Parent Company Accounts
for Advance Environmental Limited

Co no. 03735393
Note P. 48

Marlowe plc Annual Report and Financial Statements
for the year ended **31 March 2019**

Contents

Strong financial performance

Revenue

£128.5m +59%

Adjusted EBITDA[1]

£11.0m +53%

Adjusted PBT[2]

£8.9m +53%

Adjusted Earnings per share[3]

18.8p +34%

Statutory results

	2019	2018
Operating profit	**£2.6m**	£0.0m
Profit/(loss) before tax	**£2.0m**	£(0.4)m
Earnings per share - basic	**3.8p**	(2.2)p

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 24.

Highlights

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

Compliance. Assured.

New service sector entered – Health, Safety & Compliance

Leading market positions across our four compliance service sectors

Strong year for M&A. Eight acquisitions completed

Further operational and technological improvements implemented and good organic growth

Marlowe provides at least one service to approximately 15% of the UK's ~2 million non-residential buildings

Approximately 20% of Marlowe revenue now comes from customers taking more than one service

During our third year of trading we have further refined our clear model of creating shareholder value through the growth and development of market-leading, complementary, service businesses. Our businesses are leaders in their markets and the execution of our strategy has gained momentum. Our track record in value creation continues to develop apace. Since we launched Marlowe in May 2015, our market capitalisation has grown from £3m to nearly £200m.

At a glance

We deliver health & safety, fire safety, security, water treatment & hygiene, air testing & quality and environmental services – all of which are vital to the well-being of our customers' operations and are invariably governed by stringent regulation.

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

Top 3	75%	1,300	30
market positions across our sectors	recurring revenues	compliance experts	sites across the UK

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

Marlowe currently employs over 2,000 people across the UK, provides services to approximately 15% of Britain's commercial properties and is increasingly attractive to clients who require a single outsourced, nationwide, provider of a comprehensive range of regulated health, environmental and safety services.

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

The Company was formed to create sustainable shareholder value through the growth and development of businesses that provide inspection, testing and compliance services.

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

Health, Safety & Compliance

Purpose: Providing health, safety & risk management services which assure the regulatory compliance of commercial organisations.

Recurring service: Auditing, consulting, training, data management and software as a service (SaaS).

Water Treatment & Hygiene

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

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

Fire Safety & Security

Purpose: Assuring fire safety measures, that fire and security systems are compliant with regulation and that buildings and people are safe.

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

Air Testing & Quality

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

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

Read more on pages 22-23

2,000+
employees

£175m
run rate revenue

26
acquisitions

30m+
assets tested & inspected each year

10 year
average customer relationship length

Marlowe's model for creating shareholder value

A platform for fast-paced organic and acquisition led growth

Acquire

in strategically complementary service sectors

Enhance

through investment and improvement

Accelerate

through organic investment and bolt-on acquisitions

Integrate

to bring about efficiencies and build a national infrastructure

Collaborate

to realise strategic synergies across the Marlowe Group

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

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

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

Agile decision-making and entrepreneurial autonomy

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

Operational and financial improvements

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

Acquisition-led growth

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

Build business into a top-three player in its market

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

Expertise in market consolidation

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

Intercompany collaboration within our Group

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

Chairman's statement

For the year ended 31 March 2019

"In my first Chairman's Statement since taking on the role in April, I am pleased to report another year of strong progress by the Group"

Kevin Quinn
Non-Executive Chairman

Overview

2019 represents the third year of trading for Marlowe and has been another important year in the development and delivery of our strategy and one of significant financial progress. The Group is now a leading operator in the UK compliance services market and is focused on activities where it can generate strong returns with excellent revenue visibility.

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 2019, adjusted EBITDA[1] was £11.0 million on revenue of £128.5 million. Adjusted profit before tax[2] was £8.9 million with adjusted earnings per share[3], of 18.8 pence. Statutory profit before tax was £2.0 million. Following the acquisition of William Martin Compliance Solutions ("William Martin") in December 2018, the Group's two operating divisions report as Risk Management & Compliance ("Risk & Compliance") and Water Treatment & Air Quality ("Water & Air"), both of which are focused on providing services which assure the safety and regulatory compliance of commercial properties, whilst managing risk for businesses across the country.

