	England & Wales	Dormant
**	Occpsych Ltd	Ordinary	100%	England & Wales	Dormant
**	Solve HR Limited	Ordinary	100%	Scotland	Employment Law Compliance Services
**	HR Solver Limited	Ordinary	100%	Scotland	Employment Law Compliance Services

* Held directly
** Held via Marlowe 2016 Limited

Dormant companies are exempt from filing accounts under section 394 of the Companies Act 2006.

36. TRADE AND OTHER RECEIVABLES

	2020 £'m	2019 £'m
Current		
Trade receivables	0.6	0.6
Less: provision for impairment of trade receivables	-	-
Trade receivables – net	0.6	0.6
Other receivables	0.3	-
Amounts due from Group undertakings	91.9	59.6
Prepayments and accrued income	0.3	0.3
Deferred Consideration receivable in less than one year	5.2	-
	98.3	**60.5**
Non-current		
Deferred consideration receivable in more than one year	3.9	-
	3.9	**-**

Of the £91.9m (2019: £59.6m) amounts due from Group undertakings, £62.6m (2019: £44.2m) relates to amounts due from Marlowe 2016 in respect of investments made in the year. All such balances are payable on demand with no interest charged. IFRS 9 probability weighted expected credit loss has been applied to these balances indicating no indicators of impairment.

Notes to the Company financial statements continued

37. TRADE AND OTHER PAYABLES

	2020 £'m	2019 £'m
Current		
Trade payables	0.6	0.3
Amounts due to Group undertakings	19.2	16.2
Other payables	0.2	0.1
Accruals and deferred income	0.6	0.5
Deferred consideration payable	1.3	1.5
	21.9	**18.6**
Non-current		
Deferred consideration payable	6.2	3.5
	6.2	**3.5**

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. £19.2m (2019: £16.2m) amounts due to Group undertakings are repayable on demand with no interest charged.

38. FINANCIAL LIABILITIES – BORROWINGS

	2020 £'m	2019 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	-	-
	-	**-**
Non-current		
Bank loans – secured	38.5	26.7
	38.5	**26.7**

The bank debt is due to HSBC UK Bank plc and National Westminster Bank plc and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 21. Under the bank facility the Group is required to meet quarterly covenant tests in respect of interest cover and leverage. All tests were met during the year and the Directors expect to continue to meet these tests.

Analysis of net debt

	2020 £'m	2019 £'m
Cash at bank and in hand	-	0.8
Bank loans and overdrafts due within one year	(7.0)	-
Bank loans due after one year	(38.5)	(26.7)
	(45.5)	**(25.9)**

Notes to the Company financial statements continued

39. SHARE CAPITAL

	2020 £'m	2019 £'m
Allotted, issued and fully paid:		
45,883,835 ordinary shares of 50p each (2019: 40,786,879 ordinary shares of 50p each)	22.9	20.4

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
31 March 2018	**34,517,425**	
18 July 2018 – Subscription Shares	4,210,000	475p
20 December 2018 – Consideration Shares ("William Martin")	359,454	417p
28 December 2018 – Subscription Shares	1,700,000	410p
31 March 2019	**40,786,879**	
23 May 2019 – Subscription Shares	3,118,159	426p
28 May 2019 – Marlowe 2016 Incentive Scheme Conversion	387,366	50p
11 June 2019 – Subscription Shares	1,576,677	426p
30 March 2020 – Marlowe 2016 Incentive Scheme Conversion	14,754	50p
31 March 2020	**45,883,835**	

40. SHARE PREMIUM ACCOUNT

	2020 £'m	2019 £'m
1 April	54.9	30.4
Premium on shares issued during the year	17.7	25.4
Share issue costs	(0.7)	(0.9)
31 March	71.9	54.9

41. SHARE-BASED PAYMENTS

Details of the share-based payments are set out in note 29.

42. LEASING COMMITMENTS

Prior to the adoption of IFRS 16 – 'Leases' the Company had leases for premises and assets under non-cancellable operating lease agreements of varying terms. The majority of the lease agreements are renewable at the end of the lease period at market rate.

