Marlowe plc

Annual Report and Financial Statements

for the year ended 31 March 2021

Parent Company Accounts for
Advance Environmental Limited
Company Number: 03735393
(Note 1 Page 60)

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Contents

Strong financial performance

Revenue

£192.0m
+15%*

CAGR +42%

Adjusted EBITDA[1]

£28.7m
+30%

CAGR +64%

Adjusted PBT[2]

£17.1m
+31%

CAGR +51%

Adjusted earnings per share[3]

25.0p
+6%

CAGR +25%

Statutory results	FY21	FY20
Operating profit	**£1.0m**	£2.1m
(Loss)/profit before tax	**£(1.6)m**	£0.5m
Earnings per share - basic	**(3.1)p**	(0.8)p

* Excluding the impact of the disposal of non-core air quality activities in March 2020.
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.
2. Adjusted profit before tax ("PBT") is PBT before separately disclosed acquisition and other costs as presented on the consolidated statement of *comprehensive income*.
3. Adjusted earnings per share is earnings per share calculated on adjusted PBT. These are all non-IFRS measures.

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 32.

At a glance

We deliver business-critical services and software across health & safety, HR & employment law, occupational health & well-being, fire safety & security and water & air hygiene – all of which are vital to the well-being of our customers operations and are invariably governed by stringent regulation.

£280m run rate revenue	**2,000** fee earning compliance experts	**Top 3 market position** in each of our seven compliance end markets	**80%+** recurring revenues
3m service visits & advice provided annually	**£44m** run rate adjusted EBITDA	**40,000** customers	**56** acquisitions and attractive pipeline
~26% customers using multiple Marlowe services	**50+** specialist compliance services	**700,000+** software users	**40m+** assets **tested and inspected** across **350k** commercial premises

Who we work with

End-to-end solutions across a wide spectrum of industries and customers

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

40,000+ **Customers across the UK**	c.25% **UK commercial premises serviced**	20% **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	Employment 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

Group structure

Governance, Risk and Compliance (GRC)

OPERATING DIVISIONS

Consulting and software solutions to mitigate business risk and ensure legally compliant governance standards

PROFILE AND DELIVERY MODEL

- c.£65m run rate revenue
- c.30%+ EBITDA margin
- Consultancy, remote & field-based delivery
- Software

END MARKETS

- Health & Safety
- Employment Law/HR
- Occupational Health
- EHS & Compliance Software

RECURRING SERVICE EXAMPLE

- Software-enabled audits and assessments of property and workplace risk profiles
- Retained advisory and consulting assisting employers to mitigate and manage employee risk
- Mental health support and health surveillance services to improve workforce well-being
- Risk management software tools to optimise enterprise compliance and safety management
- eLearning software offering compliance and safety courses

LEGAL REQUIREMENT

- H&S at Work Act 1974
- Management of H&S 1999
- Employment Rights Act 1996
- Employment Relations Act 1999
- Workplace (Health, Safety and Welfare) Regulations 1992
- IOSH, NEBOSH, OSHA

Testing, Inspection and Certification (TIC)

OPERATING DIVISIONS

Recurring testing and inspection regimes to certify properties and systems are safe and compliant

PROFILE AND DELIVERY MODEL

- c.£215m run rate revenue
- c.15% EBITDA margin
- Route-based delivery
- Software

END MARKETS

- Fire Safety & Security
- Water Treatment & Air Hygiene
- Contractor Compliance

RECURRING SERVICE EXAMPLE

- Recurring testing and dosing of water systems to ensure regulatory compliance
- Testing and certifying fire safety systems
- Software monitors and verifies contractors to ensure compliance and performance

LEGAL REQUIREMENT

- ACoP L8
- HSG 274
- COSHH
- Regulatory Reform (Fire Safety) Order 2005
- Corporate Manslaughter Act 2007
- H&S at Work Act 1974

Marlowe's digital strategy in action

The delivery of our software alongside services significantly improves safety and compliance standards

Our SaaS platforms are vital to our clients' health and safety, risk and performance management strategies. Since the acquisition of the Health & Safety software platform Meridian in 2018, Marlowe's digital strategy has been central to our proposition and ambition to be the UK leader in business-critical services and software.

The Meridian health & safety software is often delivered to clients alongside health & safety audit and consultancy services. The combination of software and service significantly improves client service levels by improving visibility, control and ultimately compliance. This improved service can be seen in Meridian's retention rate of nearly 98% for service clients.

The acquisition of Elogbooks was a further key step in our compliance software strategy. Alongside Meridian, the addition of the Elogbooks software has positioned us to offer our clients a complete technology-enabled contractor management, compliance and health and safety solution. The acquisition significantly expanded 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.

In December 2020, Marlowe acquired DeltaNet, an eLearning platform focused on providing off-the-shelf and bespoke compliance and health & safety training courses to businesses of all sizes across the UK and internationally to ensure their employees are trained in and comply with safety, HR and business compliance standards and legislation.

The acquisition of DeltaNet broadens the Group's expertise in Health & Safety and Compliance and provides Marlowe with new opportunities for growth in the highly complementary eLearning market. This has been further developed by the acquisition of Cylix, the eLearning specialist in equality, diversity & inclusion.

Marlowe recognised a similar demand for software in the HR compliance market. In this market, our core offering was retained advisory services delivered by our employment lawyers and HR professionals. There was, however, a growing customer demand for software to automate key HR compliance processes such as contract management, employee disputes, HR policy and legal updates, employee information storage and absence management.

In early March 2021 we acquired YouManage to bring this HR software capability in-house. We are now able to go to market with a combined Employment Law/ HR consulting and software offering, providing the expert remote or in-person compliance advice and offering software to enhance our customers' efficiency and compliance. Marlowe has also begun the process of displacing its reliance on third-party HR software tools.

This year has been transformative in terms of software expansion for Marlowe and as outlined at Marlowe's February Capital Markets Day, the Group plans to substantially increase its SaaS revenues in the years ahead by continuing to embed digital tools and SaaS platforms alongside our services but also to invest in standalone software businesses which address key risk and compliance needs of businesses.

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.

Regulated markets with steady growth prospects
We operate in specialist, regulated markets and provide software and 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 public and corporate expectations around safety and compliance standards, the digitalisation of compliance markets 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 provide around 3 million services and pieces of expert advice to support, audit, test, inspect and certify tens of thousands of businesses and millions of their 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 business-critical 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.

Operational and technology improvements

We are experts in delivering regulated services and we look to continually improve the utilisation and productivity of our 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.

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 and delivering additional services to existing customers.

Growing barriers to entry

In each of our service and software 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 scale and breadth of 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.

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 and better equipped operators generate pricing power and possess a competitive advantage in winning business and delivering service.

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.

Marlowe's acquisition strategy in action

Building our GRC Employment Law, Safety and Compliance Platform

Marlowe's establishment of a leading position in the Employment Law and Safety compliance market is a clear example of the Marlowe Model in action: an M&A program was devised and executed to build a market leading GRC offering with the end-customer in mind. Over the course of 2020 and 2021, Marlowe has rapidly built a leading business which addresses the business-critical areas of Employment Law, HR Compliance, Safety, eLearning, Occupational Health and well-being.

Marlowe first identified the Employment Law market as complementary to our health & safety consulting business, given that the decision maker responsible for procuring health & safety is often the same for both, particularly amongst SMEs. The market fits Marlowe's investment focus by offering multi-year, fixed fee subscriptions. Customers view the need for Employment Law and HR advisory services as non-discretionary because they recognise the legal requirement underpinning the service and the risks of non-compliance and client relationships are highly durable as a result.

Our acquisition of Law At Work in December 2019 created a platform for growth in this market. We then conducted a series of bolt-ons such as Solve HR and Deminos to build scale and then undertook a transformational acquisition in October 2020 by acquiring Ellis Whittam. This made us the third largest player in the Employment Law, HR and Safety market, after Peninsula and Citation.

As a result of the acquisition-led approach we have also been able to broaden our capabilities in this market: In parallel to our acquisitions in Employment Law and Safety, we conducted a program of M&A in Occupational Health, a market in which clinicians and medical professionals provide a mix of remote and on-site recurring advisory services to employers to help them manage the health and well-being of their workforce. Consistent with the Marlowe focus, the Occupational Health market has underpinning regulations (Occupational Health and Safety Act 2004) like our Employment Law and Health & Safety offering (Health & Safety at Work Act 1974). The Occupational Health extension began with the platform acquisition of Managed Occupational Health in March 2020 which has been followed by subsequent acquisitions to build scale and breadth in this market, culminating in the acquisition of Healthwork in June 2021 which becomes our platform in this highly attractive market.

Additionally, we entered the eLearning market via the acquisition of DeltaNet, a business providing safety and compliance courses to some 1,000 customers. This market is a natural extension because our customers often require training courses for their staff in a variety of compliance areas. DeltaNet also allows us to displace the third-party providers of eLearning that we currently source from, leading to significant cost savings. The acquisition of Cylix further strengthens our capability in this market.

Over the course of a year and a half, Marlowe has built a c.£50 million revenue, 30%+ EBITDA margin business providing recurring Employment Law, HR, Health & Safety, Occupational Health and eLearning services built around a very similar customer channel, providing Marlowe-type non-discretionary services to over 8,000 businesses.

Technology as a growth enabler

The combination of compliance services and technology enhances Marlowe's customer value proposition, leads to greater compliance and service levels as well as to increased customer retention and an enhanced financial profile.

- Cross-sales: Users of the Group's software have access to our compliance dashboard which details Marlowe's full offering and acts as an additional channel for cross-sales by increasing visibility of the Group's broader service and software offerings.
- Marlowe is at the forefront of the digitalisation of our markets and we see an opportunity to transform compliance markets with greater adoption of software and digital applications.
- Customer retention: The deployment of our software significantly improves our clients' compliance standards and customer experience, creating high switching costs and delivering highly attractive financial returns for our shareholders.
- Trend towards digitalisation: The corporate agenda is driving demand for real-time visibility of risks. Leadership teams need to have a full understanding of their compliance obligations and status.
- Efficiency & accuracy: Technology and software enable the identification and reporting of risks, enabling management teams to run their business in a safer and more compliant manner, whilst reducing the time spent on tracking compliance.
- Continued development: One of our key value-adds is that our software developers are able to collaborate closely with industry practitioners with huge end-market expertise.
- Our Resource: 60 developers supporting over 700,000 users.

Health & Safety software

eLearning

Contractor compliance portal

Remote monitoring solutions

HR software

Chairman's statement

For the year ended 31 March 2021

KEVIN QUINN
Non-Executive Chairman

> "FY21 was a year of both significant strategic development and strong financial performance for Marlowe."

Overview

FY21 was a year of both significant strategic development and strong financial performance for Marlowe. In what has been an unprecedented period, COVID-19 highlighted our defensive business model and the essential nature of the services we offer which are invariably governed by regulations that require they are delivered to ensure that our clients operate compliantly and safely. Our priority from the start of the pandemic was to ensure the health, safety and well-being of our employees alongside the continuous delivery of our essential services. The Group's focus on health and safety and our risk management culture provided a strong platform from which we were able to continue to operate whilst delivering uninterrupted service to our customers.

The Group delivered further growth in both revenue and underlying profit in the year and is now a UK leader in business-critical services and software, with top-three positions in each of the seven compliance markets in which we operate. The Group is focused across sectors which are undergoing attractive structural and non-cyclical growth and is well placed to capitalise on the significant opportunities, both organically and through acquisitions, across our markets.

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 2021, adjusted EBITDA[1] was £28.7 million on revenue of £192.0 million. Adjusted profit before tax[2] was £17.1 million with adjusted earnings per share[3] of 25.0 pence. Statutory loss before tax was £1.6 million.

Strategy

The Group has undergone a transformation in scope and scale and also quality of earnings as it has built upon its market leading positions in existing sectors and entered new attractive markets. We hosted a Capital Markets Day in February at which management set out the Group's medium-term growth strategy including new, ambitious, but achievable financial targets. We aim to reach run rate revenues of c.£500m and adjusted EBITDA of c.£100m by 2024. We expect 10% of these revenues to be derived from software and to be delivering at least 90% operating cash conversion.

Our strategy for growth is now clearly defined and the scale of the opportunity is major. 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 business-critical services and software which assure safety, efficiency and regulatory compliance.

To reflect the transformation in scope and scale, the Group now reports as two new reporting segments: Governance, Risk & Compliance ("GRC"); and Testing, Inspection and Certification ("TIC"). These segments better reflect our investment proposition and distinguish between our largely remotely delivered consulting and software services in GRC and our predominately field-based services and digital proposition in TIC.

Corporate transactions

We completed fifteen acquisitions during the year with eight further acquisitions since the year end.

The major transaction in the year was the acquisition of Ellis Whittam which transformed the scale of the Group's employment law, HR and health & safety offering to SME organisations in addition to delivering significant synergies with the Group's existing operations in this space.

The acquisition of the Elogbooks Group in June 2020, was a significant step in the Group's digital software strategy, enhancing our ability to deliver integrated services and software to our customers. This was further advanced by the acquisitions of DeltaNet, Cylix and YouManage HR. In addition to these transactions, we added further scale and broadened our service offering through seven further bolt-on acquisitions in our GRC division.

In our TIC division, we broadened our service offering and further strengthened our market-leading position in Water & Air Compliance with the acquisitions of WPL and Rainbow Water. In Fire & Security, the acquisition of Hadrian Technology enhanced our capabilities in CCTV and loss prevention and Morgan Fire added further scale and range of fire safety services predominately to SMEs.

The Group conducted three equity placings during the year raising net proceeds of £165 million to fund the acquisitions in the period and to provide the Group with significant additional resources with which to capitalise on future acquisition opportunities.

Board change

On 28 February 2021, we announced the intention of Mark Adams to retire from the Board and the appointment of Adam Councell as his replacement. I would like to thank Mark for his considerable contribution during four highly successful years at Marlowe. Adam will be an excellent addition to our leadership team and brings a wealth of relevant experience. Adam is expected to be appointed to the Board in the second half of the new financial year.

People

We welcome into the Group our new colleagues from the businesses acquired during the year. The Group has rapidly increased in scale over recent years and now employs 3,000 people, including teams of health & safety consultants and auditors, fire safety technicians and risk assessors, employment lawyers and HR consultants, compliance software developers, occupational health clinicians and counsellors and water & air hygiene specialists who deliver our services supported by experts across office-based support functions around the country.

The dedication and resolve of our teams in testing circumstances during the COVID-19 pandemic 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. Our employees are critical to the continued success of the Group and the Board would like to sincerely thank our entire team for their ongoing dedication and hard work in what have been difficult circumstances.

Kevin Quinn
Non-Executive Chairman

2 July 2021

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. 2. Adjusted profit before tax ("PBT") is PBT before separately disclosed acquisition and other costs as presented on the consolidated statement of comprehensive income. 3. Adjusted earnings per share is earnings per share calculated on adjusted PBT. These are all non-IFRS measures.

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 32.

Marlowe's model for creating shareholder value

A platform for fast-paced organic and acquisition-led growth in the fragmented safety and compliance software and service sectors.

Acquire

in strategically complementary service sectors

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

- Businesses in strategically complementary business-critical 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 or products 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.

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 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 bolt-on 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 businesses into top-three players in their markets

- 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 compliance service and software 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 similar types of customers, 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

Since inception in 2015, Marlowe has built a group of business-critical service and software businesses.

2015-2016

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 commenced.

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.

2016-2017

Admission to AIM as Marlowe plc in April 2016.

Formation of Fire Safety & Security business through the acquisition of Fire & Security Group (Swift).

Formation of Water Treatment & Hygiene business through acquisition of WCS Environmental Group.

Six further add-on acquisitions.

2017-2018

Developed a market leading position in the Air *Quality & Ventilation Hygiene market, through the* acquisition of DCUK.

Eight further add-on acquisitions.

2018-2019

Acquisition of UK water treatment & hygiene activities of Suez Environnement 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 and service & software specialist.

Five further add-on acquisitions.

2019-2020

Acquisition of Clearwater Group secured our position as a market leader in the UK water treatment & hygiene market.

Acquisition of Quantum Compliance strengthened our positions as a leading UK provider of health & safety services.

Acquisition of Law At Work marked Marlowe's first major step into Employment Law & 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 through the acquisition of Managed Occupational Health.

Four further add-on acquisitions.

2020-2021

Acquisition of Elogbooks, a leading software platform focused on contractor compliance.

Acquisition of Ellis Whittam transformed Marlowe's scale in the Employment Law & HR Compliance market.

Acquisition of DeltaNet a leading eLearning platform focused on business compliance and health & safety.

Acquisition of WPL, a leading provider of wastewater treatment and engineering services.

Eleven further add-on acquisitions.

Marlowe's three year strategy

So where are we now?

- Delivered on our five-year strategy to build a market-leading compliance platform
- Operating as GRC and TIC divisions
- Strategic focus on deepening market share within our existing business lines
- Ambition to broaden our capabilities by building positions in adjacent business critical and compliance markets
- Investing in technology solutions to enable compliance

And where are we going?

Deepen

- Increase share of existing compliance service markets.
- Add capabilities within existing divisions.

Broaden

- Expand into adjacent compliance and business-critical service sectors.
- Explore selective international opportunities.

Strengthen

- Ensure delivery of best-in-class integration programmes.
- Ensure whole is more than sum of parts – increase cross-sell and maintain synergy track record.

Digital

- Expand compliance software proposition.
- Support more efficient service delivery via internal technologies.

Transactions during the financial year

28 May 2020	**Deminos Consulting Limited** Based in Gateshead, Deminos provides subscription-based HR & employment law compliance services to a range of SMEs across the UK. The business was integrated into Law At Work, the Group's existing HR, employment law and health & safety compliance operation.
25 June 2020	**Elogbooks** Headquartered in Cambridge, Elogbooks is a leading provider of contractor management software and services. The Elogbooks platform helps organisations to manage the upkeep of their facilities, mitigate risk, assess the performance of service providers and gain total visibility of service, maintenance and compliance activities across their properties. Working across multi-site property sectors, Elogbooks' software is a market leader in the property management sector and provides oversight of approximately 20,000 properties and has more than 10,000 active users per week.
28 July 2020	**Caritas** Based in Lincolnshire, Caritas provides occupational health services. The business has been integrated into Managed Occupational Health.
30 July 2020	**Rainbow Water Services Limited** Based in Kent, Rainbow Water provides water treatment & hygiene services to a broad range of customers within London and the surrounding counties. The business has been integrated into WCS Group.
24 September 2020	**Morgan Fire Protection Limited** Morgan Fire, based in Hertfordshire, provides a range of fire safety services predominantly to SMEs in and around London and southeast England. The business employs 55 staff and adds further scale and capability to Marlowe's Fire & Security operations.
27 October 2020	**Ellis Whittam (Holdings) Limited** Founded in 2004, Ellis Whittam is one of the UK's leading providers of outsourced Employment Law, HR and Health & Safety services. The company provides its services via a fixed-fee subscription model to over 3,300 organisations across the UK. It is headquartered in Chester, with offices in Glasgow and London, and employs approximately 180 staff, more than half of whom are health & safety consultants, employment lawyers and HR compliance advisors. Ellis Whittam's subscription-based advisory services help employers across the UK remain compliant with evolving employment law and health & safety legislation.
30 October 2020	**Black & Banton Occupational and Physical Health Limited** Black & Banton is headquartered in Gateshead and provides occupational health services to businesses in the North of England and Scotland.

29 November 2020	**Wrightway Health Limited** Wrightway is headquartered in Norwich, and provides occupational health services to businesses in the East and South East of England.
4 December 2020	**Network of Staff Supporters Limited** Network of Staff Supporters is headquartered in Wrexham and provides Employee Assistance Program ("EAP") services including counselling, mediation and wellbeing support and training to businesses.
18 December 2020	**DeltaNet International Limited** DeltaNet is headquartered in Loughborough and provides accredited health & safety, compliance & HR eLearning courses to companies across the UK and internationally. Customers subscribe to DeltaNet's gamified and interactive courses to ensure their employees are trained in and comply with safety, HR and business compliance standards and legislation.
6 January 2021	**WPL Limited** Founded in 1991 and headquartered in Hampshire, WPL is a leading provider of wastewater treatment and compliance services across the UK.
3 February 2021	**Hadrian Technology Limited** Hadrian is a leading provider of CCTV and loss prevention technology solutions. Hadrian implements CCTV solutions, operating software, digital cloud-based storage and ongoing maintenance primarily to clients in the supermarket sector across the UK.
2 March 2021	**HR Service Partnership** HR compliance specialist HRSP is located in Horsham. HRSP provides HR advisory services to businesses and charities across the UK.
1 March 2021	**ESP** An employment law compliance specialist based in Weybridge. ESP is an SRA-regulated business providing recurring employment law advice to clients across the UK.
1 March 2021	**YouMange HR Ltd** YouManage is an HR software solution, delivered as a subscription, helping businesses across the UK to manage their employees and to remain compliant with employment law.

Environmental, Social and Governance Strategy (ESG)

As the UK market leader in safety and compliance, Marlowe's businesses are unified by their purpose driven approach to promoting safety and well-being. The Group believes this leadership role must extend to ESG initiatives and strives to ensure that these remain a fundamental part of Marlowe's offering.

Protecting tomorrow

We have aligned our business strategy to achieving a sustainable future by ensuring health, safety and compliance for our customers and actively help to improve employee well-being, health and safety.

The Board has ultimate responsibility for ESG strategy and works with management and employees to focus on this critical area. We are working collaboratively to continue to improve our ESG strategy and action plan. This is demonstrated by our strategic alignment to the UN's Sustainable Development Goals. These are a collection of goals designed to be a "blueprint to achieve a better and more sustainable future for all". Marlowe aligns itself with these goals through each of its core services.

Safety & security

Marlowe's health & safety businesses ensure the regulatory compliance and safety of organisations and their employees.

Our Fire Safety & Security activities ensure public spaces and work places are protected from fire risk and compliant with safety regulations.

Health & well-being

Marlowe's occupational health brands support the mental and physical well-being of three quarters of a million employees across the UK via its counselling services, health advice and routine medical clinics.