Corporate transactions

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

In line with our strategy to broaden the Group's capabilities into complementary areas, the most significant event in the year was the acquisition of William Martin, through which Marlowe has secured a market-leading position in the property related health and safety risk management sector ("Health, Safety & Compliance").

Investment focus

Regulated services

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

Recurring revenues

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

Operational complexity

We focus on service sectors which are specialist and operationally complex to deliver and command attractive margins as a result of the value they add to our customers' operations. They are invariably outsourced rather than conducted in-house because of their specialist nature, the levels of regulatory compliance which govern them and the need for service providers to adhere to stringent industry standards.

"We completed eight acquisitions in the year, one disposal of non-core assets and one further acquisition since the year end"

In addition, we added scale and further broadened the Group's capabilities through two acquisitions in Fire Safety & Security, three in Water Treatment & Hygiene and two in Air Testing & Quality.

After the year end, we announced the acquisition of Clearwater Group ("Clearwater"), significantly strengthening the Group's position in the water treatment & hygiene market.

People

This is my first Chairman's statement since succeeding Derek O'Neill on 1 April 2019. Derek had been a Director of Marlowe since its formation and took on the role of Chairman upon its re-admission to AIM in 2016, since when he guided the Company through a period of strong growth. On behalf of the Board, I would like to thank him for his contribution and wish him well in his retirement.

We welcome into the Group our new colleagues from the businesses acquired during the year. The Group has rapidly increased in scale since its formation and now employs over 2,000 people, including teams of consultants, auditors, risk assessors, technicians and engineers who deliver our services supported by experts across office-based support functions around the country. The continued dedication of all the teams across Marlowe has been impressive. The Group's businesses deliver services that are provided by people and as we build our businesses into market leaders, we are relying on these people to continue to demonstrate the drive, expertise and passion that has been evident over the past financial year. I would like to thank our entire team for their hard work and dedication.

Strategy

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

Kevin Quinn
Non-Executive Chairman

17 June 2019

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Economies of scale

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

Strategic fit

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

Fragmented markets

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

History

2015-16

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

2016-17

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

2017-18

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

2018

- Acquisition of UK water treatment & hygiene activities of Suez Environement Company SA, significantly enlarging our water treatment activities
- Environmental Testing & Inspection market entered through the acquisition of Tersus Consultancy
- Kevin Quinn (ex-CFO of Berendsen plc for 13 years) appointed to the Board as Non-Executive Chairman
- Acquisition of William Martin, the UK's leading property compliance & software specialist
- Five further add-on acquisitions
- Marlowe end's its third year of trading with run-rate revenues in the region of £150 million

2019

- Acquisition of Clearwater securing our position as a major player in the UK water treatment & hygiene market

Organisational structure

Marlowe plc
Head Office

Risk Management & Compliance division

- **Health, Safety & Compliance**
- **Fire Safety & Security**

Water Treatment & Air Quality division

- **Water Treatment & Hygiene**
- **Air Testing & Quality**

The Marlowe business philosophy

Our decentralised operating model gives our businesses considerable autonomy within a well-defined strategic and control framework. Our managers are empowered to make the decisions that they need to for their businesses and markets. Our model seeks to retain the agility of entrepreneurial private businesses whilst providing a platform, as part of Marlowe, which unlocks their potential and stewards their rapid growth, ensuring that all the key stakeholders are focused on value creation.

Marlowe's businesses are represented by around 1,300 expert consultants, auditors, technicians, engineers and health & safety specialists across the UK. We audit & assess, consult, train, install, test, inspect, maintain and certify to assure the safety and compliance of commercial properties, essential building systems and processes resulting in complete adherence to regulatory standards and legislation.

1,300+
compliance experts

26
acquisitions since April 2016

Head office

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

Crucially, our head office team consists of a team of dedicated corporate development professionals who are proficient at identifying attractive markets and acquisition targets, conducting due diligence and preparing, in close cooperation with divisional management and integration teams, for their swift integration.

Head office also provides a limited range of central financial support, technology and talent development functions. In short, Marlowe provides a platform for fast-paced organic and acquisition led-growth for like-minded regulated service businesses.

Operating divisions

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

Risk Management & Compliance comprises our Health & Safety, Fire Safety & Security, Compliance, Training and Risk Management Software as a Service (SaaS) business streams.