		Using consistent accounting policies	
	2020 £'m	2020 (unaudited) £'m	2019 £'m
Future aggregate minimum lease payments under non-cancellable operating leases			
– Within one year	-	0.1	0.1
– Within two to five years	-	-	0.1
– Over five years	-	-	-
	-	**0.1**	**0.2**

Notes to the Company financial statements continued

43. DIRECTORS AND EMPLOYEES

Staff costs during the year	2020 £'m	2019 £'m
Wages and salaries	1.2	0.8
Social security costs	0.1	0.1
Post employment benefits	-	-
Share-based payments charge	0.3	0.3
	1.6	**1.2**

Average monthly number of employees during the year	Number	Number
Directors	5	5
Corporate Development	4	3
IT	1	1
Finance	3	3
Adminstration	1	1
	14	**13**

Total amounts for Directors' remuneration and other benefits	2020 £'m	2019 £'m
Emoluments for Directors' services	0.7	0.6
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	**0.4**	**0.3**

Key management compensation	2020 £'m	2019 £'m
Short-term employment benefits	0.8	0.7
Share-based payments charge	0.3	0.3
	1.1	**1.0**

44. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

Details of related party transactions can be found in note 33.

45. POST BALANCE SHEET EVENTS

On 28 May 2020 the Company acquired Deminos Consulting Limited, a provider of subscription-based HR and employment law services, for a total consideration (net of cash acquired) of £0.6 million, satisfied by the payment of £0.4 million in cash on completion and £0.2 million in cash payable subject to the achievement of certain performance targets by the acquired business in the periods ending 28 February 2021.

On 25 June 2020 the Company acquired Elogbooks Facilities Management Limited and Elogbooks Facilities Limited (together with their subsidiaries, "Elogbooks") for an enterprise value of up to £14.05 million. Of the total enterprise value, £7.35 million was paid in cash on completion. Subject to the achievement of certain EBITDA targets over a 2-year period, an earnout of up to £4.9 million will be satisfied in cash. Key management will remain with the business going forward and will retain 14% of the shares in Elogbooks with a value of approximately £1.8 million, which will be exercisable under a put and call option after 3 years. A purchase price allocation has not yet been performed as the Company is still in the process of establishing the fair value of the assets and liabilities acquired in this acquisition.

On 26 June 2020 the Company announced the successful placing of 8,368,200 ordinary shares raising gross proceeds of £40 million. Of this this placing, 3,957,770 are subject to approval by the Company's shareholders at a General Meeting to be held on 15 July 2020.

Trading record

Using consistent accounting policies

Year ended 31 March	2020 (unaudited) £'m	2019 £'m
Revenue	185.4	128.5
Adjusted profit before taxation*	13.6	8.9
Adjusted earnings per share*	24.3	18.8
Net debt	32.3	20.1
Net assets	97.0	77.5

* Before amortisation of intangible assets, share based payments, and acquisition and restructuring costs.

Financial calendar

Event	Date
Annual General Meeting	September
Half year results	December
Financial year end	31 March
Full year results	June

Further information

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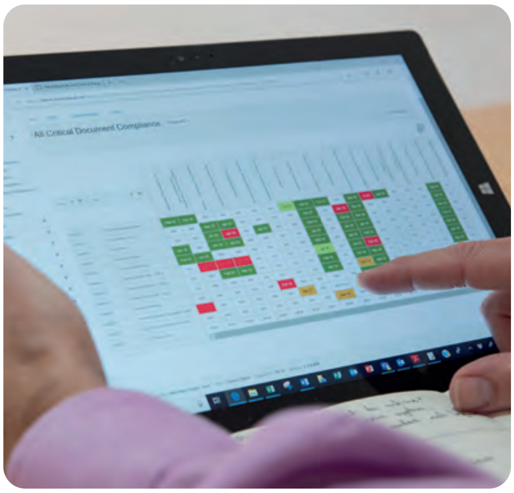





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