Marlowe's safety and compliance services assure safe working and public environments nationally.

Our eLearning products provide essential training to improve health, governance & well-being.

Clean water, sanitation & air quality

WCS Group is the UK leader in assuring water systems are safe, efficient, sustainable, and compliant. WCS provides a rigorous regime of assessing, dosing, maintaining, monitoring, testing water systems in the built environment to ensure highest standards of water and air hygiene and sustainability.

Environmental sustainability

UN Sustainable Development Goals
Five goals have been identified as core to Marlowe's sustainable ambitions and focus on where the Group can have the largest ESG impact to create a sustainable future for all.

Focused on providing healthy lives and promoting well-being for all.

Marlowe's Occupational Health operations are focused on physical and mental health and well-being, providing counselling and health advice to actively support health and well-being in the workplace. Our H&S activities ensure safety risks are minimised.

Ensure availability and sustainable management of water and sanitation.

WCS Group is the UK market leader in assuring water systems are safe, efficient, sustainable and compliant.

Rigorous process of assessing, dosing, maintaining, monitoring, testing and certifying to ensure water hygiene is of the highest quality.

Promote sustained, inclusive and sustainable economic growth and decent work for all.

Ellis Whittam is a leading platform and thought leader for workplace governance conditions and policies. Providing outsourced employment law, HR and H&S services to ensure the workplace is safe and compliant for 100,000s of employees.

Make cities and human settlements inclusive, safe, resilient and sustainable.

William Martin Compliance actively audits and consults on building health and efficiency.

Scheduling software to optimise route efficiency. This has helped lead to miles travelled per customer falling 26% p.a. since 2018 for WCS Group.

We believe that Marlowe's ability to have a positive influence on environmental sustainability goes far beyond our internal policies. Our key services focus on providing a sustainable, healthy and safe environment for tens of thousands of businesses and millions of people.

Marlowe is committed to reducing the impact it has on the environment and takes an active role in ensuring the sustainability of how we use our planet's precious resources.

Innovative solutions to environmental problems

Remote Building Monitoring: Elogbooks' end-to-end building monitoring solution provides a real-time tool for optimising energy consumption of buildings, notification of non-performances and information on how to achieve further efficiency gains. This technology solution is reducing wastage and energy consumptions in properties across the UK.

Smart Water Management: WCS Group optimises water usage for more than 15,000 customers nationwide. Systems such as steam boilers and cooling towers can be analysed for losses, leaks and, with the implementation of a pre-treatment plan, can result in water savings of up to 33%. This reduces water consumptions, reduces carbon footprint and ensures compliance with water hygiene regulations.

Environmental Consultancy: William Martin Compliance provides highly skilled environmental consultants who give practical advice to property managers and commercial business across the UK. Including:

- Environmental impact audits (in accordance with ISO14001 environmental management)
- Energy Performance Certificates (EPC)
- Policy, Planning, Implementation & Monitoring of environmental strategies.

Reducing our environmental impacts

Our platform businesses Marlowe Fire & Security Group, WCS Group, Ellis Whittam and William Martin Compliance Solutions all have ISO14001. The Group is committed to continuous improvement in environmental excellence.

Reducing Energy Usage and Carbon Footprint: Marlowe Fire & Security Group ("MFSG") has conducted its first independent environmental review to establish a baseline for improvement over the next five years. They are committed to reducing CO_2 footprint and fuel consumption by 10% p.a. and by 7%, respectively. MFSG recycles or reuses 200,000+ fire extinguishers, 1 million+ batteries and 90% of its security system components. WCS Group has switched to Ecotricity the UK's greenest energy supply and have introduced a cycle to work scheme.

Electric and Hybrid Vehicles: By 2030, MFSG hopes to achieve the Climate Group EV100 commitment of reaching 100% of vehicles being electrically powered and from 2023 ensuring that 50% of new vehicles are fully electric or hybrid. 20% of WCS Group's fleet is either electric or hybrid already.

Emissions and energy use

We report our carbon dioxide emissions following the Greenhouse Gas protocol.

As this is the first year of SECR reporting for Marlowe plc, there is not a requirement for performance comparison with the previous year. Going forward there will be a rolling year on year comparison.

The emissions and energy usage presented covers the operations of Marlowe Fire & Security Limited. None of the Group's other UK subsidiaries are large companies and, therefore, are not obliged to report under SECR regulations. Accordingly, the Group has excluded data from these companies in its report. The parent company consumes less than 40 MWh of energy per year and is, therefore, exempt from providing full disclosure in this director's report.

	Year ended 31 March 2021
Global Green House Gas (GHG) Emissions[2]	
Total CO_2e (tonnes)	2,785
Scope 1 CO_2e emissions (Tonnes)[3]	2,617
Scope 2 CO_2e emissions (Tonnes)[4]	129
Scope 3 CO_2e emissions (Tonnes)[5]	39
Intensity Ratio	
Average Full Time Employee (FTE)	407
Total CO_2e per FTE (tonnes)[6]	6.8
Market-based emission	
Scope 2 CO_2e market-based emissions (tonnes)[4]	129
Total gross Scope 1 & 2 (market-based) emissions (tonnes)	2,746
Energy consumption used to calculate above emissions (kWh)[7]	8,061,485

1. The carbon reporting year for our GHG emissions is 1 April 2020 to 31 March 2021. The carbon reporting year is fully aligned to the financial reporting year covered by the Directors' report
2. Reported emissions come from consumption of grid supplied electricity, self generated electricity, grid supplied natural gas, company owned and operated transport, privately owned transport for business use, LPG, light and heavy goods vehicles
3. Scope 1 (direct emissions): Emissions are those from activities owned or controlled by the organisation. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces and vehicles; and emissions from chemical production in owned or controlled process equipment.
4. Scope 2 (energy indirect): Emissions are those released into the atmosphere that are associated with your consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of your organisation's energy use, but occur at sources you do not own or control
5. Scope 3 (other indirect): Emissions are a consequence of your actions that occur at sources you do not own or control and are not classed as Scope 2 emissions. Examples of Scope 3 emissions are business travel by means not owned or controlled by your organisation. No other Scope 3 emissions are included in this report
6. Intensity ratio calculations have been calculated based on the average number of employees in the year
7. Energy consumption data is captured through utility billing metre reads or estimates

Social: taking care of our communities

We believe that Marlowe's ability to have a positive influence on social goals goes far beyond our internal policies. Our services directly benefit society by building a safer and healthier future for millions of people.

The skills, commitment and well-being of our staff are the main driver of our business' performance. Taking good care of our people is one of the Group's highest priorities. We also believe that our duty of care extends to customers, suppliers and the wider community and recognises this significant responsibility.

Innovative contributions to social goals

Fever Screening Solutions: Fever screening cameras scan faces and monitor temperatures. Marlowe has assisted government and businesses to de-risk their exit from lockdown during the year. Marlowe has already installed these with Amazon, PepsiCo and Unilever.

COVID Return to Work Compliance: As part of its focus on health & safety, William Martin has been advising its customers on how to return to work while following government guidelines on social distancing.

Mental Health & Well-being: Marlowe's Occupational Health operations provide support to tens-of-thousands of people across the country offering workshops, EAP assistance and counselling.

Diversity, Inclusivity and Equality e-learning: Marlowe provides its 3,000 staff access to in-house e-learning courses but also shares its proprietary developed content to 1 million+ users internationally. Raising awareness and educating people around the world of key issues affecting people today.

Reducing our social impacts

Save As You Earn ("SAYE"): More than 600 employees signed up to Marlowe's SAYE scheme (at a price of £4.60), this fulfils our desire for employees to be able to share in the future performance and success of the Group.

Diversity: We are committed to equal opportunities and the creation of a non-discriminatory workplace. The Group's employee handbook focuses on diversity, equality and inclusiveness. Marlowe has formed a diversity & equality committee. This committee is focused on cultivating Marlowe as an inclusive, transparent and welcoming environment that encourages diversity of thought and where everyone feels a sense of belonging and is supported by their colleagues.

Two-Way Communication: The Group launched Blink in 2020, a digital platform that provides all our people with instant access to the information needed to do their job, policies, forms, and procedures. The system also provides a virtual social space for people to share stories as well as any company news. We have 80%+ of our people active on the platform.

Governance: meeting stakeholder expectations

We believe that Marlowe's ability to have a positive influence on governance goes far beyond our internal policies. Our services directly benefit others by consulting and advising our customers on *compliance with rules and regulations.*

We strive to meet and exceed the expectations of our shareholders, employees, customers, suppliers and the wider community. Our compliance with regulations and applicable laws is a key part of our business' future success.

Innovative contributions to better governance

Governance for Good: Ellis Whittam assists SMEs nationally to ensure their employees work in a safe environment and comply with employment regulations. They also host governance workshops for senior managers to share their knowledge of the law and practical advice on effective board meetings, roles and responsibilities and why it matters.

Learning & Development: Law At Work's, HR at Work team provides a suite of training courses focused on the skills required to run a successful business. Courses range from how to handle difficult conversations, to team building, change management and compliance with the governance code.

Risk Management: Our proprietary compliance risk management platform help 20,000 users manage 12 billion sq. ft. With its core functionality in compliance management information, data management and action tracking across a suite of H&S and compliance risks.

Contractor Verification: William Martin Compliance & Elogbooks assure the qualifications and credential for contractors and third-parties working on our customer sites across the nation. Ensuring businesses across the UK have full visibility of the compliance of their properties to stringent regulations.

Promoting Good Governance Internally

Business Ethics: Our business ethics form a mandatory topic at each of Marlowe's operational board meetings and businesses such as MFSG who operate an Enterprise Risk Management model using the MARCI framework.

Responsible Procurement: We require the Group's suppliers to declare the source of origin of their products and confirm their suppliers comply in full with ILO Conventions.

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 of risk. The nature of our services in assuring regulatory compliance for our customers ensures that risk management is embedded within the culture of the Group. All our businesses maintain risk registers which are reviewed by divisional management and the Company's Executive Director's at least once a year. Details of the principal risks and uncertainties of the Group are set out on pages 35 to 37. The Group's statement on going concern is included in the Directors' Report on page 40.

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. Diversity, inclusivity and equality e-learning initiatives coupled with employee questionnaires and surveys ensure our staff are rewarded for excellent performance and their views are listened to when shaping the future of our businesses.

Further details of the Company's commitment to employees is included on page 21 of the Company's Environmental, Social and Governance Strategy and in the Directors' Report on page 40.

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 pages 6 and 7, and Environmental, Social and Governance Strategy on pages 18 to 22 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 Company's Environmental, Social and Governance Strategy on pages 18 to 22.

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 in the Corporate Governance Statement on page 42.

Chief Executive's report

For the year ended 31 March 2021

ALEX DACRE
Chief Executive

> " The Group continued to make strong progress in the year. "

Group results

The Group continued to make strong progress in the year with substantial growth in revenues, adjusted profits and adjusted earnings per share. We realised further margin enhancements whilst delivering excellent underlying cash generation.

For the year ended 31 March 2021, adjusted earnings before interest, tax, depreciation, amortisation and exceptional items[1] were up 30% to £28.7 million (FY2020: £22.1 million), adjusted profit before tax[2] was up 31% to £17.1 million (FY2020: £13.2 million) and adjusted earnings per share[3] were up 6% to 25.0p (FY2020: 23.6p) on revenues* up 15% to £192.0 million (FY2020: £167.4 million). The strong performance was delivered as a result of the continued fast-paced execution of our strategy to build the UK leader in business-critical services and software which assure safety and regulatory compliance. In spite of the operational challenges that COVID-19 presented to some of our field-based service activities, the year saw continued underlying organic growth in recurring revenues and customers. Site access related issues, largely in TIC, impacted on like-for-like revenues which were down 8% in the first half of the financial year but recovered strongly in the second half with growth of 15% compared to H1 as a result of good organic growth and the catch up of service visits deferred from H1. We completed fifteen acquisitions deepening and broadening our compliance activities, delivered extensive additional operational improvements and the realisation of synergies further strengthening our platform for growth and delivering significant margin expansion. Group divisional EBITDA margin increased by 310 bps to 16.2% (FY2020: 13.1%).

Cash performance for the year was significantly ahead of both prior years and our medium-term target delivering cash generated from operating activities, before acquisition and restructuring costs, of £28.3 million (FY2020: £11.2 million). Cash conversion, excluding the benefit of COVID-19 related VAT deferrals, was 110%, demonstrating the highly cash generative nature of our sectors, with attractive revenue characteristics, alongside effective working capital management which resulted in further reductions in working capital as a percentage of revenue and debtor days. Net cash, excluding IFRS 16 lease liabilities, as at 31 March 2021 was £43.3 million, reflecting the continued strong cash performance in the second half and the proceeds of the recent over-subscribed placing.

After adjusting for acquisition, restructuring and other related costs, statutory loss before tax for the year was £1.6 million (FY2020: profit of £0.5 million). Following the successful integration of Clearwater, restructuring costs reduced significantly compared to the prior year. Statutory EPS was (3.1)p (FY2020: (0.8)p). Our resilient performance through the year has demonstrated the defensive nature of our business model and sectors and the agility of our platform for growth. We are positioned strongly to continue winning market share both organically and through further fast-paced M&A.

We continue to benefit from increasingly scale and critical mass across our Group with run rate revenues of c.£280 million, with either market leadership or top three market positions across each of our five service and software lines. During the year, we have taken advantage of this scale to improve margins through the effective integration of acquired businesses, improvements in productivity and efficiency and leveraging our well invested back-office infrastructure. The quality of our revenues is high with c.83% recurring year-on-year. Our organic growth trajectory remains strong and we expect to continue delivering growth, consistent with our medium-term targets, in the high single digits.

As a Group, we continue to focus on service level enhancements, the deployment of our proprietary software and technology, extending the duration of our client relationships, deepening those relationships to increase our clients' spend with us across multiple Group services, and continuing to promote our broad range of safety and regulatory compliance capabilities to cross-sell additional services to our clients. We benefit from an intrinsic advantage in this regard in that we typically sell our services to similar people across our different service lines and most of our clients have a requirement for the majority of our services. The services we deliver are all underpinned by ever-evolving regulations with increasing enforcement burdens, and we continue to benefit from positive structural trends resulting from an increased corporate and societal focus on health, safety, well-being and compliance. We believe we are favourably positioned to continue to benefit from these trends.

During the year we benefited from significant further investment from our shareholders and we have continued to deploy this capital effectively. In June 2020, we completed an oversubscribed placing to raise £40 million to fund the Elogbooks acquisition and to provide additional resources to continue to deliver our acquisition-led growth strategy. In October 2020, we raised a further £30 million to partially fund the acquisition of Ellis Whittam. Then in March 2021, we completed a placing to raise £100 million. When combined with our debt facility secured through the refinancing that was completed during the year, the Group benefits from significant resources to support its ongoing targeted acquisition strategy and convert our strong pipeline of further earnings-enhancing acquisition opportunities.

Group divisional EBITDA[1,2] margin increased by 310bps to 16.2%

Adjusted profit before tax[2] was up 31% to £17.1 million

Adjusted earnings per share[2] were up 6% to 25.0p

Revenues* up 15% to £192.0 million

Divisional reorganisation

Our Group is uniquely positioned in the UK to provide our customers with a comprehensive one-stop approach to their regulatory compliance needs, from software and digital applications, assurance and consultancy, through to the full implementation of recurring testing, inspection and compliance programmes.

During the second half of our financial year, as set out at a Capital Markets Day in February, we completed a divisional reorganisation to more accurately represent our current activities, our strategy and future opportunities. This new divisional reporting structure reflects the transformation the Group has undergone in scope, scale and quality of earnings as we have entered new markets and built upon attractive service and software segments.

We are focused across sectors which are undergoing attractive long-term, structural and non-cyclical growth across our two divisions: Governance, Risk & Compliance ("GRC"), and Testing Inspection & Certification ("TIC").

GRC encompasses our consulting and software solutions across Health & Safety, Employment Law, HR, Occupational

Health and eLearning. The majority of the compliance services we deliver in the GRC division revolve around our clients' employees. We provide a full range of business-critical services from health and safety support, advice and risk assessments, advice on employment law, HR or occupational health compliance and to protect the well-being of our clients' employees through to the training of their people in relevant compliance standards. These services are delivered alongside our compliance software platforms which our clients use to manage and monitor compliance throughout their organisations. Our services are delivered largely under 3 or 5-year contracts with subscription-based revenues or as software licenses.

TIC includes our Fire Safety & Security, Water Treatment & Air Hygiene and Contractor Compliance propositions. The majority of the services in TIC revolve around our clients' business premises and properties and include services such as testing and inspecting water and air systems to ensure efficiency, hygiene and compliance or testing, inspecting and certifying fire safety and security systems to assure standards. 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.

We believe this new structure will help investors and the market understand the key operational dynamics of Marlowe and how, whether by certifying that a fire safety system is operational, providing compliance advice on an employee dispute or by delivering a risk management software tool like Meridian or Elogbooks, both divisions are bound by the same mission of assuring business-critical compliance. Approximately 26% of our revenue comes from customers taking more than one Marlowe service, with cross-sale activity occurring both between GRC and TIC and within each division.

Further transformational growth delivered through acquisitions

M&A is a fundamental component of our compounding growth strategy and we continued to execute at pace throughout the year. During the year, we completed fifteen acquisitions and successfully deployed approximately £113 million of capital, deepening our presence in existing markets and further broadening our compliance capabilities into Occupational Health, eLearning and contractor management and HR software, consistent with our strategy to deliver an end-to-end approach to our clients' safety and regulatory compliance.

Since 2016, we have become the leading consolidator within UK safety and compliance markets, investing approximately £285 million across 56 acquisitions. Our M&A activity is split between delivering on the significant roll-up opportunity in our existing markets and identifying complementary adjacent markets in which to apply our proven acquisition model and build leading businesses of scale, both enhancing our Group's one-stop shop compliance proposition and expanding our capacity for further organic and inorganic growth.

The two key transactions in the year were the acquisition of Ellis Whittam, which transformed the scale and scope of our Employment Law, HR Compliance & Safety advisory activities, and the acquisition of Elogbooks which represented the next step in our strategy to deliver integrated technology and services to enhance the compliance, safety and upkeep of our clients' premises. Alongside these platform deals, we completed thirteen bolt-on acquisitions during the year, with eight further deals since the year end, across Employment Law, HR, Occupational Health, Compliance Software, Fire Safety & Security and Water Treatment & Hygiene.

The acquisition of Ellis Whittam significantly advances our strategy to provide our clients with a comprehensive one-stop approach to their health and safety and regulatory compliance needs. The business, which delivers subscription-based consultancy services, supported by software, operates in an attractive and underserved market where we see significant growth opportunities. The deal represented a major step in strengthening our position as the UK leader in regulated safety and compliance services to organisations of all sizes. The acquisition delivered significant synergies with Marlowe's wider Health & Safety and Compliance operations, particularly the Law At Work business. It significantly strengthened our position in this market, which has a range of attractive characteristics, including a highly scalable model, non-discretionary spend and high barriers to entry.

The acquisition of Elogbooks was a further key step in our compliance software strategy. Alongside Meridian, our existing software platform, the addition of the Elogbooks software has positioned us to offer our clients a complete technology-enabled contractor management, compliance and health and safety solution. The acquisition significantly expanded 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

The integration programmes of all acquisitions during the year remain on track with synergies in line with expectations. Our pipeline of earnings-enhancing acquisition opportunities remains strong and we expect to continue to deliver upon this track record during the new financial year and beyond.

During the year we benefited from significant further investment from our shareholders and we have continued to deploy this capital effectively.

Digital

Technology has increasingly become a central part of our future growth strategy, a key competitive differentiator and a core service that we deliver to our clients. The deployment of our software significantly improves our clients' compliance standards and customer experience, creating high switching costs and delivering highly attractive financial returns for our shareholders. The Group is at the forefront of the digitalisation of our markets and we see a long-term opportunity to transform compliance markets with greater adoption of software and digital applications. Compliance software represents a fast-growing portion of Group revenues and will be a key growth enabler for the future, both organically and through further targeted acquisitions with significant future growth planned across EHS, GRC and business-critical compliance software markets.

Our software applications are often delivered alongside our services – for example, we might deliver health and safety consultancy alongside software as a bundled solution or employment law compliance alongside HR software or eLearning. In this sense our software and service businesses are aligned in helping our clients to achieve their objectives by managing compliance with regulations and policies whilst implementing governance frameworks and ensuring the welfare of their employees.

Our SaaS platforms, Meridian, Elogbooks, DeltaNet and YouManage, are central to our clients' health and safety, risk and performance management strategies. One of our key value-adds is that our software developers are able to collaborate closely with industry practitioners across the Group with huge end-market expertise. This software capability has highly attractive investment attributes: excellent client retention; subscription-type revenues; with very scalable models and low incremental delivery costs.

We are working on a number of potential acquisition opportunities within the compliance software field and expect to deliver further progress in this area during the coming months.

Environmental, Social and Governance

ESG is becoming a key focus for our clients and shareholders alike, and it's a key focus for Marlowe too. This is evident both internally, in the way we conduct our business, via initiatives to ensure employee safety and well-being, meeting high standards of corporate governance, aspiring to become carbon neutral in our vehicle fleet (20% of our fleet in Water & Air is now fully electric or hybrid), employee-led committees in areas such as EDI, LGBTQ+ and mental health, meeting rigorous environmental certification standards or ensuring we are investing in our people in one of our training academies or via DeltaNet's eLearning courses or looking to employ and train those from disadvantaged backgrounds and enhancing the diversity of our teams.

ESG also runs throughout the services that we deliver. We have aligned our business strategy towards achieving a sustainable future by delivering services and software platforms which assure our clients' compliance, improve and protect their health, protect them from threats and risks such as fire, help to improve their employees' well-being and mental health, enhance their governance standards and help to manage their operational risks, improve their security, safety, water and air quality, efficiency and sustainability, and help to develop and train their people via eLearning in areas such as diversity and inclusion or safeguarding.