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

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

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

"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."

Acquire Enhance Accelerate Integrate Collaborate

15,000+	£12,000+	10 years	300,000	1.25m
customers	average customer spend	average customer relationships	commercial properties managed	client visits/year

Group overview

Marlowe's unique strength is that it provides a range of closely related regulated inspection, testing and technology-enabled compliance services each of which is delivered by one of our specialist businesses. Individually, these businesses are leaders in their fields but together form a group that can provide our customers with a comprehensive and integrated approach to their safety, regulatory compliance and the upkeep of the building systems they rely on.

That means more convenience, better across the board compliance, greater consistency and the benefits of a trusted in-depth relationship. More importantly, our size, range and extensive national footprint give our customers the peace of mind that comes from knowing that they can rely on Marlowe to deliver those mission critical services that are so vital to them every day of the year in every part of the UK.

Our Group

Risk Management & Compliance division

Marlowe's Risk Management & Compliance division comprises three main specialist business streams: Fire Safety & Security, Health & Safety Compliance and Risk Management Software as a Service (SaaS).

Revenue (£'m)

+30%

Adjusted EBITDA[1] (£'m)

+37%

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.
This is a non-IFRS measure. Further information about this measure and the reasons why we believe it is important for an understanding of the performance of the business is provided in the Finance Director's review on p.24 and Note 4.

Our Markets

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

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

Marlowe's total addressable markets size estimated at over £4bn

£600m Health & Safety	£1.9bn Fire Safety & Security	£1.6bn Water Treatment & Hygiene	£450m Air Quality & Testing
15% of total annualised revenue	40% of total annualised revenue	30% of total annualised revenue	15% of total annualised revenue

Water Treatment & Air Quality division

Water Treatment & Air Quality comprises our Water Treatment & Hygiene and Air Quality businesses.

Revenue (£'m)	Adjusted EBITDA[1] (£'m)
+116%	+75%

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.
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Group overview continued

Route Density: the network effect

The ability to service multiple customers in close proximity is a significant advantage for us as we grow and benefit from our scale, resulting in improved standards and speed of service for our large, nationwide customers that we can deliver more economically. The maps below demonstrate how the density of our consultants, engineers, technicians and auditors, and their resultant proximity to our customers, has progressed over the past three years.

2016 **2017** **2018** **2019**

Acquisitions since April 2018

Island Fire
Birmingham based fire safety provider

23 April 2018

Forest Environmental UK
Environmental services and asbestos remediation business

17 May 2018

Kingfisher
Hertfordshire based water treatment and hygiene provider

25 July 2018

Suez WCS
Daventry based provider of water treatment & hygiene and chemicals

24 August 2018

Developing our water service capability

"The acquisition of Atana accelerates Marlowe's strategy of broadening the capabilities of our Water operation across the entire regulated water management cycle. It enables us to provide additional water services to our customers and strengthens our competitive proposition and ability to cross-sell, both within and across our operating divisions."

Alex Dacre, Chief Executive

With the acquisitions of Suez WCS and Kingfisher during the year further securing WCS's position as a leading player in the water treatment market a key part of our strategy has been to further broaden the division's capabilities across the water management cycle. Providing a full suite of services across the water management cycle enables us to unlock a greater share of our customers' sites expenditure, and further develop our relationships with our customers.

Water Hygiene

Effluent

Total Water Management & Compliance

Water Treatment

Influent

Engineering

We acquired Atana in January 2019 to add waste water treatment solutions to our service offering within WCS Group. Founded in 2001 and generating revenues of approximately £5m, Atana is a leading provider of wastewater treatment solutions to commercial organisations across the UK. Atana provides recurring services which ensure compliance with wastewater discharge regulations and reduce waste disposal costs. Atana is headquartered in Leicestershire and employs approximately 20 staff.

Tersus Consultancy	**Firecrest Services**	**William Martin**	**Atana**	**Clearwater**
National provider of asbestos testing and inspection	Oxford based provider of fire protection services	Leader in property-related health and safety audit and consultancy services	Leicestershire based provider of wastewater treatment solutions	A leading provider of water compliance services
3 October 2018	**18 October 2018**	**20 December 2018**	**30 January 2019**	**21 May 2019**

Chief Executive's report

For the year ended 31 March 2019

"Our businesses, which operate across the UK, are specialists in their markets and our management teams have the freedom to innovate in response to their markets and clients. Collectively, our group understands what it takes to deliver services which assure safety and regulatory compliance resulting in peace of mind for our clients. Our strapline, 'Compliance. Assured.' sums this up"

Alex Dacre
Chief Executive

Results & Strategy

The Group continued to make good progress during 2019, delivering a strong trading performance with substantial improvements in revenue, adjusted profit[1] and adjusted earnings per share[2] along with further focus and investment on operational and technological improvements across our operations. The progress we saw in 2019 reflected the contribution from acquisitions and broad-based organic growth across both our divisions. The major acquisitions of the year were William Martin Compliance and Suez WCS, which significantly developed the breadth of our capabilities and deepened our presence across our core compliance service markets. These acquisitions were supplemented by a number of smaller bolt-on acquisitions which added further scale and expertise.

2019 was a year of important strategic advancement, with Marlowe making further strides towards its ambition of being recognised as the UK's leader in specialist services which assure safety and regulatory compliance, whilst

Investment proposition

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

Robust markets with steady growth prospects

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

- **Adjusted EBITDA[3] was up 53% to £11.0 million**
- **Adjusted profit before tax[1] was up 53% to £8.9 million**
- **Adjusted earnings per share[2] were up 34% to 18.8p**
- **Revenues up 59% to £128.5 million**

managing risk for businesses across the country. We now occupy leading positions across our four closely related sectors and benefit from attractive scale and critical mass, with run-rate revenues now approximately £175 million. We continue to take advantage of opportunities to leverage the efficiencies that result from this scale, the benefits of the investments that we are making in our operations, and the strong competitive advantage that we now have through the broad range of compliance services that we are able to offer to our customers.

For the year ended 31 March 2019, adjusted earnings before interest, tax, depreciation, amortisation and exceptional items[3] were up 53% to £11.0 million (2018: £7.2m), adjusted profit before tax[1] was up 53% to £8.9 million (2018: £5.8 million) and adjusted earnings per share[1] were up 34% to 18.8p (2018: 14.0p) on revenues up 59% to £128.5 million (2018: £80.6 million). Statutory profit before tax was £2.0 million (2018: £(0.4) million).

We continued to execute our strategy at a fast pace throughout the year. Since the Company's initial platform acquisition and re-admission to AIM in April 2016 we have built leading positions in the UK across our two divisions, delivering services across health and safety, fire safety and security, water treatment and hygiene and air quality, testing and environmental services. The markets we focus on, which are underpinned by compliance regulation and other long-term growth drivers, are fragmented and large enough to offer significant scope for further growth. In addition, all the businesses in our Group share a similar channel to market. As a result, we know what it takes to succeed in compliance services markets, understand what our customers care about and are able to accelerate our organic growth rate through cross-selling services across our different business units. Approximately 20% of Marlowe's revenues are now multi-service, where we are delivering more than one service to our customers. Within the top 1,000 customers, this percentage increases to 37% and within our top 100 customers to 52%. The benefits we derive from the advantage of cross-selling mean that we reduce our cost of contract acquisition, increase our organic growth rate and deepen our relationships with clients, leading to improved customer retention, which has increased to more than 95% in parts of the Group.

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

Our services are non-cyclical and each year we forward plan over 1,250,000 service visits to audit, test, inspect, maintain & certify tens of thousands of properties and millions of assets. Many of our customers use our software as a service offering to manage compliance & risk in their organisations throughout the day, all year round. Our services are vital to our customers, require specialist knowledge and in many instances are so complex to effectively deliver that the costs and inconvenience of switching service providers can be undesirable leading to interdependence and high retention rates. Our businesses, which have a core focus on regulated safety services, offer long-term growth and our knowledge of these markets ensures we channel our efforts into areas we are confident will provide sustainable returns on the capital we invest.

Growth through value-enhancing M&A and integration

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

Chief Executive's report continued

As a Group, our decentralised operating model allows each division operational autonomy within a well-defined and disciplined framework – our businesses are sector specialists and our managers are empowered to make the necessary decisions to grow their businesses in their markets within a structure that is designed to engender collaboration between all the businesses in the Group.