The Group's activities and strategy are closely aligned to key UN Sustainable Development Goals: All our activities are bound by the common purpose of protecting people and ensuring adherence to essential regulation, clearly aligning with UN Sustainable Development Goal 3 (Good Health & Well-Being). For instance, this goal runs throughout our health and safety activities focused on protecting people from health and safety risks and hazards and throughout our occupational health counselling focused on employee mental and physical health and well-being. Our Water Treatment & Hygiene activities help clients to ensure clean, safe, sustainable water and industrial wastewater supporting the achievement of UN SDG 6 (Clean Water and Sanitation) – for a major client in the global soft drinks industry during the year we have implemented new water treatment processes and systems which have led to a reduction of water usage of four million litres per year. Our software applications and remote building monitoring technology increases the efficiency and sustainability of thousands of organisations supporting SDG 11 (Sustainable Cities and Communities). Our HR, Employment Law, Occupational Health and safety & compliance eLearning activities promote governance and decent work for all, the objective for SDG 8 (Decent Work and Economic Growth).

Strategy

Over the next three years our strategy is focused on four main areas:

The first is **Deepen**: We plan to deepen our presence in our existing markets both organically and through further M&A. Each of our markets offers significant scope for consolidation and in broad terms we can see a path to doubling the size of each of our businesses. Our organic growth will continue to accelerate as we enhance service, add capabilities, and cross-sell. This means ensuring we meet our customers' demand for the full range of fire safety services, employment law services and compliance software tools, whilst simultaneously increasing our market share through targeted accretive bolt-ons. We remain focused on continuing to deepen our leading positions across our markets through further strong organic and fast-paced acquisition-led growth. Alongside this, we will continue to deliver the operational and technological improvements, and the associated margin expansion, that are key to our model.

The next area is **Broaden**: We plan to continue broadening our coverage across the compliance and business-critical services landscape, entering new markets and adding new service capabilities. Examples of this could include areas within food safety consulting, ISO certification and supply chain assurance or another business-critical recurring service. We share a similar channel to market with these sectors and believe they could fit the Marlowe model very well. And we have begun early exploratory work on identifying select international opportunities in areas that we have significant expertise, particularly in geographies with similar regulatory backdrops.

The third element of the strategy is **Strengthen**: Ensuring that we are building best-in-class businesses, driving organic growth whilst expanding our margins. This is about securing the foundations of Marlowe as a cohesive platform, ensuring that we add significant value across our divisions.

And the final element is **Digital**: We plan to significantly expand our compliance and EHS software proposition. The digital opportunities are huge. We are in a unique position of being able to leverage our service expertise into our digital tools. We are also able to acquire software businesses and add value to them immediately through access to our customer base, compliance expertise and integration with the complementary software tools in the Group.

Through the delivery of this growth strategy over the next three years, we are confident that this will deliver:

- Run rate revenue of c.£500 million and adjusted EBITDA[1] of c.£100 million by the end of FY2024;
- Adjusted divisional EBITDA[1] margin of 20%;
- Strong operating cash conversion of 90% plus;
- At least 10% of our revenues from software;
- Leading positions in each of our UK markets and have demonstrated progress with our international strategy; and
- The leading player for organisations of all shapes and sizes to partner with across their business-critical requirements.

Divisional review

Governance, Risk & Compliance

Our GRC division performed strongly during FY2021 and recorded adjusted EBITDA[1] of £11.3 million, up £7.2 million, and revenues of £34.6 million (FY2020: £14.6 million). This growth reflects the benefit of acquisitions in the year together with the full year contribution from those made in FY2020 and strong organic growth.

Within GRC, our adjusted EBITDA[1] margin increased 550 bps to 32.7% (FY2020: 27.2%), reflecting both the higher margin profile of acquired GRC businesses and continued efficiency and productivity enhancements as we pursue integration programmes such as the integration of

Law At Work into Ellis Whittam. We are confident that we can expand this margin further through adding scale whilst maintaining the cost to manage or adding software licenses with low incremental cost to deliver.

Within the division, the key event in the year was the acquisition of Ellis Whittam, one of the UK's leading providers of outsourced Employment Law, HR and Health & Safety services. Our growth in the Employment Law, HR and Health & Safety space in which Ellis Whittam operates is a clear example of the value that can be created through implementing the Marlowe model: alongside the William Martin acquisition in December 2018, we acquired Nestor, a small business operating in this space. We identified the market as compatible and strategically complementary to our health and safety consulting business, given the decision maker usually responsible for procuring H&S is often also responsible for EL/HR (particularly within SMEs). Having identified the significant potential this market offered, the substantial synergy with our strategy and the highly attractive investment characteristics, we took the decision to build a business of scale. In December 2019, we acquired Law At Work ("LAW"), and subsequently acquired and integrated two further bolt-ons, Deminos and Solve HR. The acquisition of Ellis Whittam ten months later made us a major player in this highly attractive market. Our investment thesis in acquiring Ellis Whittam was to use the business as a platform into which we would integrate our existing activities, digitise the business and displace third-party software and provide a platform for fast-paced growth whilst deepening and broadening our capabilities within this market. Within six months of the acquisition, we have achieved many of these goals: the integration of LAW into Ellis Whittam is proceeding to plan with at least £2 million of synergies identified and being implemented. Additionally, we have further deepened our presence in Ellis Whittam's market via the acquisition of SRA-regulated ESP HR and HR compliance provider, HR Service Partnership. The scale and breadth of capability that we now have in this market will allow us to improve the efficiency with which we can manage each client and reduce the cost to acquire new clients. We expect to see continued strong organic growth in this highly attractive market.

We have continued to broaden our capabilities in this market through a series of acquisitions in the occupational health field: Black & Banton, headquartered in Gateshead, Tyne and Wear, which provides occupational health services to businesses in the North of England and Scotland; Wrightway Health which provides occupational health services to businesses in the East and South East of England; NOSS, which provides Employee Assistance Programme ("EAP") services to businesses nationwide. The EAP services provided by NOSS are highly complementary to Marlowe's Occupational Health and Employment Law and HR business lines. Post year-end we completed the acquisitions of Healthwork and Integral Occupational Health, further deepening our scale and capabilities in this highly regulated compliance market.

In line with our digital strategy, we have begun the process of insourcing third-party software applications via the acquisitions of DeltaNet eLearning, YouManage HR software and the implementation of our Meridian health and safety software.

We plan to significantly expand our compliance and EHS software proposition. The digital opportunities are huge. We are in a unique position of being able to leverage our service expertise into our digital tools.

DeltaNet provides accredited health and safety, compliance and HR eLearning courses to companies across the UK and internationally. Customers subscribe to DeltaNet's gamified and interactive courses to ensure their employees are trained in and comply with safety, HR and business compliance standards and legislation. The acquisition of DeltaNet broadens the Group's expertise in Health & Safety and Compliance and provides Marlowe with new opportunities for growth in the highly complementary eLearning market. The acquisition also offers significant synergies with Ellis Whittam as eLearning is a key service that the business delivers. Prior to the acquisition of DeltaNet, this revenue stream was outsourced to a third-party. In a similar vein, HR compliance software is a key product that Ellis Whittam delivers that was also previously outsourced. The acquisition of YouManage allows this to be insourced and gives the Group a valuable new revenue stream in an attractive area of the software market, further advancing the Group's digital strategy.

William Martin Compliance, our Health & Safety consultancy and software business focused on larger multi-site clients continued to make strong progress in the year. The integration of Quantum Compliance was completed at the start of the year resulting in the closure of three offices, a strengthened management team and the realisation of attractive synergies from the reorganisation of the back office along with consolidation of operating systems with our proprietary platforms. We continued to invest in the technology roadmap that these systems are on and have now completed the implementation of a new scheduling system delivering smart automation of the planning of our field-service, enhanced route densities and optimised utilisation rates. We expect this new platform to lead to c.10% productivity gains. We also refined and developed our report writing software during the year leading to further enhancements in the data capture process for our field teams and additional smart integrations with our Meridian platform such as automated document verification.

We have made significant investments in our Meridian platform during the year and our combined Meridian software team now consists of 40 development professionals who continue to enhance our systems. These investments have led to 25% organic growth within our Meridian software revenues during the year and over 98% retention across service and software clients within William Martin. 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 and safety solution from the two specialist systems.

Testing, Inspection & Certification

In spite of the operational challenges arising from the COVID-19 pandemic, our TIC division performed well during FY2021, delivering adjusted EBITDA[1] of £19.9 million (FY2020 after divestments: £19.2 million) and revenue of £157.4 million (FY2020 after divestments: £152.8 million). This reflects the benefit of acquisitions in the year together with the full year contribution from those made in FY2020, the disposal of the non-core air quality activities in March 2020, which generated revenues of approximately £18 million in FY2020, together with good underlying organic growth.

TIC's divisional adjusted EBITDA[1] margin rose to 12.6% (FY2020: 11.9%) as we continue to deliver benefits from integration and route density synergies allowing us to improve productivity and efficiency. Our TIC activities are typically field-based and as we continue to grow, the route density becomes more and more attractive. We look to enhance revenue per day per fee earner through effective operational management, scheduling technology and the benefits of our improved density. We also benefit from a well-invested and scalable back office which can support further expansion leading to attractive operational gearing.

Whilst we saw some disruption from COVID-19 in our field-based TIC activities, which mainly affected the first half of the financial year, the impact has been manageable and, given the regulations that govern the requirement for our essential services, our business model demonstrated encouraging resilience. The services that we provide are essential to our clients' operations and are invariably governed by regulations which require that they are delivered in order for our clients to operate compliantly and safely. This regulation and the essential nature of our services ensure that our business is well-insulated from economic cycles and positioned us favourably throughout the year.

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.

The acquisition of Elogbooks was a further step in our strategy to deliver integrated technology and services to enhance the compliance, safety and upkeep of our clients' premises. Working across all multi-site property sectors, Elogbooks' software is a market leader in the property management sector and provides oversight of approximately 20,000 properties and has more than 10,000 active users per week.

Our Fire Safety & Security business made strong progress during the year. We saw pleasing improvements in productivity and efficiency with revenue per day per fee earner, one of our key operational metrics, continuing to increase: during the final months of FY2021, we experienced a 12% improvement in revenue per day per fee earner compared to the same period in the prior year. 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 continue to result in improved productivity and enhanced service levels. These service levels lead in turn to reduced attrition and enhanced organic growth. We saw growth in our fire safety & security client base of 11% during the year and further enhanced account management techniques delivered a 10% increase in major account client spend.

We continued to add scale to the business via targeted acquisitions. The acquisition of Morgan Fire adds further scale and capability with attractive density in London and the Southeast. Additionally, the acquisition of Hadrian Technology, a leading provider of CCTV and loss prevention technology solutions across the UK and Ireland, further develops our capabilities within this sector. The post period-end acquisition of Alarm Communication marks another significant milestone in the development of our Fire Safety & Security business. The acquisition, which adds revenue of approximately £11 million results in our Fire Safety & Security business generating run rate revenue of over £100 million. This growth has been achieved over a five-year period, following the acquisition of Fire & Security Group in April 2016, a number of bolt-on acquisitions which have been effectively integrated into our model and strong organic growth in the years since.

Within Water & Air Hygiene we have continued to make strong progress. Following the acquisitions of Suez Water Conditioning Services in 2018 and Clearwater Technology in 2019, alongside a number of bolt-on acquisitions and strong organic growth, our Water & Air Compliance business now generates run rate revenue of over £110 million and has the broadest service capabilities and coverage in the UK. The acquisition of WPL marked another significant step in the development of our strategy for water and air compliance services. Additionally, we acquired Rainbow Water during the year. Based in Kent, Rainbow Water provides water treatment and hygiene services to a broad range of customers within London and the surrounding counties. Both WPL and Rainbow have been integrated into WCS Group. Our scale and well-developed integration model in Water & Air has allowed to realise further synergies during the year. Significant further cost has been removed from our overhead across duplicated back-office functions and properties. We have continued to invest significantly in the technology that drives our business. Additionally, major improvements in service efficiency and productivity levels have led to further improvements with revenues per day per fee earner increasing by 9% during the year. Our water hygiene chemical production facility grew by 17% during the year as we continue to insource the chemical blending for acquired businesses and benefit from our organic growth.

Following the year-end we have completed the acquisition of two further water hygiene acquisitions: Agriteck and Musketeer Services which have added a further £4 million of revenue to WCS Group.

Outlook

We have made a strong start to the new financial year, with good levels of organic growth, and look forward to delivering further profitable growth whilst executing upon our strategy to reach run rate revenues of c.£500 million and adjusted EBITDA of c.£100 million by the end of FY2024 through deepening our market share across our sectors, broadening our activities across the business-critical arena, strengthening our business via operational improvements and delivering on our digital strategy to reach compliance software revenues of c.£50 million.

Alex Dacre
Chief Executive

* Excluding the impact of the disposal of non-core air quality activities in March 2020.

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.
2. Adjusted profit before tax ("PBT") is PBT before separately disclosed acquisition and other costs as presented on the consolidated statement of comprehensive income.
3. Adjusted earnings per share is earnings per share calculated on adjusted PBT. These are all non-IFRS measures.

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 32.

Finance Director's review

For the year ended 31 March 2021

MARK ADAMS
Group Finance Director

> " The Group benefits from a high proportion of recurring revenues and strong management of working capital which have delivered a year of very strong cash conversion. "

Revenue and profitability

Revenue for the year ended 31 March 2021 was *£192.0 million (FY2020: £185.4 million)*. Excluding the impact of the disposal of the non-core activities in March 2020 that contributed revenue of approximately £18 million in FY2020, revenue increased by 15% in the year. This reflects the contribution from acquisitions completed in the year, together with the full year benefit of those completed in FY2020 and continued organic growth in new clients across the Group, offset by the impact of COVID-19 within certain of our field-based activities.

In the year ended 31 March 2021, adjusted operating profit increased by 33% to £19.7 million (FY2020: £14.8 million) and adjusted EBITDA increased by 30% to £28.7 million (FY2020: £22.1 million). Adjusted EBITDA means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs. Group divisional adjusted EBITDA margin increased to 16.2% from 13.1% in FY2020.

Adjusted profit before tax for the year was £17.1 million (FY2020: £13.2 million). On a statutory basis, loss before tax from continuing operations for the year ended 31 March 2021 was £1.6 million (FY2020: profit of £0.5 million).

In our immediate response to the COVID-19 national lockdown in March 2020 and the related operational challenges and site access issues experienced in the year, largely in our TIC division, we implemented selective precautionary cost reduction measures to minimise the impact on profitability and preserve cash. As further precautionary measures, the Group also selectively used the Government furlough scheme (see note 33) and benefited from the COVID-19 initiatives permitting the deferral of VAT and payroll taxes.

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

	FY21 £'m	FY20 £'m
(Loss)/profit before tax	(1.6)	0.5
Acquisition costs	2.2	1.1
Restructuring costs	5.6	6.7
Amortisation of acquisition intangibles	6.5	3.4
Legacy long term incentives	4.2	0.7
Movements in contingent consideration	0.2	-
Loss on disposal of non-core business	-	0.8
Adjusted profit before tax – continuing operations	**17.1**	**13.2**

Reconciliation of adjusted operating profit and adjusted EBITDA

	FY21 £'m	FY20 £'m
Adjusted operating profit	19.7	14.8
Depreciation	9.0	7.3
Adjusted EBITDA	**28.7**	**22.1**

Acquisition and other costs

Acquisition and other costs totalled £18.7 million in the year (2020: £12.7 million).

	FY21 £'m	FY20 £'m
Acquisition costs	2.2	1.1
Restructuring costs	5.6	6.7
Amortisation of acquisition intangibles	6.5	3.4
Legacy long term incentives	4.2	0.7
Movements in contingent consideration	0.2	-
Loss on disposal of non-core business	-	0.8
Total	**18.7**	**12.7**

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

Restructuring costs, being the costs associated with the integration of acquisitions, remain the key component of acquisition and other costs and decreased to £5.6 million in the year (FY2020: £6.7 million). In spite of the increased number of transactions completed in the year, the decrease in restructuring costs reflects the completion of the integration of Clearwater Group, acquired in May 2019, and the reduced scale of restructuring required at the businesses acquired in the period.

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; 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 an acquisition.

Amortisation of intangible assets for the year was £6.5 million (FY2020: £3.4 million) with the increase attributable to the higher carrying value of intangible assets.

Certain legacy long term incentive schemes were established to incentivise 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 the charge associated with these legacy schemes to be part of "Acquisition and other costs" as we continue to execute our stated strategy. Legacy long term incentive costs increased to £4.2 million (FY2020: £0.7 million) during the year. The Marlowe 2016 Incentive Scheme was settled in full during the year. The increased charge also reflects the impact of the higher Marlowe share price and the improved historic and forecast performance of the Group.

Movements in contingent consideration in the year reflect adjustments to estimates of contingent consideration receivable relating to the disposal of certain non-core activities in FY2020 and to reflect actual contingent consideration paid or payable based on the actual performance of the entity to which the contingent consideration relates.

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)

	FY21	FY20
Basic adjusted earnings per share	25.0p	23.6p
Basic earnings per share	(3.1)p	(0.8)p

* Refer to note 9

Interest
Net finance costs amounted to £2.6 million in the year (FY2020: £1.6 million).

Taxation
UK Corporation Tax is calculated at 19% (FY2020: 19%) of the estimated assessable profit for the year.

Statement of financial position
The Group maintains a strong balance sheet with net assets at 31 March 2021 of £263.4 million (2020: £96.7 million), the increase being primarily due to the placing of shares in the year. Property, plant and equipment totalled £7.3 million (2020: £5.9 million), comprising freehold and long leasehold property, leasehold improvements, operational equipment, vehicles and computer systems.

Cash flow
The Group benefits from a high proportion of recurring revenues and strong management of working capital which have delivered a year of very strong cash generation. The net cash inflow from operating activities before acquisition and restructuring costs was £28.3 million in the year (FY2020: £11.2 million). Cash conversion (being the ratio of cash generated from operations, excluding IFRS 16 and any acquisition related flows, to adjusted operating profit) adjusting for the COVID-19 related deferral of VAT, increased to 110% in the year (FY2020: 83%).

There was a net working capital inflow in the year of £3.2 million (FY2020: outflow of £7.9 million). The movement reflects the continuing increased scale of the Group offset by the Government's COVID-19 initiative permitting the deferral of VAT. 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 6 percentage points in the year to 2% (2020: 8%).

Capital expenditure totalled £4.5 million (FY2020: £2.9 million) following investment in our software systems and leasehold improvements at certain Group facilities.

In order to fund the acquisitions in the period and to provide the Group with significant additional resources with which to capitalise on future acquisition opportunities, the Group raised net proceeds of £164.9 million from three equity placings in the year.

Net debt and financing
Net cash at 31 March 2021, including inter alia £19.0 million of IFRS 16 lease liabilities, was £24.3 million (2020: net debt *£46.6 million). Net cash (excluding IFRS 16 lease liabilities)* at the end of the year was £43.3 million (2020: net debt £32.3 million).

During the year, the Group entered into a new enlarged, three-year £70 million revolving credit facility with an additional accordion facility of £20 million, providing further resources to support the Group's ongoing targeted acquisition strategy.

The Group remains well funded and continues to have sufficient resources, including headroom on its financing facility, to meet the needs of the business and to fund acquisitions as part of its 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.

The strategic report on pages 4 to 37 has been approved by the Board and signed on its behalf by:

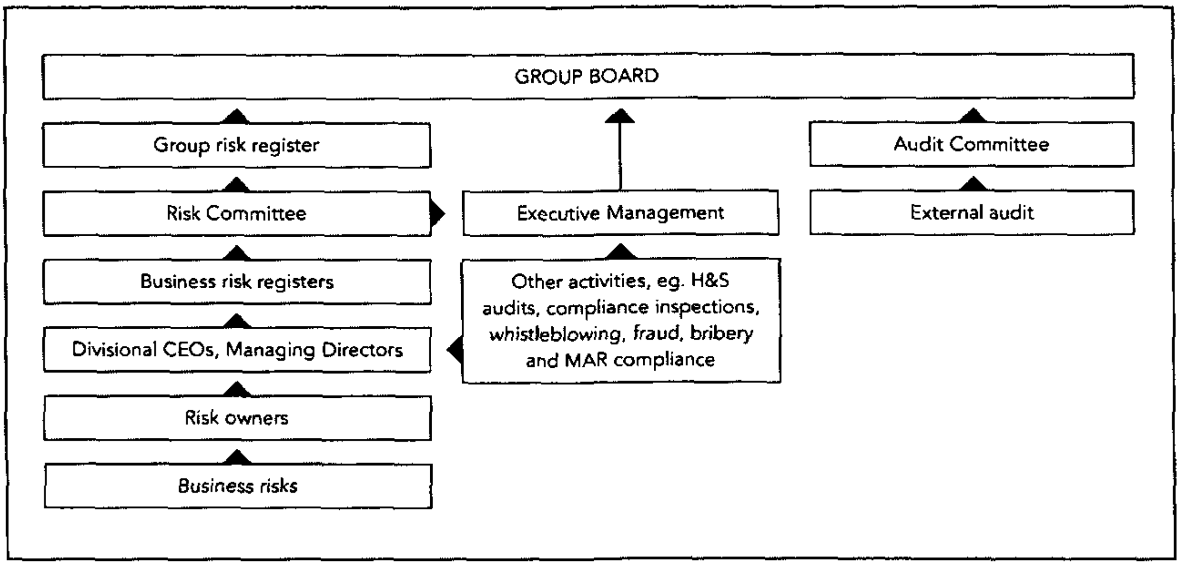
Alex Dacre
Chief Executive

Mark Adams
Group Finance Director

2 July 2021

Risk management

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.



Risk management framework
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 Board approved Terms of Reference. 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 Group demonstrated a swift and effective response to the COVID-19 pandemic and resultant nationwide lockdowns and was able to maintain good levels of service and put in place measures to minimise the financial impact. The Risk Committee has reviewed the principal risks and uncertainties affecting the Group in the context of the impact of the COVID-19 and has established a new principal risk (Natural disaster, pandemic or major incident) that specifically considers the risk to the business of a COVID-19 type occurrence.

Principal risks and uncertainties

A principal risk is a risk that is considered material to the delivery of the Group's strategy, performance or future prospects. The principal risks of which the Group is aware are detailed below, including details of how the Group mitigates these risks. There may be other risks that are currently unknown or regarded as immaterial which could turn out to be material.