Across our Group we provide recurring regulated testing, inspection and compliance services with the benefit of very good visibility of our future revenues. The majority of the services we provide are non-discretionary and our average customer relationship length, which now stands at over ten years, continues to grow. Individually, our businesses are leading specialists in their fields and together form a Group that can provide a comprehensive and integrated approach to the safety, risk management and regulatory compliance of our customers' operations and the properties they occupy.

Risk Management & Compliance

Marlowe's Risk Management & Compliance division delivers services which assure the safety and regulatory compliance of businesses and their commercial properties across health and safety, fire safety, security and a range of other potential safety risks. The division also provides compliance software-as-a-service, which customers use to manage risk and compliance across large portfolios of commercial properties. A large portion of the services we deliver recur from month to month or year to year and are essential to our customers' operations. Across the division, we employ in the region of 575 consultants, auditors, technicians, risk-assessors, engineers and other experts who provide advice, consultancy, inspections, audits, risk assessments, testing services, maintenance, installation, commissioning and upgrade services and training with the aim of certifying the regulatory compliance of a wide range of commercial properties. We employ an additional 380 office-based support staff who are located in sites strategically located across the county.

Our Risk Management & Compliance division performed well during 2019 and recorded adjusted EBITDA[1] growth of 37% to £6.3 million with adjusted operating profit[2] growth of 49% to £5.8 million (2018: £3.9 million) and revenues of £68.5 million (2018: £52.6 million). This growth reflects the contribution from bolt-on acquisitions made at the end of FY18 and early FY19 and good organic growth. Following the acquisition of William Martin in December 2018, we expect to generate significant further growth in revenues and profits during the current financial year.

The acquisition of William Martin was the key corporate event for the division in the year. Through providing clients with consultancy services integrated with Meridian, our leading proprietary software-as-a-service platform, William Martin enables customers to manage risk and statutory compliance across their properties within the fast-growing market of tech-enabled health and safety. William Martin's services significantly extend Marlowe's

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Operational & technology improvements

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

Growing barriers to entry

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

Our capabilities

Marlowe's end-to-end compliance model

"Marlowe can provide the full range of property-related compliance services right from conducting health & safety audits and assessments through to testing & treating a water system for bacteria, inspecting a commercial kitchen extract system for safety, or certifying a fire detection system."

End-to-end property safety compliance model:

Our businesses operate as autonomous sector specialists but are all bound by our common channel to market. Typically, we sell our services to Health & Safety, Facilities or Property managers. As a result, we closely understand what they care about and are equipped with the tools to succeed in compliance service markets. We have a strong advantage against our single service competition through the opportunity presented by cross-selling.

In a typical commercial building, our end to end model means we can now implement:

- Recurring Health & Safety audit and consultancy services with the aim of ensuring high standards of compliance and lowering risk
- We can then provide software through which our customers can manage and monitor compliance
- We can then implement a recurring testing and inspection regime to ensure compliance on an ongoing basis across Fire Safety & Security, Water Treatment & Hygiene or Air Quality & Testing
- We are in the unique position in the UK of being able to provide this end-to-end commercial property compliance solution which assures total regulatory compliance

Chief Executive's report continued

capabilities towards its objective of providing customers with a comprehensive approach to their health and safety and regulatory compliance needs, from initial audit through to full implementation. The compliance markets we occupy continue to favour service providers who offer their customers tech-enabled solutions that help to manage complex data and multiple compliance requirements across their organisations within a consolidated risk management platform. Since acquisition, we have increased investment in the development of our Meridian software to ensure that it remains at the forefront of the commercial property compliance software market and now have in the region of 25 software developers across the Group.