Risk	Potential impact	Risk mitigation
Natural disaster, pandemic or major incident	A pandemic or other natural disaster, resulting in a national lockdown or other factors impacting on the ability of the Group to deliver service.	The Group has full and detailed disaster recovery plans in place, including technology to support remote working and revised operating procedures to minimise the impact on its ability to continue to the provision of services.
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. Succession planning for key roles in undertaken across the Group.
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.

Risk	*Potential impact*	*Risk mitigation*
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 recently appointed Group CTO has overall responsibility for the Group's policies, controls and procedures which are kept under constant review. All employees receive regular training including a cyber awareness programme.
Software systems and digital technology	Software and digital technology are key differentiators and are central to our product offering, customer interaction, service planning and delivery. Failure to invest or maintain software and 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 digital and software strategy and has significant resources focused on the continuous development and maintenance of all software solutions and operational systems. The recently appointed Group CTO has overall responsibility for the implementation of the Group's digital strategy. The Group benefits from 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.

Board of Directors

As at 31 March 2021

The Company is led by an established Board of Directors with 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

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
Group Finance Director

Mark Adams was appointed to the Board on 1 January 2018. He brings to Marlowe more than 20 years of experience in senior finance roles in a broad range of sectors.

Prior to joining Marlowe, 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

Non-Executive Chairman

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.

Kevin chairs the Risk and Nominations Committees and is a member of the Audit and Remuneration Committees.

CHARLES SKINNER

Non-Executive Director

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.

Charles chairs the Remuneration Committee and is a member of the Audit, Risk and Nominations Committees.

PETER GAZE

Non-Executive Director

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.

Peter chairs the Audit Committee and is a member of the Risk, Remuneration and Nominations Committees.

Directors' report

For the year ended 31 March 2021

The Directors submit their report and the financial statements of Marlowe plc for the year ended 31 March 2021

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

MATTHEW ALLEN
Company Secretary

Business review and future developments

The Chief Executive's Report on pages 24 to 31 includes a review of the business, the Group's trading for the year ended 31 March 2021 and an overview of future developments.

Principal activities

The principal activities of the Group during the year were the provision of business critical services and software which assure safety and regulatory compliance.

Results and dividend

The Group's results for the year ended 31 March 2021 are set out in the consolidated statement of comprehensive income on page 56. The loss before tax for the year was £1.6 million (2020: profit of £0.5 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 pages 38 to 39.

Directors' remuneration, long-term incentive plans, pension contributions and benefits are set out in the Directors' Remuneration Report on pages 45 to 48. The Company maintains liability insurance for its Directors and Officers.

The Company maintains liability insurance for its Directors and Officers with the Company's articles of association allowing the indemnification of Directors out of the assets of the Company to the extent permitted by law. Indemnities in favour of the Directors have not been entered into during the year.

Share capital
Full details of the share capital of the Company are set out in note 24 to the financial statements.

Substantial shareholdings
At 31 March 2021, 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	15.43%
Canaccord Genuity Wealth Management	5,753,457	7.47%
Capital Research Global Investors	5,396,630	7.01%
Alex Dacre	5,094,352	6.62%
Slater Investments	4,506,399	5.85%
Danske Capital Management	4,103,683	5.33%
Columbia Threadneedle Investments	3,476,700	4.52%
Royce & Associates	2,867,806	3.73%

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. Further information on how directors have engaged with employees is given in our Environmental, Social and Governance Strategy on page 18 and Directors' duties on page 23.

Business relationships
Information on how the Company has engaged with suppliers, customers and business relationships is detailed in the Directors' duties on page 23.

Emissions and energy use
The Company's Streamlined Energy and Carbon Report for the financial year is included in our Environmental, Social and Governance Strategy on page 20.

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.

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 £9,000 were made by the Group for charitable purposes during the year (2020: £10,000). The Group does not make political donations.

Statement as to disclosure of information to auditors
The Directors in office on 2 July 2021 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 35 to the financial statements.

Annual General Meeting
The notice of the Annual General Meeting to be held on 15 September 2021 is enclosed with this Annual Report.

Going concern
The Directors are satisfied that the Group has adequate resources to continue in operational existence for the next twelve months. 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 2 July 2021.

Matthew Allen
Company Secretary

2 July 2021

Corporate governance statement

The Directors believe that practicing good corporate governance is an essential element of building a successful business in the long-term interests of all stakeholders.

The Board has adopted the Quoted Company Alliance ("QCA") Corporate Governance Code which is considered appropriate for AIM listed companies. The Company complies with all the provisions of the QCA Code with the exception of Board evaluation. No formal process to evaluate the Board has yet been established but such a process is expected to be put in place over the coming year. Our statement of compliance with the QCA Corporate Governance Code can be found on the Company website.

The Board of Directors

The role of the Board is to establish and develop the corporate strategy in order to deliver long-term shareholder value and it is responsible for the overall management and control of the Group. 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.

It is 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.

Board Committees

The Board delegates clearly defined powers to its Audit, Risk, Remuneration and Nomination Committees.

The Audit Committee comprises of the Chairman and Non-Executive Directors and is chaired by Peter Gaze. The Committee is 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 Risk Committee is chaired by Kevin Quinn and comprises of the Chairman and Non-Executive Directors. 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 Remuneration Committee comprises of the Chairman and Non-Executive Directors and is chaired by Charles Skinner. Its report is set out on pages 45 to 48.

The Nomination 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.

Number of meetings attended during the year ended 31 March 2021

	Board Total: 9	Audit Committee Total: 3	Risk Committee Total: 1	Remuneration Committee Total: 6
Executive Directors				
Alex Dacre	9	3	1	-
Mark Adams	9	3	1	-
Non-Executive Directors				
Kevin Quinn	9	3	1	6
Charles Skinner	9	3	1	5
Peter Gaze	9	3	1	6

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

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. 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.

Directors' remuneration report

For the year ended 31 March 2021

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.

Remuneration Policy

The Company's remuneration policy is that the remuneration packages of the Executive Directors should be sufficiently competitive to attract, retain and motivate those Directors to achieve the Company's long term strategic objectives, including the creation of sustainable shareholder returns.

The Marlowe 2016 Incentive Scheme, which was established in February 2016 to incentivise certain key management, concluded in February 2021. With no other meaningful long term incentive scheme in place, the Remuneration Committee undertook a review of the remuneration of the Executive Directors with the objective of establishing appropriate arrangements for incentivising the Company's senior executive team in the next phase of the Group's growth. After careful consideration, the Committee proposed the adoption of the Marlowe plc Executive Incentive Plan (the "EIP"). In structuring the EIP, the Committee considered the findings of the Executive Remuneration Working Group and the latest Principles of Remuneration published by the Investment Association and the QCA, whilst also ensuring that the EIP takes the most appropriate form for the Company's strategy and business needs. The EIP (together with other share plans) operates within a 10% in 10 years dilution limit in line with corporate governance best practice.

The Committee seeks and considers advice from independent remuneration advisors where appropriate. In establishing the EIP, the Committee was advised by PricewaterhouseCoopers, who consider the plan to be fair and reasonable.

Whilst the Company does not require shareholder approval for its remuneration policy, the EIP was put to a vote and at a general meeting of the Company and approved by shareholders.

As part of the implementation of the EIP, the Chief Executive and the new Chief Financial Officer have agreed they will receive below market salaries, will forgo an annual bonus, and will not receive further incentives for the duration of the EIP.

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.

Executive Directors	Date of contract	Notice period
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.

Non-Executive Directors	Date of contract/letter	Notice period
Kevin Quinn	3 December 2018	1 month
Charles Skinner	29 February 2016	1 month
Peter Gaze	29 February 2016	1 month

Directors' Emoluments

The aggregate emoluments of the Directors of the Company were:

	Salary & fees		Bonus		Benefits		Pension costs		Total	
	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000	2021 £'000	2020 £'000
Executive Directors										
Alex Dacre	174	225	175	176	-	-	-	-	349	401
Mark Adams	169	150	75	59	-	-	-	-	244	209
Non-Executive Directors										
Kevin Quinn	49	65	-	-	-	-	-	-	49	65
Charles Skinner	19	25	-	-	-	-	-	-	19	25
Peter Gaze	26	35	-	-	-	-	-	-	26	35
Total	**437**	**500**	**250**	**235**	-	-	-	-	**687**	**735**

The remuneration for Alex Dacre and Mark Adams respectively was composed of the following elements: salary £225,000 (2020: £225,000) and £187,500 (2020: £150,000); and bonus up to a maximum of 100% and 50% of salary, based on specific financial performance targets for each financial year.

Following the outbreak of COVID-19 in March 2020, 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.

The bonuses awarded for the Executive Directors for the year ended 31 March 2021 were based against financial performance targets for adjusted EBITDA and cash conversion set at the beginning of the financial year, together with other performance measures relating to the successful delivery of the Group's strategy.

The £26,250 (2020: £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.

From 1 April 2021, the salaries of Alex Dacre and Mark Adams were increased to £320,000 and £237,500, respectively.

Incentive Plans

The Company has in place a number of Incentive Plans, details which are given in note 30 on pages 100 to 103.

Marlowe 2016 Incentive Scheme

A long term incentive scheme was created in February 2016 to reward the key contributors for the creation of shareholder value, based around a subscription for B Shares in Marlowe 2016 Limited, a 100% wholly owned subsidiary of Marlowe plc.

In certain circumstances, including on or after the third anniversary of grant (but before the sixth anniversary) and a change of control, the B shareholders could give notice to the Company to 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 was determined as 10% of the result of the following:

- the market value of Ordinary Shares that were in issue at Admission, in addition to the market value of any Ordinary Shares issued following Admission in relation to net shareholder investments of up to £40 million; less
- the Ordinary Shares in issue at Admission multiplied by the Issue Price of 100 pence; less
- net shareholder investments of up to £40 million in the Company raised by way of a share placing following Admission; plus
- the amount of any dividends declared by the Company following Admission.

On 4 February 2021, Alex Dacre and Charles Skinner redeemed their B Shares as set out below:

Director	B Shares Redeemed	New Ordinary Shares Issued	Effective Issue Price	Value
Alex Dacre	5,460	1,559,669	£6.15	£9,591,964
Charles Skinner	1,183	337,928	£6.15	£2,078,257

The Marlowe 2016 Incentive Scheme is now settled in full and no further new Ordinary Shares in the Company will be issued under it.

Long Term Incentive Plan 2019

The Long Term Incentive Plan 2019 was established in 2019 to drive and reward the achievement of the Group's longer-term objectives and to support retention. Alex Dacre and Mark Adams are also the sole participants under the Plan.

New Share Options were awarded pursuant to the Plan on 8 July 2020 as follows:

	Number of options	Date from which vest	Expiry date
Alex Dacre	63,380	1 April 2023	31 March 2030
Mark Adams	26,400	1 April 2023	31 March 2030

In 2019, New Share Options were awarded pursuant to the Plan on 19 June 2019 as follows:

	Number of options	Date from which vest	Expiry date
Alex Dacre	92,975	1 April 2022	31 March 2029
Mark Adams	41,322	1 April 2022	31 March 2029

In addition, Mark Adams holds 75,757 phantom shares, granted on 3 April 2018, as part of the Company's Phantom Award Scheme.

Marlowe 2021 Executive Incentive Plan (the "EIP")

Following the completion of the Marlowe 2016 Scheme, the Remuneration Committee considered appropriate alternatives for incentivising the Company's senior executive team in the next phase of Marlowe's growth. After careful consideration, the Committee proposed the adoption of the EIP, which was approved by shareholders at a General Meeting on 25 May 2021 with 77.2% of votes in favour. Awards will be granted to participants in due course.

Under the EIP, participants receive a 10% share of total shareholder return created above a hurdle of 10% per annum over a five year performance period. Growth in shareholder value is assessed from 1 April 2021 based on the number of issued Ordinary Shares of 50 pence each in the capital of Marlowe plc ("shares") at that date and the March 2021 placing price of £6.90 per share ("Placing Price"). For the avoidance of doubt, participants do not "share" in the value of equity injections, nor do they participate in shareholder value created on any equity injection.

Participants will receive a share of the pool created based on the proportion of the pool they are allocated, as set out below:

Participant	Allocation of pool
Alex Dacre	56.5%
Adam Councell	20.0%*
Others	23.5%

*Adam Councell, the Group's new Chief Financial Officer, is expected to be appointed to the Board during the second half of the FY22 financial year. His proportion of the pool will be pro-rated based on the proportion of the performance period served, based on the whole number of months from his appointment to 31 March 2026 divided by 60.

The value of the pool will be converted into new shares at the end of the performance period in the form of a nil-cost options which can be exercised over a five year period from the date of grant (i.e. the end of the performance period), subject to a cap on the maximum number of shares which can be issued, equal to 4,902,295 new shares based on a dilution limit of 10% of the current share capital, less shares issued (and granted but not yet vested) for share incentive schemes since 2016.

As part of the implementation of the EIP, the Chief Executive and Chief Financial Officer have agreed they will receive below market salaries and will forgo an annual bonus and will not receive further incentives for the duration of the EIP.

Further details on the EIP are set out in the shareholder circular published on 10 May 2021.

Directors' Interest in Shares

The beneficial interests of the Directors who were in office at 31 March 2021 in the shares of the Company (including family interests) were as follows:

Number of ordinary shares of 50p each	31 March 2021	31 March 2020
Alex Dacre	4,654,352	3,521,334
Peter Gaze	600,925	600,925
Charles Skinner	505,084	467,156
Kevin Quinn	11,200	11,200
Mark Adams	10,617	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, 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 accounting standards in conformity with the requirements of the Companies Act 2006 and have elected under company law to prepare the Company financial statements also in accordance with international accounting standards.

The Group financial statements are required by law and international accounting standards in conformity with the requirements of the Companies Act 2006 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 international accounting standards in conformity with the requirements of the Companies Act 2006; 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 2021, which comprise the consolidated statement of comprehensive income, the consolidated and company statement of changes in equity, the consolidated and company statement of financial position, the consolidated statement of cashflows and notes to the 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 accounting standards in conformity with the requirements of the Companies Act 2006. 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' applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2021 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- 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.

Conclusions relating to going concern
We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the group or the parent company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the group's and the parent company's ability to continue to adopt the going concern basis of accounting included:

- obtaining, management's base-case and downside scenario forecasts and covenant calculations covering the period to 30 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.
- assessing the quality of management's forecasting by comparing the reliability of past forecasts;
- 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; and
- assessing the adequacy of disclosures within the Annual Report and Accounts.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the group's and the parent company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's and the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Our approach to the audit

Overview of our audit approach

Overall materiality:

Group: £750,000, which represents 0.4% of the group's revenues.

Parent company: £562,000, which represents 0.2% of the parent company's total assets.

Key audit matters were identified as

- Accounting for business combinations: Financial statement level risk due to the volume of acquisitions and their pervasive impact on the financial statements (Change in scope); and
- Valuation of goodwill (Change in scope); and
- Classification, presentation and disclosure of acquisition and other costs (Same as previous year).

Our auditor's report for the year ended 31 March 2020 included two key audit matters that have not been reported as key audit matters in our current year's report. These relate to Going concern, which is no longer considered a key audit matter as the level of uncertainty associated with the outbreak of Covid-19 on the group's assessment of going concern has reduced, and Transition to IFRS 16 'leases' - valuation, presentation and disclosure, which was a newly adopted standard in the prior year. Our current year's report includes two key audit matters that are different in scope to those which were reported in the prior year. In the prior year we included as a key audit matter the measurement at acquisition of goodwill and other intangible assets, whereas this year this is included as part of a wider key audit matter around accounting for business combinations in the current year. Secondly, in the prior year we identified a key audit matter in relation to valuation of goodwill and other intangible assets whereas this year our key audit matter relates to goodwill only.

We performed the following procedures on the group:

- Full scope procedures on the financial statements of the parent company and on the financial information of the three components which are individually financially significant to the group.
- Specified audit procedures on 13 components identified as not significant, but material, using group materiality.
- Analytical procedures were performed on the financial information of the remaining 25 components.

Based on the procedures performed on the financial information of the group, coverage of more than 75% of all identified significant risks has been achieved.

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.

In the graph below, we have presented the key audit matters and significant risks relevant to the audit.

Key Audit Matter - Group	How our scope addressed the matter – Group
Accounting for business combinations We identified accounting for business combinations as one of the most significant assessed risks of material misstatement due to error. Considering the pervasive nature of these transactions and the level of judgement involved, this has been identified as a financial statement level risk. The group has made 15 acquisitions in the current year. Under IFRS 3, *'Business combinations'* management is required to recognise, separately from goodwill, the assets acquired and liabilities assumed, and then to recognise goodwill on 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. Given the nature of the entities acquired, management have recognised material software assets, customer relationships and goodwill as part of the acquisitions. Under IFRS 10, *'Consolidated financial statements'*, the group is required to consolidate newly acquired subsidiaries from the date it obtains control.	In responding to the key audit matter, we performed the following audit procedures on business combinations: • assessing whether the group's accounting policy for the valuation of goodwill and other intangible assets is in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006, 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; • obtaining the details of the consideration paid, and agreeing these to relevant source documents, such as sale and purchase agreements; • obtaining management's purchase price allocation used to value specific acquired intangibles 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; • engaging our internal valuation specialists as auditor's experts to perform shadow calculations used to develop an auditor's range for the value for certain intangibles acquired which was used to compare management's point estimate; • 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; and • assessing whether the requirements of control as defined under IFRS 10, *'Consolidated financial statements'* had been achieved.

Relevant disclosures in the Annual Report and Accounts 2021: The group's accounting policies on goodwill, intangible assets and the basis of consolidation are shown in note 2 to the group financial statements and related disclosures are included in notes 11 and 12.

Key observations: As a result of procedures performed, an adjustment was posted to reflect the acquired entities activities between the convenience date initially used by management and the acquisition date. The effects of the adjustment are a decrease in Revenue, Cost of sales and Administrative expenses in the current year. There is net nil impact on profit before tax.

Key Audit Matter - Group	How our scope addressed the matter – Group
Valuation of Goodwill The group has significant goodwill at 31 March 2021 of £158.2m (2020: £96.2m): Under International Accounting Standard (IAS) 36 *'Impairment of Assets'*, management is required to test goodwill annually for impairment. Determining whether the carrying value of acquired goodwill is recoverable is a significant judgement relying on several key assumptions including medium-term growth rates, long-term growth rates and appropriate discount rates for each cash generating unit (CGU). We therefore identified the valuation of goodwill as a significant risk.	In responding to the key audit matter, we performed the following audit procedures: • 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 and engaging our internal valuation experts to benchmark management's pre-tax discount rate as well as the key inputs used in the calculation; • 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; • applying sensitivities to management's impairment models to determine the sensitivity of the model to certain downside scenarios; • testing whether the forecasts used are consistent with those used for going concern; and • reviewing the disclosure in the financial statements to assess whether they are compliant with IAS 36.
Relevant disclosures in the Annual Report and Accounts 2021: 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 discount rate was below our acceptable range, but this did not lead to a material unadjusted amount.	
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. In the group's reported results, adjustments have been made to statutory loss before tax of £1.6m to derive adjusted profit before tax of £17.1m. 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 the accounting framework, 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.	In responding to the key audit matter, we performed the following audit procedures: • 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; • confirming that the specific cost incurred is one identified in the policy drafted by management; • 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 international accounting standards in conformity with the requirements of the Companies Act 2006 and adheres to latest to latest FRC best practice findings, and comparing them to similar disclosures seen in other companies in similar industries; and • 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; and – whether the basis of the adjusted financial information is clearly and accurately described and consistently applied.
Relevant disclosures in the Annual Report and Accounts 2021: The group's accounting policy on acquisition and other costs and profit measures is shown in note 2 to the group financial statements.	
Key observations: Our audit work did not identify any material misstatement in the classification, presentation and disclosure of acquisition and other costs.	

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 apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	**£750,000.** Materiality has been determined by considering a number of different measures including adjusted profit before tax and revenue.	Materially was determined using 2% of total assets, but was capped at **£562,000** which represents 75% of group materiality, being the materiality used for the parent company as a component in the group audit.
Significant judgements made by auditor in determining the materiality	Determining materiality involves exercise of professional judgement.The group engagement team considered a range of benchmarks including profit before tax, revenue and EBITDA as well as other qualitative factors, recognising that a number of measures are relevant to users of the financial statements. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2020 to reflect the growth in size of the business and the increase in the number of acquisitions made in the current year under audit.	Materiality for the current year is higher than the level that was determined for year ended 31 March 2020 to reflect the growth in the group and is reflective of the changes in the group materiality.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	**£525,000** which is **70%** of financial statement materiality.	**£393,400** which is **70%** of financial statement materiality.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality, £37,500, for directors' emoluments due to the increased risk surrounding this area.	We determined a lower level of specific materiality, £37,500, for directors' emoluments due to the increased risk surrounding this area.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	**£37,500** and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	**£28,100** 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 that requires an understanding of the group's and the parent company's business and in particular matters related to:

Understanding the group, its components, and their environments, including group-wide controls

- Our group audit was scoped by obtaining an understanding of the group and its environment, including group-wide controls, and assessing the risks of material misstatement at the group level.
- The group engagement team noted that due to the acquisitive nature of the group, there are many components, spread across the UK, with different finance teams and control processes in place.
- In establishing the overall approach to the group audit, we determined the type of work that needed to be performed on the components by us, as the group engagement team, or component auditors which were other engagement teams within Grant Thornton UK LLP.

Identifying significant components

- The group's components vary significantly in size and nature of operations. The group engagement team identified those components as significant based on a variety of both qualitative and quantitative factors. The factors for determining significance was based on a combination of the group's total revenues, profit before taxation, deferred and accrued income and factors relating to quality of earnings.
- For those components which were scoped as significant, a full-scope audit was performed based on component materiality. For these significant components, we evaluated the design and implementation of controls over financial reporting identified as part of our risk assessment and addressed significant risks identified.

- Significant components identified were Marlowe Fire and Security Limited, William Martin Compliance Solutions Limited, Clearwater Technology Limited and the parent company. The significant components were also subject to statutory audit under Companies Act 2006 and were audited by component auditors at lower materiality, except the parent company which was audited by the group engagement team.
- Further, there were 12 components which were deemed material but not significant and for these components specified procedures were performed, at group materiality, around certain class of transactions and account balances. Component auditors performed the work for 5 of these components and the work on the remaining components was performed by the group engagement team.
- For the remaining components not identified specifically above, analytical procedures were performed at the group level commensurate with their significance to the group's results and financial position.

Type of work to be performed on financial information of parent and other components

- Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. This involved issuing instructions to component auditors and having regular communications throughout the audit.
- The group engagement team held periodic meetings with the component auditors during planning, fieldwork and completion stages of the audit. We directed the work that we required to be performed and reviewed the audit files from the component auditors to ensure that the appropriate audit evidence has been obtained.

Audit approach	Number of components	% coverage total assets	% coverage revenue
Full-scope audit	4	83%	35%
Specified audit procedures	13	8%	45%
Analytical procedures	25	9%	20%

Changes in approach from previous period

- The current year audit entailed an audit of the financial information of 4 components and specified audit procedures on 12 components which is different to that in the prior year which entailed an audit of the financial information of 12 components. This change in approach is reflective of the acquisitive nature of the entity and the restructuring of its components resulting in changes to their respective financial significance in the context of the group as a whole.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, 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.

Matter 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 directors' responsibilities statement, 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.

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We have identified the following laws and regulations as being of significance in the context of the group:

- The group is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur:
  - International accounting standards in conformity with the requirements of the Companies Act 2006;
  - Financial Reporting Standard 101 'Reduced Disclosure Framework' applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice);
  - Companies Act 2006; and
  - Tax legislation.
- We enquired of management and the audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries to supporting documentation.
- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
  - journal entries that increased revenues or that reclassified costs from the income statement to alternate performance measures disclosed on the face of the income statement; and
  - potential management bias in determining accounting estimates, especially in relation to the calculation of intangible assets acquired on acquisition and impairment of intangible assets.
- Our audit procedures involved:
  - Journal entry testing, with a focus on material manual journals;
  - Utilising an internal valuation specialist as an auditor expert to review the assumptions used in the determination of intangibles on acquisition and the discount factor used in;
  - Utilising and internal valuation specialist to review the assumptions used in the determination of the discount factor used in management's impairment calculation; and
  - challenging assumptions and judgements made by management in its significant accounting estimates.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
  - knowledge of the industry in which the client operates.
- For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.

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.

Joanne Love

Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London

2 July 2021

Consolidated statement of comprehensive income

For the year ended 31 March 2021

	Notes	Year ended 31 March 2021 £'m	Year ended 31 March 2020 £'m
Revenue	4	**192.0**	**185.4**
Cost of sales		(108.7)	(109.3)
Gross profit		83.3	76.1
Administrative expenses excluding acquisition and other costs		(63.6)	(61.3)
Acquisition costs		(2.2)	(1.1)
Restructuring costs	5	(5.6)	(6.7)
Amortisation of acquisition intangibles	12	(6.5)	(3.4)
Legacy long term incentives	30	(4.2)	(0.7)
Movements in contingent consideration		(0.2)	-
Loss on disposal of non-core business	31	-	(0.8)
Total administrative expenses		**(82.3)**	**(74.0)**
Operating profit	6	**1.0**	**2.1**
Finance costs	7	(2.6)	(1.6)
(Loss)/profit before tax		**(1.6)**	**0.5**
Income tax charge	8	(0.1)	(0.9)
Loss for the year		**(1.7)**	**(0.4)**
Other comprehensive income		-	-
Loss and total comprehensive income for the year from continuing operations		**(1.7)**	**(0.4)**
Attributable to owners of the parent		**(1.7)**	**(0.4)**
Earnings per share attributable to owners of the parent (pence)	9		
Total and continuing operations			
Basic		(3.1)p	(0.8)p
Diluted		(3.1)p	(0.8)p

Consolidated statement of changes in equity

For the year ended 31 March 2021

		Attributable to owners of the parent					
	Notes	Share capital £'m	Share premium £'m	Merger relief reserve £'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
Prior year reclassification		-	(5.4)	5.4	-	-	-
Balance at 1 April 2019 (restated)*		20.4	49.5	5.4	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		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**	**66.5**	**5.4**	**1.0**	**0.9**	**96.7**
Loss for the year		-	-	-	-	(1.7)	(1.7)
Total comprehensive loss for the year		-	-	-	-	**(1.7)**	**(1.7)**
Transactions with owners							
Issue of shares during the year	23/24	15.4	155.8	-	(1.1)	-	170.1
Issue costs	24	-	(4.9)	-	-	-	(4.9)
Acquisition		0.2	1.7	0.8	-	-	2.7
Share-based payments	29	-	-	-	0.5	-	0.5
		15.6	**152.6**	**0.8**	**(0.6)**	**(1.7)**	**166.7**
Balance at 31 March 2021		**38.5**	**219.1**	**6.2**	**0.4**	**(0.8)**	**263.4**

* See note 1 for details of a prior year restatement

Consolidated statement of financial position

As at 31 March 2021

Company registered no. 09952391

	Notes	2021 £'m	2020* £'m
ASSETS			
Non-current assets			
Intangible assets	12	246.1	124.8
Trade and other receivables	17	3.8	3.9
Right of use assets	14	18.8	14.3
Property, plant and equipment	13	7.3	5.9
Deferred tax asset	22	1.5	0.6
		277.5	149.5
Current assets			
Inventories	15	4.6	4.1
Trade and other receivables	17	56.0	48.2
Held for sale property	13	1.3	1.3
Cash and cash equivalents	21	44.2	7.2
		106.1	60.8
Total assets		**383.6**	**210.3**
LIABILITIES			
Current liabilities			
Trade and other payables	18	(73.4)	(45.1)
Financial liabilities – lease liabilities	20	(6.3)	(5.6)
Current tax liabilities		(1.5)	-
Provisions	23	(0.4)	-
		(81.6)	(50.7)
Non-current liabilities			
Trade and other payables	18	(7.7)	(8.8)
Financial liabilities – borrowings	19	-	(38.5)
Financial liabilities – lease liabilities	20	(13.6)	(9.7)
Deferred tax liability	22	(16.5)	(5.5)
Provisions	23	(0.8)	(0.4)
		(38.6)	(62.9)
Total liabilities		**(120.2)**	**(113.6)**
Net assets		**263.4**	**96.7**
EQUITY			
Share capital	24	38.5	22.9
Share premium account	25	219.1	66.5
Merger relief reserve	26	6.2	5.4
Other reserves	26	0.4	1.0
Retained earnings	27	(0.8)	0.9
Equity attributable to the owners of the parent		**263.4**	**96.7**

* See note 1 for details of a prior year restatement

These financial statements were approved by the Board of Directors and authorised for issue on 2 July 2021 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 2021

	Note	Year ended 31 March 2021 £'m	Year ended 31 March 2020 £'m
Net cash generated from operations	28	**32.0**	**14.2**
Net finance costs		(1.2)	(0.8)
Income taxes paid		(2.5)	(2.2)
Net cash generated from operating activities before acquisition and restructuring costs		**28.3**	**11.2**
Acquisition and restructuring costs	5	(7.9)	(7.8)
Net cash generated from operating activities		**20.4**	**3.4**
Cash flows used in investing activities			
Purchase of property, plant and equipment		(4.5)	(2.9)
Disposal of property, plant and equipment		0.6	0.2
Purchase of subsidiary undertakings, net of cash acquired	11	(68.0)	(20.6)
Disposal of non-core business	31	-	1.5
Cash flows used in investing activities		**(71.9)**	**(21.8)**
Cash flows from financing activities			
Proceeds from share issues		169.8	20.0
Repayment of bank borrowings		(118.5)	(9.4)
Repayment of debt upon purchase of subsidiary undertaking		(30.6)	(7.7)
New bank loans raised		80.0	21.2
Cost of share issues		(4.9)	(0.7)
Lease repayments		(7.3)	(6.0)
Other financing activities		-	0.5
Net cash generated from financing activities		**88.5**	**17.9**
Net increase/(decrease) in cash and cash equivalents		**37.0**	**(0.5)**
Cash and cash equivalents at start of year		**7.2**	**7.7**
Cash and cash equivalents at end of year	21	**44.2**	**7.2**
Cash and cash equivalents shown above comprise:			
Cash at bank		44.2	7.2

Notes to the Group financial statements

For the year ended 31 March 2021

1. GENERAL INFORMATION

Marlowe plc (the "Company") and its subsidiaries (together referred to as the "Group") is focused on developing companies which 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 2 July 2021.

Exemption from audit

For the year ended 31 March 2021 Marlowe plc has provided a guarantee in respect of all liabilities due by its following subsidiaries: Advance Environmental Limited, Aquatreat Chemical Products Limited, Aquatreat Group Limited, Aquatreat UK Limited, Atana (Scotland) Limited, Atana Ltd, BBC Fire Protection Limited, Black & Banton Occupational and Physical Health Limited, Caritas Group Limited, Caritas Limited, Cirrus Holdco Limited, Clouds Ultimate Manager Limited, Connect Monitoring Ltd, DeltaNet International Limited, Deminos Consulting Ltd, Ellis Whittam (Holdings) Limited, Ellis Whittam Limited, Elogbooks Facilities Management Limited, Elogbooks Facilities Services Ltd, Elogbooks Holdings Ltd, Empire HR Group Limited, ESP Law Limited, ESP Safeguard Limited, Eurosafe Plus Limited, Eurosafe UK (CDM Services) Limited, Eurosafe UK Group Limited, Eurosafe UK Ltd, Fire & Security (Group) Limited, Fire Alarm Fabrication Services (South) Limited, Fire Alarm Fabrication Services Limited, FSE Fire & Security Limited, FSE Security Systems Ltd, FSE Sprinklers & Risers Limited, G.P.C.S Limited, Hadrian Technology Limited, Hentland Limited, Independent Functional Assessments Ltd, Island Fire Protection Limited, Kingfisher Environmental Services Limited, Law At Work (Group) Limited, Law at Work (Holdings) Limited, Law at Work (IS) Ltd, Law at Work Empire Limited, Law at Work Limited, Managed Medical Care Ltd, Managed Occupational Health Limited, Marlowe 2016 Limited, Marlowe Fire & Security Group Limited, Marlowe Kitchen Fire Suppression Limited, MOH Limited, Morgan Fire Protection Limited, Nestor Business Consulting Limited, Network of Staff Supporters Limited, Nile Holdco Limited, N-ov 8 Group Limited, Occpsych Ltd, Quantum Risk Management Ltd., Solve HR Limited, Square Circle HR Ltd., Tersus Consultancy Limited, Tersus Training Services Ltd, The HR Services Partnership Limited, WCS Services Invicta Limited, William Martin 2018 Limited, William Martin Firefly Ltd, WPL s.r.o., Wrightway Health Limited, Youmanage HR Ltd, The Employment Services Partnership Limited. This entitles them to exemption from audit under 479A of the Companies Act 2006 relating to subsidiary companies.

Re-presentation of comparative consolidated statement of financial position and consolidated statement of changes in equity

Under s612 of the Companies Act, the Company is required to represent the premium arising on ordinary shares issued as consideration for an acquisition of shares in another company through a merger relief reserve. Prior to 1 April 2019, the Company had in error previously classified £5.4m of premium on shares issued as consideration through share premium. As a result, the prior year financial statements have reclassified £5.4m of share premium to merger relief reserve. A third balance sheet has not been presented as this is not considered to provide a user of the financial statements with any additional information.

An additional £1.6m of goodwill and contingent consideration payable has been recognised in the statement of financial position as at 31 March 2020 as a result of an error identified in determining the provisional fair values of the Law At Work acquisition made in the prior year.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements of Marlowe plc have been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 ("IFRS") and the applicable legal requirements of the Companies Act 2006.

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 4 to 37.

The Group meets its day-to-day working capital requirements through cash generated from operations and its financing facility which is due to expire in November 2023. 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 sustained material event reducing revenues by 30% over the next twelve months. Whilst the Group saw some disruption from COVID-19 during the 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 throughout the year. 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, successful placings of 28,302,330 shares during the financial year have raised gross proceeds of £170m. 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. 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 next twelve months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The Group's financial statements consolidate those of the parent company and all of its subsidiaries as of 31 March 2021. All subsidiaries have a reporting date of 31 March.

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 and stipulate the Group will obtain full ownership if the option were to lapse, 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.

2. SIGNIFICANT ACCOUNTING POLICIES continued
Control and ownership of acquired companies continued

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 are recognised in accordance with IFRS 9 in the statement of comprehensive income.

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.

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 makers are the Chief Executive and Group Finance Director who review and scrutinise the performance of each of the Group's businesses on a regular basis. During the year and following the acquisition of Ellis Whittam in October 2021, Marlowe's presence in the Employment Law, HR and Occupational Health sector changed materially. This acquisition, combined with others in the sector, resulted in the reportable segment structure used in the prior year being no longer an appropriate reflection of how the chief operating decision makers make operating and resource allocation decisions. As a result, and following a wider divisional reorganisation, the Company presents two reportable segments, Governance, Risk & Compliance ("GRC"); and Testing, Inspection & Certification ("TIC").

In accordance with IFRS 8, aggregation criteria has been applied to five operating segments where similar economic characteristics are shared. The HR, Employment Law & Occupational Health, and Health & Safety operating segments have been aggregated into GRC. Fire Safety & Security, Water & Air Hygiene and Elogbooks Contractor Management Software have been aggregated into TIC.

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 is 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.

Where revenue is recognised over time it does so as either the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs or the entity's performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced.

The Group enters into sales transactions involving a range of products and services which include:

Maintenance and support service contracts
The Group enters into fixed price maintenance and support service contracts with its customers to deliver specified services for periods typically ranging from one month to three years in length. Customers are required to either pay on delivery of the service or in advance. Payments received in advance of performance obligations being satisfied are recorded as contract liabilities.

These agreements provide customers with regularly scheduled maintenance visits or access to support software or professional advice. The contracts consist of a single performance obligation that is either, transferred over time (i.e. the contract period) because they involve a series of services that are substantially the same and the benefit of each service is received and consumed immediately, or a point in time upon delivery of the service. Revenue is recognised in the consolidated statement of comprehensive income either upon delivery or on a straight line basis over the period of the contract. It is measured based on the allocation of transaction prices to performance obligations based on stand-alone selling prices.

Subscription based maintenance and support service contracts
For contracts with multiple components to be delivered such as employment law and HR services, management applies judgement to consider whether those promised goods and services are:

(i) distinct – to be accounted for as separate performance obligations;
(ii) not distinct – to be combined with other promised goods or services until a bundle is identified that is distinct; or
(iii) part of a series of distinct goods and services that are substantially the same and have the same pattern of transfer to the customer.

At contract inception the total transaction price is estimated, being the amount to which the Group expects to be entitled and has rights to under the present contract. This includes an assessment of any variable consideration where the Group's performance may result in additional revenues based on the achievement of agreed KPIs. Such amounts are only included based on the expected value, or the most likely outcome method, and only to the extent that it is highly probable that no revenue reversal will occur. The transaction price does not include estimates of consideration resulting from change orders for additional goods and services unless these are agreed.

Once the total transaction price is determined, the Group allocates this to the identified performance obligations.

Licence and subscription services
Software licences and subscriptions delivered by the Group can either be right to access (active) or right to use (passive) licences, which determines the timing of revenue recognition. The assessment of whether a licence is active or passive involves judgement.

The key determinant of whether a licence is active is whether the Group is required to undertake continuing activities that significantly affect the licensed intellectual property (or the customer has a reasonable expectation that it will do so) and the customer is, therefore, exposed to positive (or negative) impacts resulting from those changes. The Group is in a majority of cases responsible for any maintenance, continuing support, updates and upgrades, and accordingly the sale of the initial software is not distinct. All other licences which have significant standalone functionality are treated as passive licences.

The Group considers for each contract that includes a separate licence performance obligation all the facts and circumstances in determining whether the licence revenue is recognised over time (active), where the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs, or at a point in time (passive) from the go live date of the licence.

Sale of goods
Revenue from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which generally is at the time of delivery. It is measured based on the allocation of transaction prices to performance obligations based on stand-alone selling prices.

Bespoke solutions
The Group also supplies customers with fire safety and water treatment installations and bespoke software solutions. Revenue is recognised by measuring progress towards completion of the performance obligation using an input-based method, assessing the entity's efforts or inputs to the satisfaction of a performance obligation (for example, resources consumed, labour hours expended, costs incurred, time elapsed or machine hours used) relative to the total expected inputs to the satisfaction of that performance obligation.

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.

2. SIGNIFICANT ACCOUNTING POLICIES continued

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, credit losses experienced and forward looking estimates. 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.

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 acquisition costs, restructuring costs, amortisation of acquisition intangibles, movements in contingent consideration, legacy long term incentives, loss on disposal of non-core business 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 it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and the cost of the asset 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 fifteen 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 valuation of future cash flows. 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.

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

The Group makes the use of leasing arrangements principally for the provision of office space, production plants, warehousing, plant and equipment and motor vehicles. Rental contracts are typically made for fixed periods and some of these may have extension terms. 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. The Group does not enter into sale and leaseback arrangements. 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).

The Group has not utilised the exemptions available in 'Covid-19-Related Rent Concessions (Amendment to IFRS 16)'.

For all new contracts entered into by the Group, 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; and
- the Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Leased assets continued

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 Group's incremental borrowing rate because as the lease contracts are negotiated with third parties it is not possible to determine the interest rate that is implicit in the lease. The incremental borrowing rate is the estimated rate that the Group would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. This rate is adjusted should the lessee entity have a different risk profile to that of the Group.

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.

The lease liability is reassessed when there is a change in the lease payments. Changes in lease payments arising from a change in the lease term or a change in the assessment of an option to purchase a leased asset. The revised lease payments are discounted using the Group's incremental borrowing rate at the date of reassessment when the rate implicit in the lease cannot be readily determined. The amount of the remeasurement of the lease liability is reflected as an adjustment to the carrying amount of the right-of-use asset. The exception being when the carrying amount of the right-of-use asset has been reduced to zero then any excess is recognised in profit or loss.

To respond to business needs particularly in the demand for office space, the Group will enter into negotiations with landlords to either increase or decrease available office space or to renegotiate amounts payable under the respective leases. In some instances, the Group is able to increase office capacity by taking additional floors available and therefore agrees with the landlord to pay an amount that is commensurate with the stand-alone pricing adjusted to reflect the particular contract terms. In these situations, the contractual agreement is treated as a new lease and accounted for accordingly.

In other instances, the Group is able to negotiate a change to a lease such as reducing the amount of office space taken, reducing the lease term or by reducing the total amount payable under the lease. Both of which were not part of the original terms and conditions of the lease. In these situations, the Group does not account for the changes as though there is a new lease. Instead, the revised contractual payments are discounted using a revised discount rate at the date that the lease is effectively modified. For the reasons explained above, the discount rate used is the Group's incremental borrowing rate determined at the modification date, as the rate implicit in the lease is not readily determinable. The remeasurement of the lease liability is dealt with by a reduction in the carrying amount of the right-of-use asset to reflect the full or partial termination of the lease for lease modifications that reduce the scope of the lease. Any gain or loss relating to the partial or full termination of the lease is recognised in profit or loss. The right-of-use asset is adjusted for all other lease modifications.

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.

Lease payments not recognised as a liability

The Group has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight line basis.

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2021 £'m	2020 £'m
Short term leases	0.2	0.7
Leases of low value assets	0.1	0.1

Investments

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

An impairment test is performed on the carrying value of the investment when there is an impairment trigger. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount.

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 and other receivables are recorded initially at fair value and subsequently measured at amortised cost less provision with the exception of contingent 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, credit losses experienced and forward looking estimates. 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.

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. These are held at amortised cost.

The cash and cash equivalents in the parent company financial statements is disclosed exclusive of group cash pooling arrangements, on the basis that the individual subsidiaries continue to control the cash (2021: £28.0m; 2020: £11.8m).

Assets held for sale

Assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. The condition is regarded as met only when a sale is highly probable and the asset is available for immediate sale in its present condition. Management must be committed to the sale which should be expected to qualify for recognition as a completed sale within one year from the date of classification. If this condition is no longer met the assets held for continuing use are transferred out of assets held for sale in the current year.

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 and subsequently recognised at amortised cost. 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.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Taxation

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

Current tax

Current tax 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.

Long term incentive plans

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. The Group also has in place long term incentive plans for certain directors and employees which are cash settled and calculated by reference to the financial performance of the relevant business. The fair value is recognised over the vesting period by discounting the expected liability at an appropriate pre-tax discount rate.

Further details of the Group's Incentive Schemes are documented in note 30.

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.

Government grants

Government grants are recognised in the Consolidated Statement of comprehensive income so as to match with the related expenses that they are intended to compensate.

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.

Cash generative units

The cash generative units ("CGUs") represent the smallest identifiable group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Following a material change in operations as a result of the expansion of the Group into the Employment Law, HR and Occupational Health sector coupled with the continued integration of its existing businesses, management deems its five operating segments to be the groups of CGUs relevant for impairment testing.

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. 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.

Control and ownership of acquired companies

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 and stipulate the Group will obtain full ownership if the option were to lapse, 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.

Discontinued operations

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

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.

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

Valuation of separable intangibles on acquisition
When valuing the customer relationships and application software 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. Separable intangibles valued on acquisitions made in the year were £56.9m (2020: £12.0m) in respect of customer relationships and £8.5m (2020: £nil) 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 36.*

Valuation of contingent consideration payable
When acquiring a business, consideration may become payable subject to the achievement of certain performance targets by the acquired business in the future. The fair value of this contingent consideration is determined by assessing the projected performance forecasts of the business and discounting the estimated consideration that would become payable if these forecasts were achieved. The discount rate used is based on a risk-free rate adjusted for asset-specific risks.