Our Fire Safety & Security activities now benefit from attractive scale and route density across the UK. The twelve acquisitions that have built this business to date, including the more recent acquisitions of Flamefast, Firecrest and Island Fire, are now fully integrated into our operating platform. We are now realising attractive synergies from the combined businesses with continued improvements in underlying operating margins in recent months. We expect to deliver further improvements in productivity and operating margins into the new financial year from our continued focus on a broad range of value-enhancing initiatives. Our near-term operational focus continues to be on leveraging our increased scale to deliver an enhanced service to our customers more efficiently, to further enhance organic growth, whilst seeking complementary bolt-on acquisition opportunities to add further scale and capabilities. The acquisition of Flamefast, which was completed at the end of the previous financial year, developed our fire safety capabilities into a leading position in the commercial kitchen fire safety market. Upon acquisition, Flamefast was recording break-even profitability. Following integration, this business is now delivering the level of profitability anticipated at the time of acquisition and is on a path towards delivering margins in line with the wider Fire Safety & Security business. The Island Fire and Firecrest acquisitions which have both been integrated, have added attractive regional density to the division, especially with SME customers.

Water Treatment & Air Quality

Our Water Treatment & Air Quality division delivers regulatory-driven compliance services mainly focused on water treatment, water hygiene, air quality, ventilation hygiene and environmental services. A large portion of the services we deliver recur from month to month or year to year and are essential to our customers' operations. Across the division, we employ in the region of 600 consultants, technicians, engineers and other experts who provide advice, inspections, tests, samples, treatment, dosing, hazard remediation along with certifying the regulatory compliance of a very wide range of commercial properties. We employ an additional 400 office-based support staff who are located in sites strategically located across the county.

Our Water Treatment & Air Quality division had another strong year, reporting adjusted EBITDA[1] growth of 75% to £6.3 million (2018: £3.6 million) with adjusted operating profits[2] of £5.3 million (2018: £3.3 million) on revenues of £62.2 million (2018: £28.8 million). This growth reflects the impact of acquisitions in the year and the full year contribution from acquisitions made in FY18 together with good organic growth, which we have seen accelerate in recent months due to improved account management processes, enhanced service standards, our broad capabilities as a business and the efficiencies that we can deliver as a result of our scale. Customer retention rates across the division have continued to improve as we focus on enhancing service levels and realise the benefits of both our broader capabilities and the efficiencies that our scale allows us to deliver. Additionally, we have seen further improvements in the underlying profit margins of the division as a result of initiatives focused on enhancing productivity and utilisation, supplementing the synergies realised as a result of our increased scale and the effective integration of acquired businesses.

WCS Group, the largest business within the division, benefited significantly from the acquisition of Suez Water Conditioning Services, completed in August 2018. This acquisition was an important step in our water treatment and hygiene strategy and strengthened our national capabilities whilst contributing in the region of £13 million of largely recurring revenues to the Group. Upon acquisition, the Suez business was generating negligible operating margins. Since the integration of Suez into WCS Group, attractive synergies have been realised such that over the past few months, the business has delivered an operating margin in line with the Group's wider Water activities. The integration programme has seen the closure of properties, the implementation of new systems and processes, a reduction in the use of sub-contract labour, the removal of duplicated office-based support roles and the insourcing of water treatment chemical spend to our in-house blending facility. Following a post-acquisition review of the acquired business, we identified, restructured and carved out certain non-core assets of the Suez business, which comprise two contracts

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Who we work with

Marlowe provides its end-to-end compliance solution to a broad range of customers – from doctors surgeries, local schools and SME's through to large national organisations, leading universities, airports and FTSE 100 companies.

£175m

Run-rate revenue
(average customer spend of £12,000+)

15,000

Current customers

c.15%

UK commercial properties serviced

10 year

Average customer relationship

50%+

Top 100 customers' revenue from multi-service customers

2,000+

Employees (1,300 operational employees conducting site visits)

20%+

Total revenue from multi-service customers

<2%

No customer greater than 2% of Group revenue

c.1.25m

Service visits completed annually

Customer trends:

Our large customers increasingly demand multiple services as a result of our broader capabilities and focus on cross-selling

Switching costs: customers who receive multiple services from Marlowe are incentivised to stay with the Group

As the number of operational experts and customers increase our efficiency in servicing customers improves too

Multi-service customers:

Over half the revenue from our top 100 customers now comes from customers who receive multiple services from across our group. These larger multi-service customers choose to work with Marlowe as a result of our reputation as an established and well-accredited provider of compliance services and the broad range of capabilities that we possess. Customers benefit from a consistent and high-quality service offering across a comprehensive range of compliance services.

Marlowe continues to focus on building multi-service relationships across our customer base. Currently, across our top 1,000 customers 37% of our revenue is derived from customers who take multiple services from the group. The opportunity to continue deepening our relationships with customers through cross-selling is an attractive way to deliver better service to our customers, whilst accelerating our growth.

Chief Executive's report continued

"We will continue to pursue our strategy of organic and acquisitive growth and we are well positioned to gain further market share across all our business streams"

to produce specialist chemical products with applications in healthcare and clinical disinfection which were non-core to our water treatment and hygiene focus. These contracts were contributing in the region of £0.6 million of revenue and an immaterial profit. We sold the contracts for a cash consideration of £2.3 million, just over half the £4.5 million we paid to acquire the entire Suez business. As a result of the implementation of our sales and account management disciplines, and in spite of the significant restructuring programme, the acquired revenues of Suez have demonstrated good organic growth since acquisition. The acquisitions of Kingfisher Environmental and Atana further extended the Group's capabilities and geographic footprint into the commercial swimming pool water treatment and hygiene market and the wastewater and effluent treatment market respectively. Both acquisitions advance the division's strategy to be able to work with customers across the entire water cycle, from influent to effluent, across all types of commercial facilities. We are now one of a small number of service providers in the UK with this range of capabilities.

The acquisition of Clearwater, announced in May 2019 following the FY19 year-end, is the next significant step in our strategy of consolidating the UK water treatment market. Clearwater, formerly owned by Baird Capital Partners Europe since 2015, provides a range of services mainly related to water treatment, hygiene and compliance across the UK and Ireland. Clearwater has approximately 2,400 customers across a broad range of end markets including healthcare, education, food processing, leisure and public services and brings in the region of £27 million of revenues to the Group. The majority of Clearwater's revenues are recurring and derived from long-term contracted customer relationships. The acquisition has broadened Marlowe's technical capabilities and will enhance its route density nationally. Following the acquisition, our enlarged business has run-rate revenues in the water services market in the region of £75 million, giving us a significant opportunity as the market continues to consolidate and favours larger, well-invested, national players. Our integration programme is now well underway, and we remain confident that we will be able to realise significant synergies from the acquisition whilst broadening the capabilities of the combined business to enhance the range of services it provides. We have made good initial progress, and Clearwater's annual water treatment chemical blending costs of approximately £1 million have already been insourced to B&V Chemicals, Marlowe's water treatment chemical blending business, from the external supplier who was supplying the business with chemicals prior to the acquisition.

DCUK, the UK market leader in air quality, ventilation hygiene and contamination remediation, continues to build its market-leading position. During the year, we acquired the business and assets of Forest Environmental, which has extended the scale and capabilities of DCUK and enhanced its national footprint. Forest was rapidly integrated into the DCUK operating platform, bringing some valuable recurring framework contracts to the business, including a key long-term contract with Transport for London. Additionally, DCUK's growth has been accelerated through access to the customer base of other Marlowe companies and likewise other Marlowe companies have looked to deliver services, such as fire safety and water treatment, to the DCUK customer base. The air hygiene market, which is less vended than some other compliance service markets, continues to grow at an attractive rate and DCUK is benefiting from this growth.

Outlook

Marlowe's defensive market qualities, strong channel to market, organic growth momentum and potential to acquire new businesses strongly position us to continue to create shareholder value. We will continue to pursue our strategy of organic and acquisitive growth and we are well positioned to gain further market share across all our business streams.

The current year's trading has started in line with our expectations and we look forward to making further progress during the year.