Valuation of contingent consideration receivable
During the previous 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 new and revised standards
As at 31 March 2021, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 March 2021: Covid-19 related Rent Concessions - Amendments to IFRS 16; Interest Rate Benchmark Reform - Phase 2 - Amendments to IFRS7, IFRS 4 and IFRS 16; Classification of Liabilities as Current or Non-current - Amendments to IAS 1; Property Plant and Equipment: Proceeds before intended use - Amendments to IAS 16; Reference to the Conceptual Framework - Amendments to IFRS 3; Onerous Contracts - Cost of Fulfilling a Contract - Amendments to IAS 37; Annual Improvements to IFRS Standards 2018-2022; and Sale or contribution of assets between an investor and its associate or joint venture - Amendments to IFRS 10 and IAS 28.

These new standards and interpretations are not expected to have a material effect on the Group financial statements.

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 2021 and 2020 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 to be 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 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.

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, merger relief reserve, 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 2021 and prior year ended 31 March 2020.

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

	2021 £'m	2020 £'m
Cash at bank	44.2	7.2
Bank loans due after one year	0.0	(38.5)
Leases due within one year	(6.7)	(5.6)
Leases due after one year	(13.2)	(9.7)
Net cash/(debt)	**24.3**	**(46.6)**

Under the terms of its financing facility 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.

4. SEGMENTAL ANALYSIS

The Group is organised into two main reporting segments, Governance, Risk & Compliance ("GRC") and Testing, Inspection & Certification ("TIC"). 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, movements in contingent consideration, legacy long term incentives and loss on disposal of non-core business. 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.

	2021				2020			
Continuing operations	**GRC £'m**	**TIC £'m**	**Head Office £'m**	**Total £'m**	**GRC £'m**	**TIC £'m**	**Head Office £'m**	**Total £'m**
Revenue	34.7	165.0	-	199.7	14.6	175.6	-	190.2
Inter-segment elimination	(0.1)	(7.6)	-	(7.7)	-	(4.8)	-	(4.8)
Revenue from external customers	34.6	157.4	-	192.0	14.6	170.8	-	185.4
Segment adjusted operating profit/(loss)	10.3	12.1	(2.7)	19.7	4.0	13.0	(2.2)	14.8
Acquisition costs				(2.2)				(1.1)
Restructuring costs				(5.6)				(6.7)
Amortisation of acquisition intangibles				(6.5)				(3.4)
Movements in contingent consideration				(0.2)				-
Legacy long term incentives				(4.2)				(0.7)
Operating profit				1.0				2.1
Finance costs				(2.6)				(1.6)
(Loss)/profit before tax				(1.6)				0.5
Tax charge				(0.1)				(0.9)
Loss after tax				(1.7)				(0.4)
Segment assets	32.9	76.0	274.7	383.6	9.4	63.5	137.4	210.3
Segment liabilities	(19.6)	(60.5)	(40.1)	(120.2)	(5.7)	(45.2)	(62.7)	(113.6)
Capital expenditure	(1.2)	(3.1)	(0.3)	(4.6)	(0.4)	(2.5)	-	(2.9)
Depreciation and amortisation	(1.0)	(7.8)	(8.7)	(15.5)	(0.2)	(7.1)	(3.4)	(10.7)

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

Reconciliation of segment adjusted operating profit to adjusted EBITDA

	2021				2020			
Continuing operations	**GRC £'m**	**TIC £'m**	**Head Office £'m**	**Total £'m**	**GRC £'m**	**TIC £'m**	**Head Office £'m**	**Total £'m**
Segment adjusted operating *profit/(loss)*	10.3	12.1	(2.7)	19.7	4.0	13.0	(2.2)	14.8
Depreciation	1.0	7.8	0.2	9.0	0.1	7.2	-	7.3
Adjusted EBITDA	**11.3**	**19.9**	**(2.5)**	**28.7**	**4.1**	**20.2**	**(2.2)**	**22.1**

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 Group's 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 2021, no customers (2020: nil) individually accounted for more than 10% of the Group's total revenue.

5. RESTRUCTURING COSTS

Restructuring costs, being the costs associated with the integration of acquisitions, are a key component of acquisition and other costs and decreased to £5.6 million (2020: £6.7 million). While the number of acquisitions increased during the year the level of restructuring required was lower than the prior year. Significant progress has been made with the restructuring 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 £2.0 million were incurred in the year relating to the acquisition of Clearwater (2020: £4.2 million) with its integration into WCS Group largely complete.

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; 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 an acquisition.

6. OPERATING PROFIT

	2021 £'m	2020 £'m
The following items have been included in arriving at operating profit:		
Amortisation of acquisition intangibles	6.5	3.4
Amortisation of intangibles	0.4	-
Depreciation of property, plant and equipment	2.1	1.9
Depreciation of right of use assets	6.6	5.4
Legacy long term incentives	4.2	0.7
Staff costs	100.5	87.6
Auditors' remuneration*:		
– Parent and consolidated financial statements	0.2	0.1
– Audit of Company's subsidiaries pursuant to legislation	0.2	0.2
– Review of half yearly financial report	-	-
– Non-audit fees	0.1	0.1

* Audit fees of £197k (2020: £134k) in respect of the parent and consolidated financial statements and £241k (2020: £216k) in respect of the audit of the Company's subsidiaries were incurred during the year. £15k (2020: £15k) was incurred by the Group in respect of the review of the half yearly financial reports. Non-audit fees of £102k (2020: £63k) relate to due diligence work undertaken on the acquisition of Elogbooks and Ellis Whittam.

7. FINANCE COSTS

	2021 £'m	2020 £'m
Interest on bank loans and overdrafts	1.6	1.0
Amortisation of deferred finance costs	0.4	0.1
Interest costs from lease liabilities	0.6	0.5
Total	2.6	1.6

8. TAXATION

	2021 £'m	2020 £'m
Current tax:		
UK corporation tax on profit/loss for the year	2.0	0.4
Foreign tax	0.1	0.1
Adjustment in respect of previous periods	0.1	0.1
Total current tax	2.2	0.6
Deferred tax: (note 22)		
Current year	(1.9)	0.3
Adjustment in respect of previous periods	(0.2)	-
Total deferred tax	(2.1)	0.3
Total tax charge	0.1	0.9

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

	2021 £'m	2020 £'m
(Loss)/profit before tax	(1.6)	0.5
(Loss)/profit before tax multiplied by the rate of corporation tax of 19%	(0.3)	0.1
Effects of:		
Expenses not deductible for tax purposes	0.5	0.5
Prior year adjustments	(0.1)	0.1
Change in tax rates	-	0.2
Tax charge	0.1	0.9

In the Spring Budget 2021, the UK Government announced that the corporation tax rate would increase to 25% with *effect from 1 April 2023. Deferred taxes at the balance sheet date continue to be measured at 19% as the announced* change has not yet been substantively enacted.

9. EARNINGS PER ORDINARY SHARE

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

	2021	2020
Weighted average number of shares in issue	55,601,787	45,059,959
Total loss for the year	£(1.7)m	£(0.4)m
Total basic earnings per ordinary share (pence)	(3.1)p	(0.8)p
Weighted average number of shares in issue	55,601,787	45,059,959
Share options	888,604	1,437,476
Weighted average fully diluted number of shares in issue	56,490,391	46,497,435
Total fully diluted earnings per share (pence)	(3.1)p	(0.8)p

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:

	2021 £'m	2020 £'m
(Loss)/profit before tax	(1.6)	0.5
Adjustments:		
Acquisition costs	2.2	1.1
Restructuring costs	5.6	6.7
Amortisation of acquisition intangibles	6.5	3.4
Movements in contingent consideration	0.2	-
Legacy long term incentives	4.2	0.7
Loss on disposal of non-core business	-	0.8
Adjusted continuing profit for the year	17.1	13.2

9. EARNINGS PER ORDINARY SHARE continued
Adjusted earnings per share continued

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

	2021	2020
Adjusted profit before tax (£'m)	17.1	13.2
Tax at 19% (£'m)	(3.3)	(2.5)
Adjusted profit after tax (£'m)	13.8	10.7
Adjusted basic earnings per share (pence)	25.0	23.6
Adjusted fully diluted earnings per share (pence)	24.6	22.9

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 £254.1m and Group profit before tax would have been £10.6m. 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 Deminos Consulting Limited

On 28 May 2020, the Group acquired Deminos Consulting Limited ("Deminos"), a provider of subscription-based HR and employment law compliance services, for a total consideration of £0.5m, satisfied by the payment of £0.4m in cash on completion and £0.1m cash payable subject to the achievement of certain performance targets by the acquired business 9 months post completion.

The final fair values are shown to the right.

One hundred percent of the equity of Deminos 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 £24k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Deminos would have generated £0.9m revenue and £0.2m profit before tax.

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

Provisional fair values for acquisitions acquired in the current year

Acquisition of Elogbooks Facilities Management Limited, Elogbooks Facilities Services Limited and 4D Monitoring Limited

On 30 June 2020, the Group acquired Elogbooks Facilities Management, Elogbooks Facilities Services Limited and 4D Monitoring Limited (together "Elogbooks"), a provider of contractor management software and services, for a total consideration of £16.7m, satisfied by the payment of £10.4m in cash on completion, £3.9m in cash payable subject to the achievement of certain performance targets by the acquired business 12 and 24 months months post acquisition, and £2.4m contingent consideration satisfied by the issuance of put and call options. 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.

Eighty six percent of the equity of Elogbooks Facilities Management Limited and Elogbooks Facilities Services Limited, and forty nine per cent of the equity of 4D Monitoring Limited was acquired in this transaction. Acquisition costs of £312k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Elogbooks would have generated £5.8m revenue and £1.4m profit before tax.

	Fair value at acquisition £'m
Intangible assets – software	3.5
Intangible assets – customer relationships	4.1
Cash	3.0
Trade and other receivables	2.6
Right of use assets	0.7
Property, plant and equipment	0.1
Trade and other payables	(3.5)
Deferred tax liabilities	(1.5)
Leases	(0.7)
Tax liabilities	**(0.1)**
Net assets acquired	**8.2**
Goodwill	**8.5**
Consideration	**16.7**
Satisfied by:	
Cash to vendors	**10.4**
Contingent cash consideration satisfied by issuance of Put and Call Options	**2.4**
Contingent cash consideration to vendors	**3.9**

Acquisition of Caritas Group Limited

On 28 July 2020, the Group acquired Caritas Group Limited ("Caritas"), a provider of occupational health services, for a total consideration of £0.3m, satisfied by the payment of £0.2m 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 Caritas 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 £16k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Caritas would have generated £0.2m revenue and £0.1m loss before tax.

	Fair value at acquisition £'m
Cash	0.2
Intangible assets – customer relationships	0.1
Net assets acquired	**0.3**
Goodwill	-
Consideration	**0.3**
Satisfied by:	
Cash to vendors	**0.2**
Contingent cash consideration to vendors	**0.1**

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

Acquisition of Rainbow Water Services Limited

On 30 July 2020 the Group acquired Rainbow Water Services Limited ("Rainbow Water"), a provider of water treatment and hygiene services, for a total consideration of £0.8m, satisfied by the payment of £0.7m in cash on completion and £0.1m in cash payable subject to the achievement of certain performance targets by the acquired business 6 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 Rainbow Water 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 £17k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Rainbow Water would have generated £0.9m revenue and £0.3m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	0.2
Cash	0.4
Trade and other receivables	0.1
Property, plant and equipment	0.1
Trade and other payables	(0.1)
Deferred tax liabilities	(0.1)
Net assets acquired	**0.6**
Goodwill	**0.2**
Consideration	**0.8**
Satisfied by:	
Cash to vendors	**0.7**
Contingent cash consideration to vendors	**0.1**

Acquisition of Morgan Fire Protection Limited

On 24 September 2020 the Group acquired Morgan Fire Protection Limited ("Morgan Fire"), a fire safety services provider, for a total consideration of £6.4m, satisfied by the payment of £6.4m in cash on 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 Morgan Fire 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 £88k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Morgan would have generated £3.6m revenue and £0.5m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.0
Inventories	0.1
Cash	0.4
Right of use assets	0.5
Trade and other receivables	0.6
Property, plant and equipment	0.2
Trade and other payables	(0.8)
Loans receivable	0.7
Leases	(0.5)
Deferred tax liabilities	(0.3)
Tax liabilities	(0.1)
Net assets acquired	**2.8**
Goodwill	**3.6**
Consideration	**6.4**
Satisfied by:	
Cash to vendors	**6.4**

Acquisition of Ellis Whittam (Holdings) Limited

On 28 October 2020 the Group acquired Ellis Whittam (Holdings) Limited ("Ellis Whittam"), a provider of outsourced Employment Law, HR and Health & Safety services, for a total consideration of £31.4m, satisfied by the payment of £31.4m in cash on 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 Ellis Whittam 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 £1,145k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Ellis Whittam would have generated £17.0m revenue and £0.3m loss before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	35.2
Cash	5.2
Trade and other receivables	2.4
Right of use assets	1.0
Intangible assets – software	0.4
Deferred tax assets	0.2
Property, plant and equipment	0.1
Loans payable	(26.3)
Trade and other payables	(8.7)
Deferred tax liabilities	(6.7)
Interest payable	(2.8)
Lease liabilities	(1.0)
Tax liabilities	(0.1)
Net assets acquired	**(1.1)**
Goodwill	**32.5**
Consideration	**31.4**
Satisfied by:	
Cash to vendors	**31.4**

Acquisition of Black & Banton Occupational and Physical Health Limited

On 2 November 2020 the Group acquired Black & Banton Occupational and Physical Health Limited ("Black & Banton"), a provider of occupational health services, for a total consideration of £2.3m, satisfied by the payment of £1.9m in cash on completion and £0.4m 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 Black & Banton 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 £52k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Black & Banton would have generated £2.6m revenue and £1.0m profit before tax.

	Fair value at acquisition £'m
Loans receivable	0.9
Intangible assets – customer relationships	0.8
Cash	0.1
Trade and other receivables	0.3
Right of use assets	0.1
Trade and other payables	(0.1)
Deferred tax liabilities	(0.3)
Tax liabilities	(0.1)
Leases	(0.1)
Net assets acquired	**1.6**
Goodwill	**0.7**
Consideration	**2.3**
Satisfied by:	
Cash to vendors	**1.9**
Contingent cash consideration to vendors	**0.4**

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

Acquisition of Wrightway Health Limited

On 27 November 2020 the Group acquired Wrightway Health Limited ("Wrightway"), a provider of occupational health services, for a total consideration of £5.2m, satisfied by the payment of £4.2m in cash on completion and £1.0m 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 Wrightway 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 £76k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Wrightway would have generated £2.4m revenue and £0.8m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.2
Cash	0.6
Loans receivable	0.1
Trade and other receivables	0.2
Right of use assets	0.3
Trade and other payables	(0.5)
Deferred tax liabilities	(0.4)
Tax liabilities	(0.2)
Lease liabilities	(0.2)
Net assets acquired	**2.1**
Goodwill	**3.1**
Consideration	**5.2**
Satisfied by:	
Cash to vendors	**4.2**
Contingent cash consideration to vendors	**1.0**

Acquisition of Network of Staff Supporters Limited

On 4 December 2020 the Group acquired Network of Staff Supporters Limited ("NOSS"), a provider of Employee Assistance Program ("EAP") services, for a total consideration of £0.9m, satisfied by the payment of £0.7m in cash on completion and £0.2m 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 NOSS 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 £18k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year NOSS would have generated £0.6m revenue and £0.2m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	0.4
Trade and other receivables	0.2
Cash	0.1
Trade and other payables	(0.1)
Deferred tax liabilities	(0.1)
Net assets acquired	**0.5**
Goodwill	**0.4**
Consideration	**0.9**
Satisfied by:	
Cash to vendors	**0.7**
Contingent cash consideration to vendors	**0.2**

Acquisition of DeltaNet International Limited

On 18 December 2020 the Group acquired DeltaNet International Limited ("DeltaNet"), a provider of accredited health & safety, compliance & HR eLearning courses to companies across the UK and internationally, for a total consideration of £4.5m, satisfied by the payment of £3.5m in cash on completion and £1.0m satisfied by the issuance of a put and call option. 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.

Seventy six percent of the equity of DeltaNet 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 £72k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year DeltaNet would have generated £2.4m revenue and £0.5m profit before tax.

	Fair value at acquisition £'m
Intangible assets – software	2.4
Intangible assets – customer relationships	1.4
Cash	0.5
Trade and other receivables	0.3
Right of use assets	0.1
Trade and other payables	(1.0)
Lease liabilities	(0.1)
Deferred tax liabilities	(0.7)
Net assets acquired	**2.9**
Goodwill	**1.6**
Consideration	**4.5**
Satisfied by:	
Cash to vendors	**3.5**
Contingent cash consideration satisfied by issuance of a Put and Call Option	**1.0**

Acquisition of WPL Limited

On 6 January 2021 the Group acquired WPL Limited ("WPL"), a provider of wastewater treatment and compliance services, for a total consideration of £12.8m, satisfied by the payment of £11.9m in cash on completion and £0.9m satisfied by the issuance of 147,652 ordinary shares of Marlowe plc on completion. The shares are subject to a lock-in period of 24 months.

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 WPL 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 £153k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year WPL would have generated £9.5m revenue and £1.8m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	5.2
Cash	3.6
Trade and other receivables	1.1
Right of use assets	0.7
Inventories	0.4
Property, plant and equipment	0.5
Trade and other payables	(0.7)
Deferred tax liabilities	(1.9)
Leases	(1.1)
Net assets acquired	**7.8**
Goodwill	**5.0**
Consideration	**12.8**
Satisfied by:	
Cash to vendors	**11.9**
Ordinary shares in Marlowe plc to vendors	**0.9**

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

Acquisition of Hadrian Technology Limited

On 3 February 2021 the Group acquired Hadrian Technology Limited ("Hadrian"), a provider of CCTV and loss prevention technology solutions, for a total consideration of £9.1m, satisfied by the payment of £6.8m in cash on completion and £2.3m payable subject to the achievement of certain performance targets by the acquired business 12, 24, 36 and 48 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 Hadrian 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 £152k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Hadrian would have generated £11.0m revenue and £2.2m profit before tax.

	Fair value at acquisition £'m
Loans receivable	4.3
Intangible assets – customer relationships	2.3
Trade and other receivables	1.4
Cash	0.4
Property, plant and equipment	0.1
Trade and other payables	(1.0)
Deferred tax liabilities	(0.5)
Net assets acquired	**7.0**
Goodwill	**2.1**
Consideration	**9.1**
Satisfied by:	
Cash to vendors	**6.8**
Contingent cash consideration to vendors	**2.3**

Acquisition of HR Services Partnership Ltd

On 19 February 2021 the Group acquired HR Services Partnership Ltd ("HRSP"), a provider of HR compliance services, for a total consideration of £1.2m, satisfied by the payment of £1.1m in cash on completion and £0.1m 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 HRSP 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 £19k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year HRSP would have generated £1.2m revenue and £0.3m profit before tax.

	Fair value at acquisition £'m
Cash	0.5
Intangible assets – customer relationships	0.4
Trade and other receivables	0.2
Trade and other payables	(0.2)
Deferred tax liabilities	(0.1)
Net assets acquired	**0.8**
Goodwill	**0.4**
Consideration	**1.2**
Satisfied by:	
Cash to vendors	1.1
Contingent cash consideration to vendors	**0.1**

Acquisition of ESP Ltd, ESP Law Ltd and ESP Safeguard Ltd

On 2 March 2021 the Group acquired ESP Ltd, ESP Law Ltd and ESP Safeguard Ltd (together, "ESP"), a provider of employment law compliance services for a total consideration of £3.3m, satisfied by the payment of £2.4m in cash on completion and £0.9m 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 ESP 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 £65k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year ESP would have generated £1.1m revenue and £0.2m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.0
Trade and other receivables	0.4
Intangible assets - software	0.2
Trade and other payables	(0.8)
Loans payable	(0.4)
Deferred tax liabilities	(0.4)
Tax liabilities	(0.1)
Net assets acquired	**0.9**
Goodwill	**2.4**
Consideration	**3.3**
Satisfied by:	
Cash to vendors	**2.4**
Contingent cash consideration to vendors	**0.9**

Acquisition of YouManage HR Ltd

On 2 March 2021 the Group acquired YouManage HR Ltd ("YouManage"), a provider of HR software services for a total consideration of £1.5m, satisfied by the payment of £1.0m in cash on completion and £0.5m 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 YouManage 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 £30k have been charged to profit or loss.

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

	Fair value at acquisition £'m
Intangible assets – software	0.6
Cash	0.4
Intangible assets – customer relationships	0.2
Trade and other receivables	0.1
Trade and other payables	(0.3)
Deferred tax liabilities	(0.2)
Tax liabilities	(0.1)
Net assets acquired	**0.7**
Goodwill	**0.8**
Consideration	**1.5**
Satisfied by:	
Cash to vendors	**1.0**
Contingent cash consideration to vendors	**0.5**

12. INTANGIBLE ASSETS

	Goodwill £'m	Customer relationships £'m	Application software £'m	Total £'m
Cost				
1 April 2019	70.2	19.8	2.8	92.8
Arising on acquisition of subsidiaries (restated)	28.4	12.0	-	40.4
Additions	-	-	0.6	0.6
Disposals	(2.4)	-	-	(2.4)
31 March 2020 (restated)	96.2	31.8	3.4	131.4
Arising on acquisition of subsidiaries	62.0	56.9	7.1	126.0
Additions	-	-	2.3	2.3
Disposals	-	-	-	-
31 March 2021	**158.2**	**88.7**	**12.7**	**259.6**
Accumulated amortisation and impairment				
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
1 April 2020	-	6.3	0.3	6.6
Charge for the year	-	5.8	1.1	6.9
Disposals	-	-	-	-
31 March 2021	**-**	**12.1**	**1.4**	**13.5**
Carrying amount				
31 March 2021	**158.2**	**76.6**	**11.3**	**246.1**
31 March 2020 (restated)	**96.2**	**25.5**	**3.1**	**124.8**
31 March 2020	**94.6**	**25.5**	**3.1**	**123.2**

*See note 1 for details of a prior year restatement

The customer relationships and application software have a remaining life of between 1 and 15 years.

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

	£'m
Cost	
31 March 2020	**94.6**
Adjusted - LAW	1.6
31 March 2020 (Restated)	**96.2**
Adjusted - MOH	0.2
Acquired - Deminos	0.5
Acquired - Elogbooks	8.5
Acquired - Caritas	-
Acquired - Rainbow Water	0.2
Acquired - Morgan Fire	3.6
Acquired - Black & Banton	0.7
Acquired - Wrightway	3.1
Acquired - Ellis Whittam	32.5
Acquired - NOSS	0.4
Acquired - DeltaNet	1.6
Acquired - WPL	5.0
Acquired - Hadrian	2.1
Acquired - HRSP	0.4
Acquired - ESP	2.4
Acquired - YouManage	0.8
31 March 2021	**158.2**
Accumulated impairment	
1 April 2020 and March 2021	-
31 March 2021	**-**
Net book value	
31 March 2021	**158.2**
31 March 2020	**94.6**

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.

Law At Work (Holdings) Limited ("LAW") - the main change is to the consideration paid for the company as a result of an error identified in determining contingent consideration payable, increasing the value by £1.6m, which resulted in an increase in goodwill of £1.6m.

Managed Occupational Health Limited ("MOH") - the main change is to deferred tax liabilities, decreasing the value by £0.2m, which resulted in an increase of goodwill by £0.2m.

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

GRC	2021 £'m	2020 £'m
HR, Employment Law & Occupational Health	55.4	11.2
Health & Safety	27.3	27.3
Total	**82.7**	**38.5**

TIC	2020 £'m	2019 £'m
Fire Safety & Security	29.5	23.8
Water & Air Hygiene	37.5	32.3
Elogbooks Contractor Management Software	8.5	0.0
Total	**75.5**	**56.1**

Intangible assets that are acquired as part of a business combination and meet the criteria for separate recognition are recognised at fair value. Fair value is estimated using the income approach, typically using the Multi-Period Excess Earnings Method for those intangibles judged to be the primary assets acquired and the Distributor method for secondary intangibles. These methods involve estimating fair value by discounting excess earnings to present value at an appropriate rate of return.

Goodwill is calculated as the residual measure of the excess of the fair value of consideration paid and payable over the fair value of assets and liabilities acquired. The income methods used employ cash flow projections for appropriate periods, depending on the estimated life of the asset concerned, 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 assumed to grow perpetually at 2% per annum.

The growth rates for beyond the forecasted five years do not exceed the long-term average growth rate for the industry. The forecasts have been discounted at an average rate of 21.92% (2020: 21.81%). The key assumptions forming inputs to cash flows are in revenues and margins. Revenues for FY21 have been assessed by reference to existing contracts and market volumes. Margins have been assumed to grow in line 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 groups of CGUs which align with the Group's operating segments and 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%. The key assumptions forming inputs to the cash flows are in revenues, margins and discount rates applied. Budgeted revenues for FY22 have been assessed by reference to existing contracts and market volumes. Having begun moving out of the restructuring and integration phase, budgeted margins in FY22 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 FY22 budgets to contain reasonable and supportable assumptions.

The forecasts have been discounted at a pre-tax rate 11.29% (2020: 8.40%) for cash generating units in the GRC and TIC divisions. 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:

	GRC %	TIC %
Revenue growth – average over 5 years	10	2
Revenue growth – remainder	2	2
Cost growth – employee/overheads, average over 5 years	7	2

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 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	-	-	0.3	0.5	1.1
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	1.5	1.8	3.0	8.2
1 April 2020	0.6	1.3	1.5	1.8	3.0	8.2
Additions	-	1.2	0.4	0.7	0.1	2.4
Disposals	-	-	(0.6)	(0.2)	(0.9)	(1.7)
Acquisitions	0.1	0.1	0.5	0.2	0.5	1.4
31 March 2021	**0.7**	**2.6**	**1.8**	**2.5**	**2.7**	**10.3**
Accumulated depreciation						
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)
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	0.4	0.3	1.2	2.3
1 April 2020	0.2	0.2	0.4	0.3	1.2	2.3
Charge for the year	-	0.3	0.4	0.9	0.5	2.1
Disposals	-	0.0	(0.5)	(0.1)	(0.8)	(1.4)
31 March 2021	**0.2**	**0.5**	**0.3**	**1.1**	**0.9**	**3.0**
Net book value						
31 March 2021	**0.5**	**2.1**	**1.5**	**1.4**	**1.8**	**7.3**
31 March 2020	0.4	1.1	1.1	1.5	1.8	5.9

14. RIGHT OF USE ASSETS

	Leasehold property £'m	Plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost					
1 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**
1 April 2020	8.6	0.5	0.2	10.3	19.6
Additions	2.1	0.2	0.1	5.8	8.2
Disposals	-	-	-	-	-
Acquisitions	3.5	-	-	0.2	3.7
Effect of lease modifications	(1.2)	(0.1)	-	(0.2)	(1.4)
31 March 2021	**13.0**	**0.7**	**0.3**	**16.1**	**30.1**
Accumulated depreciation					
1 April 2019	-	-	-	-	-
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
1 April 2020	1.5	0.1	0.1	3.6	5.3
Charge for the year	2.1	0.1	0.1	4.2	6.6
Disposals	-	-	-	-	-
Effect of lease modifications	(0.5)	(0.0)	0.0	(0.1)	(0.6)
31 March 2021	**3.2**	**0.2**	**0.2**	**7.7**	**11.3**
Net book value					
31 March 2021	**9.8**	**0.5**	**0.1**	**8.4**	**18.8**
31 March 2020	7.1	0.4	0.1	6.7	14.3

Depreciation is charged to profit or loss as an administrative expense.
Refer to notes 2 and 20 for additional disclosures relating to leases and right of use assets.

15. INVENTORIES

	2021 £'m	2020 £'m
Finished goods and goods for resale	4.6	4.1

16. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

	31 March 2021 £'m	Business related changes £'m	Disposal of subsidiary £'m	Acquisition of subsidiary £'m	31 March 2020 £'m
Amounts due from contract assets included in trade and other receivables	6.1	0.2	-	0.5	5.4
	6.1	**0.2**	**-**	**0.5**	**5.4**

	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**

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 2021 £'m	Business related changes £'m	Disposal of subsidiary £'m	Acquisition of subsidiary £'m	31 March 2020 £'m
Deferred income included in trade and other payables	9.0	0.7	-	5.1	3.2
	9.0	**0.7**	**-**	**5.1**	**3.2**

	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**

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.

17. TRADE AND OTHER RECEIVABLES

	2021 £'m	2020 £'m
Trade receivables	41.0	35.8
Less: provision for impairment of trade receivables	(1.9)	(1.7)
Trade receivables – net	39.1	34.1
Other receivables	1.2	1.1
Amounts due from contract assets	6.1	5.4
Prepayments	4.2	2.4
Contingent consideration receivable in less than one year	5.4	5.2
	56.0	**48.2**
Non current		
Contingent consideration receivable in more than one year	3.8	3.9
	3.8	**3.9**

As at 31 March 2021, trade and other receivables includes amounts due from contract assets of £6.1m (2020: £5.4m). 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.

Contingent 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.

Trade receivables are provided for based on, and in accordance with IFRS 9, an expected credit loss ("ECL") model. The Group have utilised a simplified approach which is permitted by the standard, which applies a credit risk percentage based against receivables that are grouped in age brackets, which range from 60% of those over 120 days past due to 2% of those between 0 and 30 days past due.

As at 31 March 2021, trade receivables of £11.9m (2020: £12.4m) were past due but not impaired. These relate to a number of independent customers with no recent history of default.

18. TRADE AND OTHER PAYABLES

	2021 £'m	2020* £'m
Current		
Trade payables	20.0	13.6
Other taxation and social security	14.9	8.5
Other payables	2.7	1.1
Accruals	14.5	10.0
Deferred income	9.0	3.2
Contingent consideration payable in less than one year	12.3	8.7
	73.4	**45.1**
Non-current		
Contingent consideration payable in one to three years	7.7	8.8
	7.7	**8.8**

*See note 1 for details of a prior year restatement

Trade and other payables principally comprise amounts outstanding for trade purchases, ongoing costs and contingent consideration. Included within contingent consideration is £3.4m (2020: £3.5m) in respect of amounts due under put and call options. Included within accruals is £4.5m (2020: £0.9m) in respect of Long Term Incentive Plans (Note 30).

19. FINANCIAL LIABILITIES – BORROWINGS

	2021 £'m	2020 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	-	-
	-	-
Non-current		
Bank loans – secured	-	38.5
	-	**38.5**

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

	2021 £'m	2020 £'m
Cash at bank and in hand	44.2	7.2
Bank loans due after one year	-	(38.5)
Leases due within one year	(6.7)	(5.6)
Leases due after one year	(13.2)	(9.7)
Net cash/(debt)	**24.3**	**(46.6)**

Refer to notes 2 and 14 for additional disclosures relating to leases and right of use assets.

19. FINANCIAL LIABILITIES – BORROWINGS continued

Reconciliation of liabilities arising from financing activities

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Long-term borrowings £'m	Short-term borrowings £'m	Lease liabilities £'m	Total £'m
1 April 2020	**38.5**	**-**	**15.3**	**53.8**
Cash flows:				
Repayment	(118.5)	-	(7.3)	(125.8)
Repayment of debt upon purchase of subsidiary undertaking	(30.6)	-	-	(30.6)
Proceeds	80.0	-	-	80.0
Non-cash:				
Debt recognised upon purchase of subsidiary undertaking	30.6	-	-	30.6
Lease liabilities recognised upon purchase of subsidiary undertaking	-	-	3.6	3.6
Lease liabilities recognised in the year	-	-	8.3	8.3
31 March 2021	**-**	**-**	**19.9**	**19.9**
1 April 2019	**26.7**	**-**	**1.1**	**27.8**
Adoption of IFRS 16	-	-	8.7	8.7
Revised 1 April 2019	26.7	-	9.8	36.5
Cash flows:				
Repayment	(9.4)	-	(6.0)	(15.4)
Repayment of debt upon purchase of subsidiary undertaking	(7.7)	-	-	(7.7)
Proceeds	21.2	-	-	21.2
Non-cash:				
Debt recognised upon purchase of subsidiary undertaking	7.7	-	-	7.7
Lease liabilities recognised upon purchase of subsidiary undertaking	-	-	6.0	6.0
Lease liabilities recognised in the year	-	-	5.5	5.5
31 March 2020	**38.5**	**-**	**15.3**	**90.3**

20. FINANCIAL LIABILITIES: LEASE LIABILITIES

	2021 £'m	2020 £'m
Obligations under leases		
Repayable by instalments:		
In less than one year	6.3	5.6
In two to five years	11.6	7.4
Over five years	2.0	2.3
	19.9	**15.3**

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

	2021 £'m	2020 £'m
Cash at bank and in hand	44.2	7.2

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

	2021 £'m	2020 £'m
Financial assets measured at amortised cost	44.6	40.7
Financial liabilities measured at amortised cost	(57.7)	(49.0)

Currency and interest rate risk profile of financial liabilities

Marlowe refinanced its debt facility with HSBC UK Bank plc and National Westminster Bank plc on 20 November 2020. *For the period up to 20 November all bank borrowings were subject to floating interest rates, at LIBOR plus* a margin between 1.5% and 2.1%. Any undrawn borrowings were charged as a % of lending margin and were not exposed to interest rate changes. After 20 November all bank borrowings were subject to floating interest rates, at LIBOR plus a margin between 1.4% and 2.8%. Any undrawn borrowings continue to be charged as a % of lending margin and are not exposed to interest rate changes.

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 2021	-	-	**2.1**
Sterling at 31 March 2020	38.5	38.5	2.7

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

	2021 £'m	2020 £'m
3 months or less	-	38.5

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:

	2021 £'m	2020 £'m
3 months or less	-	-

21. FINANCIAL INSTRUMENTS continued

Interest rate sensitivity

At 31 March 2021, 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 £169k lower (2020: £133k). 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 rate changes has increased during the current year due to the increased 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:

	2021			2020		
	Bank debt £'m	Financial liabilities lease liabilities £'m	Total £'m	Bank debt £'m	Financial liabilities lease liabilities £'m	Total £'m
Within one year, or on demand	-	6.2	6.2	-	5.6	5.6
Between one and two years	-	11.7	11.7	38.5	7.4	45.9
Between two and five years	-	2.0	2.0	-	2.3	2.3
	-	19.9	19.9	38.5	15.3	53.8

Borrowing facilities

The Group has a £70m revolving credit facility and an additional accordion facility of £20m with HSBC UK Bank plc and National Westminster Bank plc which expires on 20 November 2023. £nil of the facility was drawn as at 31 March 2021. 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.

Fair value measurement of financial instruments

Financial assets and financial liabilities measured at fair value in the consolidated statement of financial position are grouped into three levels of a fair value hierarchy. The thee levels are defined based on the observability of significant inputs to the measurement, as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
- Level 3: unobservable inputs for the asset or liability

The following table shows the levels within the hierarchy of financial assets and liabilities measured at fair value on a recurring basis.

	Level 1 £'m	Level 2 £'m	Level 3 £'m	Total £'m
31 March 2021				
Financial assets				
Contingent consideration (Note 17)	-	-	9.2	9.2
Total assets	-	-	**9.2**	**9.2**
Financial liabilities				
Contingent consideration (Note 18)	-	-	(20.0)	(20.0)
Net fair value	-	-	**(10.8)**	**(10.8)**
31 March 2020				
Financial assets				
Contingent consideration (Note 17)	-	-	9.1	9.1
Total assets	-	-	**9.1**	**9.1**
Financial liabilities				
Contingent consideration (Note 18)	-	-	(17.5)	(17.5)
Net fair value	-	-	**(8.4)**	**(8.4)**

Measurement of fair value of financial instruments

Measurement of contingent consideration payable

When acquiring a business, consideration may become payable subject to the achievement of certain performance targets by the acquired business in the future. The fair value of contingent consideration is determined by assessing the projected performance forecasts of the business and discounting the estimated consideration that would become payable if these forecasts were achieved. The discount rate used is based on a risk-free rate adjusted for asset-specific risks.

Measurement of contingent consideration receivable

During the previous 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.

22. DEFERRED TAX

Summary of balances

	2021 £'m	2020 £'m
Deferred tax liabilities	(16.5)	(5.5)
Deferred tax asset	1.5	0.6
	(15.0)	**(4.9)**

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

	2021 £'m	2020 £'m
1 April	(4.9)	(3.6)
Charge to profit for the year	1.9	(0.3)
Adjustment in respect of previous periods	0.2	-
Acquisitions	(12.2)	(1.0)
31 March	**(15.0)**	**(4.9)**

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	Short term timing differences £'m	Total £'m
31 March 2019	(3.8)	-	(3.8)
Charge to income for the year	(0.2)	-	(0.2)
Acquisitions	(1.5)	-	(1.5)
31 March 2020	(5.5)	-	(5.5)
Charge to income for the year	1.2	-	1.2
Acquisitions	(11.7)	(0.5)	(12.2)
31 March 2021	**(16.0)**	**(0.5)**	**(16.5)**

Deferred tax assets

	Propery, plant & equipment timing differences £'m	Short term timing differences £'m	Total £'m
31 March 2019	0.2	-	0.2
Charge to income for the year	(0.1)	-	(0.1)
Acquisitions	0.5	-	0.5
31 March 2020	0.6	-	0.6
Charge to income for the year	(0.3)	1.0	0.7
Adjustment in respect of previous periods	0.2	-	0.2
31 March 2021	**0.5**	**1.0**	**1.5**

Tax losses of £1.4m (2019: £1.2m) have not been recognised as at 31 March 2021 as it is not considered probable that future taxable profits will be available against which the tax losses can be offset.

23. PROVISIONS

	Provisions £'m
1 April 2020	0.4
Acquired provision	0.8
Utilised/released	-
31 March 2021	**1.2**

	2021 £'m	2020 £'m
Current	0.4	-
Non-current	0.8	0.4
Total	**1.2**	**0.4**

Provisions relate to the future anticipated costs to restore leased properties into their original state at the end of the lease term.

24. CALLED UP SHARE CAPITAL

	2021 £'m	2020 £'m
Allotted, issued and fully paid:		
76,969,849 ordinary shares of 50p each (2020: 45,883,835 ordinary shares of 50p each)	38.5	22.9

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
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	
15 April 2020 - Marlowe 2016 Incentive Scheme Conversion	161,724	50p
26 June 2020 - Subscription Shares	4,410,430	478p
15 July 2020 - Subscription Shares	3,957,770	478p
31 July 2020 - Bonus Shares	46,048	500p
8 September 2020 - Consideration Shares ("William Martin")	365,613	506p
29 October 2020 - Subscription Shares	5,441,376	547p
7 January 2021 - Consideration Shares ("WPL")	147,652	605p
4 February 2021 - Marlowe 2016 Incentive Scheme Conversion	2,062,647	50p
19 May 2021 - Subscription Shares	14,492,754	690p
31 March 2021	**76,969,849**	

25. SHARE PREMIUM ACCOUNT

	2021 £'m	2020 £'m
1 April	66.5	54.9
Prior year reclassification	-	(5.4)
1 April (restated)*	66.5	49.5
Premium on shares issued during the year	157.5	17.7
Share issue costs	(4.9)	(0.7)
31 March	**219.1**	**66.5**

*See note 1 for details of a prior year restatement

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.

26. OTHER RESERVES

a) Other reserves

	2021 £'m	2020 £'m
1 April	1.0	0.9
Charge for the year	0.5	0.3
Marlowe 2016 Incentive Scheme conversion	(1.1)	(0.2)
31 March	**0.4**	**1.0**

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

b) Merger relief reserve

	2021 £'m	2020 £'m
1 April	5.4	-
Prior year reclassification	-	5.4
1 April (restated)*	5.4	5.4
Issue of shares	0.8	-
31 March	**6.2**	**5.4**

*See note 1 for details of a prior year restatement

The merger relief reserve represents the premium on ordinary shares issued as consideration for the acquisition of shares in another company. During the year £0.8m of share premium was recognised on the acquisition of WPL.

27. RETAINED EARNINGS

	2021 £'m	2020 £'m
1 April	0.9	1.3
Loss for the year	(1.7)	(0.4)
31 March	**(0.8)**	**0.9**

28. NET CASH GENERATED FROM OPERATIONS

	2021 £'m	2020 £'m
Continuing operations		
(Loss)/profit before tax	(1.5)	0.5
Depreciation of property, plant and equipment	8.9	7.3
Amortisation of intangible assets	6.5	3.4
Net finance costs	2.6	1.6
Acquisition costs	2.2	1.1
Movements in contingent consideration	0.2	-
Restructuring costs	5.7	6.7
Legacy long term incentives	4.2	0.7
Loss on disposal of non-core business	-	0.8
Decrease/(increase) in inventories	0.3	(0.3)
Decrease/(increase) in trade and other receivables	0.3	(6.0)
Increase/(decrease) in trade and other payables	2.6	(1.6)
Net cash generated from operations	**32.0**	**14.2**

29. 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 £2.5m (2020: £2.0m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

30. LONG TERM INCENTIVE PLANS

The Group operates a number of long term incentive schemes to incentivise and reward management and employees. Legacy incentive plans were 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. These are presented within acquisition and other costs. Charges relating to all other plans are recognised through administrative expenses.

Long term incentive plans recognised through administrative expenses

Marlowe plc Long Term Incentive Plans

Alex Dacre and Mark Adams are the sole participants of the Group's Long Term Incentive Plans which drive and reward the achievement of the Group's longer-term objectives and to support retention.

Marlowe plc Long Term Incentive Plan 2019

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 (2020: £0.1m) was recognised in administrative expenses in respect of the Long Term Incentive Plan 2019.

Marlowe plc Long Term Incentive Plan 2020

63,380 of the New Share Options have been granted to Alex Dacre and 26,400 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 2023 (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 2030.

A charge of £0.1m (2020: £nil) was recognised in administrative expenses in respect of the Long Term Incentive Plan 2020.

2020 Save As You Earn Scheme

The Group operates a Save As You Earn ("SAYE") scheme which is open to all employees with more than 3 months continuous service. This is an approved HMRC scheme and was established in September 2020.

Under the SAYE, participants remaining in the Group's employment at the end of the three years savings period are entitled to use their savings to purchase shares in the Company at a stated exercise price.

Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving. 699,000 SAYE options were granted during the year.

Options were valued using a stochastic model. The fair value per option and the assumptions used in the calculation for the options issued in 2021 were as follows.

Grant date	*2021*
Share price at grant date	509p
Exercise price	460p
Share options	*699,000*
Expected volatility	31%
Risk free rate	1%
Fair value per option	*260p*

The total fair value of options issued during the year was £1.8m. The volatility was measured by calculating the standard deviation of the natural logarithm of share price movements.

A charge of £0.1m (2020: £nil) was recognised in respect of the SAYE scheme.

Legacy long term incentives recognised through acquisition and other costs

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 were 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 were 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 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 redemption, the aggregate value of the B Shares is 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 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 would 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.

30. LONG TERM INCENTIVE PLANS continued
Marlowe 2016 Incentive Scheme continued

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%

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 £0.2m (2020: £0.3m) was recognised in the year in respect of the Marlowe 2016 Incentive Scheme.

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

	2021	2020
Alex Dacre	-	5,460
Charles Skinner	-	1,183

During the year all remaining historical awards under the Marlowe 2016 Incentive Scheme were converted into Marlowe plc Ordinary Shares. 1,559,669 Ordinary Shares were issued to Alex Dacre and 337,928 Ordinary Shares were issued to Charles Skinner in respect of the 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	1 August 2020
Share price at grant date	320p	360p	340p	440p	440p
Number of employees	2	1	1	1	1
Phantom shares granted	170,000	50,000	151,515	25,000	15,000
Vesting period	3-4	3-4	3-4	2	2
Expected volatility	35.31	35.31	35.31	35.31	35.31
Risk free rate	0.02%	0.02%	0.02%	0.02%	0.02%
Fair value per phantom share	720p	719p	744p	627p	612p

Long Term Investment Plan

LTIP awards remain in place for Robert Flinn, Chief Executive of the Fire & Security businesses, Phil Greenwood, Chief Executive of the Water & Air businesses, and Beatriz Shorrock, Chief Executive of William Martin, which can be exercised between the third and fifth year of their employment, which commenced on 1 September 2019, 3 January 2018 and 1 April 2019 respectively. The LTIP Awards have been extended to certain senior management individuals of the Fire, Water and William Martin businesses. The LTIP is calculated by reference to the financial performance of the Fire & Security, Water & Air and William Martin 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 £4.0m (2020: £0.4m) was recognised in respect of the Phantom Award Scheme and Long Term Investment Plan.

As at 31 March 2021, the liability was £4.5m (2020: £0.8m).

31. DISPOSAL OF NON-CORE BUSINESS

	2021 £'m	2020 £'m
Loss on disposal of non-core business	-	(0.8)

On 30 March 2020 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.

32. DIRECTORS AND EMPLOYEES

Staff costs during the year

	2021 £'m	2020 £'m
Wages and salaries	84.6	76.7
Social security costs	9.1	8.2
Post employment benefits	2.6	2.0
Legacy long term incentives	4.2	0.7
	100.5	**87.6**

Average monthly number of employees during the year

	2021 Number	2020 Number
Directors	5	5
Management	299	340
Operatives	1,283	1,140
Administration	621	469
Sales	238	176
	2,446	**2,130**

Total amounts for Directors' remuneration and other benefits

	2021 £'m	2020 £'m
Emoluments for Directors' services		
Salary and benefits	0.8	0.7
Long term incentives vesting	11.7	-
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	0.4	0.4
Long term incentives vesting	9.6	-

Key management compensation

	2021 £'m	2020 £'m
Short-term employment benefits	1.6	1.7
Social security costs	0.2	0.2
Post employment benefits	0.1	-
Other benefits	-	0.1
Share-based payments charge	0.8	0.3
Long term incentives vesting	10.8	-
	13.5	**2.3**

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

33. GOVERNMENT GRANTS

During the year, the Group took advantage of the UK government's Coronavirus Job Retention Scheme (CJRS) which was rolled out in response to the COVID-19 pandemic and provides wage subsidies for companies that have had to shut or scale down operations as a result of the pandemic.

The Group has elected to deduct the grants received from the related expense. The Group received grants of £4.1m in 2021 (2020: £nil).

34. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

The remuneration of key management personnel and details of the Directors' emoluments are shown in note 32.

No trading related party transactions were identified in the year.

35. POST BALANCE SHEET EVENTS

On 1 April 2021 the Company acquired Agriteck Solutions Limited, a water treatment business, 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 months post acquisition.

On 7 May 2021 the Company acquired the assets of One Price Fire Protection Limited ("One Price"), a fire safety services provider, for a consideration of £0.1m, satisfied by the payment of £0.1m in cash on completion.

On 7 May 2021 the Company acquired Integral Occupational Health Limited, a provider of occupational health services, for a total consideration of £2.4m, satisfied by the payment of £2.2m in cash on completion and £0.2m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 21 May 2021 the Company acquired Cylix Limited, a provider of accredited equality, diversity, wellbeing and health & safety eLearning courses to companies across the UK, for a total consideration of £1.2m satisfied by the payment of £1.1m 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.

On 26 May 2021 the Company acquired Musketeer Services Limited, a provider of water hygiene, treatment and compliance services, for a total consideration of £4.5m, satisfied by the payment of £4.3m in cash on completion and £0.2m cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 28 May 2021 the Company acquired Alarm Communication Limited, a provider of fire safety and security services, for a total consideration of £7.3m satisfied by the payment of £6.0 million in cash on completion and £1.3m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 9 June 2021 the Company acquired Healthwork (incorporated as Gel Limited), a national provider of occupational health services for a total consideration of £17.2m satisfied by the payment of £14.2m in cash on completion and £3.0m in cash payable subject to the achievement of certain performance targets by the acquired business 12months post acquisition.

On 15 June 2021 the Company acquired Cater Leydon Millard Ltd, an employment law compliance specialist, for a total consideration of £2.5m, satisfied by the payment of £2.0m in cash on completion and £0.5m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 29 June 2021 the Company acquired CQC Compliance Ltd, a care quality compliance consultancy, for a total consideration of £2.0m, satisfied by the payment of £0.6m in cash on completion and £1.4m in cash payable subject to the achievement of certain performance targets by the acquired business 12, 24, 36 and 48 months post acquisition.

Company statement of changes in equity

For the year ended 31 March 2021

	Attributable to owners of the parent					
	Share capital £'m	Share premium £'m	Merger relief reserve £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 April 2019	20.4	54.9	-	0.9	(7.0)	69.2
Prior year reclassification	-	(5.4)	5.4	-	-	-
Balance at 1 April 2019 (restated)*	20.4	49.5	5.4	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	0.0	(0.2)	-	20.0
Issue costs	-	(0.7)	0.0	-	-	(0.7)
Share-based payments	-	-	-	0.3	-	0.3
	2.5	**17.0**	**0.0**	**0.1**	**-**	**19.6**
Balance at 31 March 2020	**22.9**	**66.5**	**5.4**	**1.0**	**(9.2)**	**86.6**
Balance at 1 April 2020	22.9	66.5	5.4	1.0	(9.2)	86.6
Loss for the year	-	-	-	-	(9.5)	(9.5)
Total comprehensive income for the year	-	-	-	-	(9.5)	(9.2)
Transactions with owners						
Issue of shares during the year	15.4	155.8	-	(1.1)	-	170.1
Issue costs	-	(4.9)	-	-	-	(4.9)
Acquisition	0.2	1.7	0.8	-	-	2.7
Share-based payments	-	-	-	0.5	-	0.5
	15.6	**152.6**	**0.8**	**(0.6)**	**(9.5)**	**158.9**
Balance at 31 March 2021	**38.5**	**219.1**	**6.2**	**0.4**	**(18.7)**	**245.5**

* See Company accounting policies on page 108 for details of a prior year restatement

Company statement of financial position

As at 31 March 2021

	Note	2021 £'m	2020* £'m
ASSETS			
Non-current assets			
Investments	36	102.8	57.8
Trade and other receivables	37	3.8	3.9
Right of use assets		0.8	0.1
Property, plant and equipment		0.1	-
Intangible assets		0.1	-
		107.6	61.8
Current assets			
Trade and other receivables	37	163.5	98.3
Cash and cash equivalents		6.0	-
Held for sale asset		1.3	1.3
Tax asset		0.3	0.5
		171.1	100.1
Total assets		**278.7**	**161.9**
LIABILITIES			
Current liabilities			
Trade and other payables	38	(32.4)	(21.9)
Cash and cash equivalents		-	(7.0)
Financial liabilities – lease liabilities		(0.8)	(0.1)
		(33.2)	(29.0)
Non-current liabilities			
Financial liabilities – borrowings	39	-	(38.5)
Trade and other payables	38	-	(8.8)
		-	(46.3)
Total liabilities		**(33.2)**	**(75.3)**
Net assets		**245.5**	**86.6**
EQUITY			
Share capital	40	38.5	22.9
Share premium account	41	219.1	66.5
Merger relief reserve		6.2	5.4
Other reserves		0.4	1.0
Retained earnings		(18.7)	(9.2)
Equity attributable to the owners of the parent		**245.5**	**86.6**

* See Company accounting policies on page 108 for details of a prior year restatement

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 £9.5m (2020: £2.2m).

These financial statements were approved by the Board of Directors and authorised for issue on 2 July 2021 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 generates 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 61 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.

Re-presentation of comparative statement of financial position and statement of changes in equity

Under s612 of the Companies Act, the Company is required to represent the premium arising on ordinary shares issued as consideration for an acquisition of shares in another company through a merger relief reserve. Prior to 1 April 2019, the Company had in error previously classified £5.4m of premium on shares issued on consideration through share premium. As a result, the prior year financial statements have reclassified £5.4m of share premium to merger relief reserve. A third balance sheet has not been presented as this is not considered to provide a user of the financial statements with any additional information.

An additional £1.6m investment and contingent consideration payable has been recognised in the statement of financial position as at 31 March 2020 as a result of an error identified in determining the provisional fair values of the Law At Work acquisition made in the prior year.

Notes to the Company Financial Statements

For the period ended 31 March 2021

36. INVESTMENTS

Shares in subsidiary undertakings.

	£'m
Cost:	
1 April 2019	55.7
LAW	9.7
DCUK	(9.2)
31 March 2020	**56.2**
Adjusted - LAW	1.6
31 March 2020 (restated)*	**57.8**
1 April 2020	56.2
Ellis Whittam	31.4
WPL	12.7
Marlowe 2016	0.9
31 March 2021	**102.8**
Provision for impairment	
1 April 2019	-
Charge for the year	-
31 March 2020	-
1 April 2020	-
Charge for the year	-
31 March 2021	-
Net book value:	
31 March 2021	**102.8**
31 March 2020	**56.2**

* See Company accounting policies on page 108 for details of a prior year restatement

At 31 March 2021, 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	100%	England & Wales	Risk Compliance Consultancy Services
*	William Martin Firefly Limited	Ordinary	100%	England & Wales	Risk Compliance Consultancy Services
*	Nestor Business Consultancy Limited	Ordinary	100%	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

36. INVESTMENTS continued

	Company	Class of holding	% held	Country of incorporation	Nature of business
*#	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
*#	Empire HR Group Limited	Ordinary	100%	Scotland	Dormant
*	N-ov8 Group Limited	Ordinary	100%	England & Wales	Holding Company
*	Cirrus Holdco Limited	Ordinary	86%	England & Wales	Holding Company
*	WCS Environmental Engineering Ltd	Ordinary	100%	England & Wales	Water Treatment Services
*§	WPL s.r.o	Ordinary	100%	Czech Republic	Water Treatment Services
*	Elogbooks Facilities Management Limited	Ordinary	100%	England & Wales	Contractor Management Services
*	Elogbooks Holdings Ltd	Ordinary	100%	England & Wales	Contractor Management Services
*	Elogbooks Facilities Services Ltd	Ordinary	100%	England & Wales	Contractor Management Services
*	Ellis Whittam (Holdings) Limited	Ordinary	100%	England & Wales	Employment Law Compliance Services
*	Ellis Whittam Limited	Ordinary	100%	England & Wales	Employment Law Compliance Services
*	Nile Holdco Limited	Ordinary	100%	England & Wales	Holding Company
*	DeltaNet International Limited	Ordinary	76%	England & Wales	Health & Safety, Compliance & HR Services
Δ	Connect Monitoring Ltd	Ordinary	100%	England & Wales	Dormant
Δ	Marlowe Fire & Security Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	Marlowe Fire & Security Group Limited	Ordinary	100%	England & Wales	Holding Company
Δ	Fire Alarm Fabrication Services Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	Hentland Limited	Ordinary	100%	England & Wales	Dormant
Δ	BBC Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	WCS Environmental Limited	Ordinary	100%	England & Wales	Water Treatment Services
Δ	Advance Environmental Limited	Ordinary	100%	England & Wales	Dormant
Δ	Guardian Water Treatment Ltd	Ordinary	100%	England & Wales	Water Treatment Services
Δ	G.P.C.S. Limited	Ordinary	100%	England & Wales	Water Treatment Services
Δ	Tersus Consultancy Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
Δ	Tersus Training Services Ltd	Ordinary	100%	England & Wales	Testing and Inspection Services
Δ	Island Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	Kingfisher Environmental Services Limited	Ordinary	100%	England & Wales	Water Treatment Services
Δ	Atana Limited	Ordinary	100%	England & Wales	Water Treatment Services
Δ	Atana (Scotland) Limited	Ordinary	100%	Scotland	Dormant
Δ	Fire Alarm Fabrication Services (South) Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	Marlowe Kitchen Fire Suppression Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	WCS Services Limited	Ordinary	100%	England & Wales	Water Treatment Services
Δ	Clearwater Group Limited	Ordinary	100%	England & Wales	Holding Company
Δ†	Clearwater Compliance Limited	Ordinary	100%	Ireland	Water Treatment Services
Δ	Clearwater Technology Ltd	Ordinary	100%	England & Wales	Water Treatment Services
Δ	Aquatreat Group Limited	Ordinary	100%	England & Wales	Holding Company
Δ	Aquatreat Chemical Products Limited	Ordinary	100%	England & Wales	Water Treatment Services

	Company	Class of holding	% held	Country of incorporation	Nature of business
Δ	Quantum Risk Management Ltd.	Ordinary	100%	England & Wales	Risk Compliance Consultancy Services
Δ	FSE Fire Safety Systems Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	FSE Security Systems Ltd	Ordinary	100%	England & Wales	Fire and Security Services
Δ	FSE Sprinklers & Risers Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	Eurosafe UK Group Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
Δ	Eurosafe Plus Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
Δ	Eurosafe UK (CDM Services) Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
Δ	Eurosafe UK Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
Δ	Clouds Ultimate Manager Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
Δ	Managed Occupational Health Limited	Ordinary	100%	England & Wales	Occupational Health Services
Δ	Independent Functional Assessments Ltd	Ordinary	100%	England & Wales	Dormant
Δ	Managed Medical Care Ltd	Ordinary	100%	England & Wales	Dormant
Δ	MOH Limited	Ordinary	100%	England & Wales	Dormant
Δ	Occpsych Ltd	Ordinary	100%	England & Wales	Dormant
Δ^	*Solve HR Limited*	*Ordinary*	*100%*	*Scotland*	*Employment Law Compliance Services*
Δ	ESP Law Limited	Ordinary	100%	England & Wales	Employment Law Compliance Services
Δ	ESP Safeguard Limited	Ordinary	100%	England & Wales	Employment Law Compliance Services
Δ	The Employment Services Partnership Limited	Ordinary	100%	England & Wales	Employment Law Compliance Services
Δ	WCS Services Invicta Limited	Ordinary	100%	England & Wales	Water Treatment Services
Δ	Black & Banton Occupational and Physical Health Limited	Ordinary	100%	England & Wales	Occupational Health Services
Δ	The HR Services Partnership Limited	Ordinary	100%	England & Wales	HR Compliance Services
Δ	Hadrian Technology Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	Wrightway Health Limited	Ordinary	100%	England & Wales	Occupational Health Services
Δ	Network of Staff Supporters Limited	Ordinary	100%	England & Wales	Employment Law Compliance Services
Δ‡	*Youmanage HR Ltd*	*Ordinary*	*100%*	*England & Wales*	*HR Compliance Services*
Δ	Caritas Group Limited	Ordinary	100%	England & Wales	Holding Company
Δ	Caritas Limited	Ordinary	100%	England & Wales	Occupational Health Services
Δ	Deminos Consulting Ltd	Ordinary	100%	England & Wales	Employment Law Compliance Services
Δ	Morgan Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
Δ	*Fire & Security (Group Limited)*	*Ordinary*	*100%*	*England & Wales*	*Holding Company*
Δ◊	4D Monitoring Limited	Ordinary	49%	England & Wales	Contractor Management Services

* Held directly
Δ Held via Marlowe 2016 Limited
^ The registered address is Kintyre House, 205 West George Street, Glasgow, Lanarkshire, G2 2LW
# The registered address is 117 Grandholm Drive, Bridge Of Don, Aberdeen, United Kingdom, AB22 8AE
§ The registered address is Muchova 240/6, Dejvice, 160 00 Prague
† *The registered address is Unit 17, Axis Business Park, Clara Road, Tullamore, Offaly, Ireland*
‡ The registered address is The Beacon, 176 St. Vincent Street, Glasgow, Scotland, G2 5SG
◊ The registered address is Si1 Parsons Green St. Ives, England, PE27 4AA

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

37. TRADE AND OTHER RECEIVABLES

	2021 £'m	2020 £'m
Current		
Trade receivables	0.1	0.6
Less: provision for impairment of trade receivables	-	-
Trade receivables – net	0.1	0.6
Other receivables	0.1	0.3
Amounts due from Group undertakings	157.0	91.9
Prepayments and accrued income	0.9	0.3
Contingent consideration receivable in less than one year	5.4	5.2
	163.5	**98.3**
Non-current		
Contingent consideration receivable in more than one year	3.8	3.9
	3.8	**3.9**

Of the £157.0m (2020: £91.9m) amounts due from Group undertakings, £102.2m (2020: £62.6m) 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.

38. TRADE AND OTHER PAYABLES

	2021 £'m	2020* £'m
Current		
Trade payables	0.3	0.6
Other taxation and social security	0.1	0.0
Amounts due to Group undertakings	25.6	19.2
Other payables	1.2	0.2
Accruals and deferred income	0.8	0.6
Contingent consideration payable	4.3	1.3
	32.3	**21.9**
Non-current		
Contingent consideration payable	-	8.8
	-	**8.8**

* See Company accounting policies on page 108 for details of a prior year restatement

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. £25.6m (2020: £19.2m) amounts due to Group undertakings are repayable on demand with no interest charged.

39. FINANCIAL LIABILITIES – BORROWINGS

	2021 £'m	2020 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	-	-
	-	-
Non-current		
Bank loans – secured	-	38.5
	-	**38.5**

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

	2021 £'m	2020 £'m
Cash at bank and in hand	6.0	-
Bank loans and overdrafts due within one year	-	(7.0)
Bank loans due after one year	-	(38.5)
	6.0	**(45.5)**

40. SHARE CAPITAL

	2021 £'m	2020 £'m
Allotted, issued and fully paid:		
76,969,849 ordinary shares of 50p each (2020: 45,883,835 ordinary shares of 50p each)	38.5	22.9

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
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**	
15 April 2020 - Marlowe 2016 Incentive Scheme Conversion	161,724	50p
26 June 2020 - Subscription Shares	4,410,430	478p
15 July 2020 - Subscription Shares	3,957,770	478p
31 July 2020 - Bonus Shares	46,048	500p
08 September 2020 - Consideration Shares ("William Martin")	365,613	506p
29 October 2020 - Subscription Shares	5,441,376	547p
07 January 2021 - Consideration Shares ("WPL")	147,652	605p
4 February 2021 - Marlowe 2016 Incentive Scheme Conversion	2,062,647	50p
19 May 2021 - Subscription Shares	14,492,754	690p
31 March 2021	**76,969,849**	

41. SHARE PREMIUM ACCOUNT

	2021 £'m	2020 £'m
1 April	66.5	54.9
Prior year reclassification	-	(5.4)
1 April (restated)*	66.5	49.5
Premium on shares issued during the year	157.5	17.7
Share issue costs	(4.9)	(0.7)
31 March	219.1	66.5

* See note 1 for details of a prior year restatement

42. SHARE-BASED PAYMENTS

Details of the share-based payments are set out in note 30.

43. DIRECTORS AND EMPLOYEES

Staff costs during the year

	2021 £'m	2020 £'m
Wages and salaries	1.2	1.2
Social security costs	0.1	0.1
Post employment benefits	-	-
Other benefits	0.1	0.1
Share-based payments charge	1.4	0.3
Long term incentives vesting	11.7	-
	14.5	**1.6**

Average monthly number of employees during the year

	2021 Number	2020 Number
Directors	5	5
Corporate Development	5	4
IT	1	1
Finance	3	3
Administration	1	1
Sales	1	-
	16	**14**

Total amounts for Directors' remuneration and other benefits

	2021 £'m	2020 £'m
Emoluments for Directors' services		
Salary and benefits	0.8	0.7
Long term incentives vesting	11.7	-
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	0.4	0.4
Long term incentives vesting	9.6	-

Key management compensation

	2021 £'m	2020 £'m
Short-term employment benefits	0.8	0.8
Social security costs	0.1	-
Share-based payments charge	0.8	0.3
Other benefits	-	-
Long term incentives vesting	10.8	-
	12.5	**1.1**

44. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

Details of related party transactions can be found in note 34.

45. POST BALANCE SHEET EVENTS

On 1 April 2021 the Company acquired Agriteck Solutions Limited, a water treatment business, 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 months post acquisition.

On 7 May 2021 the Company acquired the assets of One Price Fire Protection Limited ("One Price"), a fire safety services provider, for a consideration of £0.1m, satisfied by the payment of £0.1m in cash on completion.

On 7 May 2021 the Company acquired Integral Occupational Health Limited, a provider of occupational health services, for a total consideration of £2.4m, satisfied by the payment of £2.2m in cash on completion and £0.2m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 21 May 2021 the Company acquired Cylix Limited, a provider of accredited equality, diversity, wellbeing and health & safety eLearning courses to companies across the UK, for a total consideration of £1.2m satisfied by the payment of £1.1m 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.

On 26 May 2021 the Company acquired Musketeer Services Limited, a provider of water hygiene, treatment and compliance services, for a total consideration of £4.5m, satisfied by the payment of £4.3m in cash on completion and £0.2m cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 28 May 2021 the Company acquired Alarm Communication Limited, a provider of fire safety and security services, for a total consideration of £7.3m satisfied by the payment of £6.0 million in cash on completion and £1.3m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 9 June 2021 the Company acquired Healthwork (incorporated as Gel Limited), a national provider of occupational health services for a total consideration of £17.2m satisfied by the payment of £14.2m in cash on completion and £3.0m in cash payable subject to the achievement of certain performance targets by the acquired business 12months post acquisition.

On 15 June 2021 the Company acquired Cater Leydon Millard Ltd, an employment law compliance specialist, for a total consideration of £2.5m, satisfied by the payment of £2.0m in cash on completion and £0.5m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 29 June 2021 the Company acquired CQC Compliance Ltd, a care quality compliance consultancy, for a total consideration of £2.0m, satisfied by the payment of £0.6m in cash on completion and £1.4m in cash payable subject to the achievement of certain performance targets by the acquired business 12, 24, 36 and 48 months post acquisition.

Trading record

Year ended 31 March	FY21	FY20
Revenue	£192.0m	£185.4m
Adjusted profit before taxation*	£17.1m	£13.2m
Adjusted earnings per share*	25.0p	23.6p
Net cash/(debt)	£24.3m	£(46.6)m
Net assets	£263.4m	£96.7m

* Before amortisation of intangible assets, legacy long term incentives and acquisition and restructuring costs.

Financial calendar

Annual General Meeting
September

Half year results
December

Financial year end
31 March

Full year results
June

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