Alex Dacre
Chief Executive

Case study

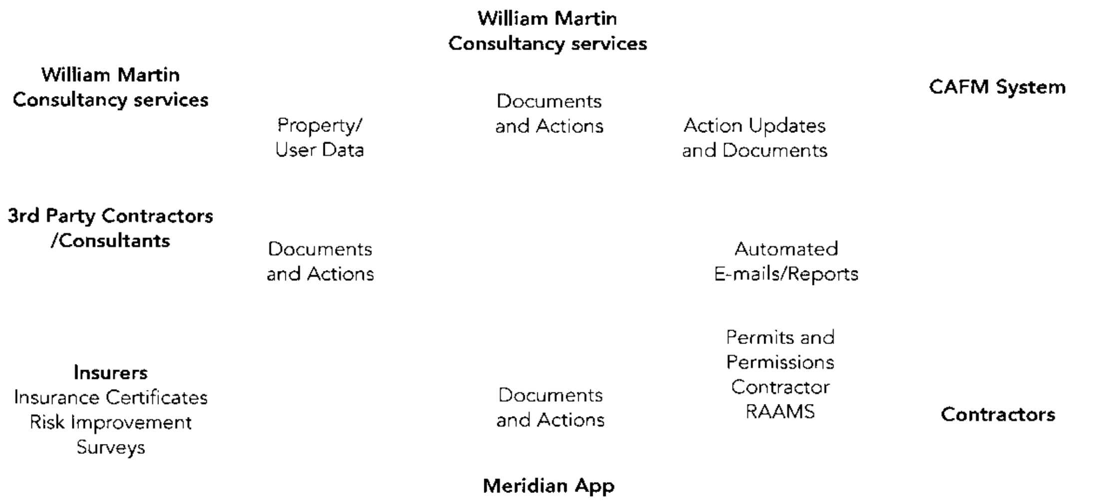
MERIDIAN: Marlowe's proprietary property risk management software platform

Meridian enables real-time compliance and risk monitoring across portfolios of commercial properties, providing complete visibility of compliance across large organisations whilst ensuring high quality health and safety standards and compliance data retention. The highly configurable platform provides access to compliance dashboards and granular individual property information, as well as storing inspection reports and tracking identified risks and the status of remedial actions. When implemented alongside the health & safety consultancy the group offers, Meridian is integral to the quality and efficiency of our service delivery, with consultants working in an integrated mobile app whilst on site, uploading text, photographs and test data directly into the platform. This combination of service and software connects risk identification to elimination with a robust audit trail delivering a holistic approach to the process of risk and compliance management. Meridian is on a constant development path and is maintained & managed in-house by nearly 20 software professionals based on client and market feedback.

24k properties	**8k** users	**20k** external links	**100+** automated reports	**1.5 m** documents	**~1m** actions	In-house software centre of excellence

Meridian at the centre of an organisation's risk management system

In a typical client setup, Meridian sits at the heart of the organisation's H&S compliance and risk management strategy, storing data from a variety of sources and exporting records to internal and external systems and stakeholders.



Our markets

Health, Safety & Compliance

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

£600m

at March 2019

Growing at an estimated 6% per year

Our health & safety consultancy services offer businesses a range of health and safety and risk assessment services and SaaS. Consultancy, audits and risk management services identify sources of risk, audit them and ensure regulatory compliance. Risks managed include general health and safety, fire safety, water safety and legionella risk, asbestos management and many other workplace safety risks.

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

The acquisition of William Martin in December 2018 significantly accelerates our strategy of providing our customers with a one-stop approach to their health & safety needs. William Martin is a market leader sharing a similar channel to market with our existing businesses. The market increasingly favours tech-enabled service providers allowing customers to manage their property portfolios' compliance needs on customised systems. William Martin's proprietary system Meridian is a leading platform in the property management marketplace. It stores and tracks all periodic and non-periodic events including inspections, risk assessments, audits and certifications. Meridian is a platform for ensuring legal compliance and optimising efficiency in administration, operational and management practices and promoting cost savings across our clients' organisations.

We see significant opportunities to deliver Meridian software and health and safety consultancy to existing Group customers whilst using Marlowe's specialisms to broaden our consultancy offering.

Key services: Risk assessments and audits for health and safety, the fire safety, water safety, asbestos management and workplace safety, H&S consultancy, surveying and audits.

Fire Safety & Security

The fire protection market in the UK is worth an estimated

£1.9bn

at March 2019

Growing at an estimated 3% per year

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

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

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

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

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

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

Water Treatment & Hygiene

The water treatment market in the UK is worth an estimated

£1.6bn
at March 2019

Growing at an estimated 3% per year

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

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

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

Air Testing & Quality

The air quality market in the UK is worth an estimated

£450m
at March 2019

Growing at an estimated 3% per year

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

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

We also provide Health & Safety Executive licenced, UKAS accredited asbestos testing, inspection and remediation in buildings with on-going occupancy, such as schools, hospitals and social housing dwellings.

The management of asbestos will continue throughout the remaining life of the existing national building stock. Asbestos is often found in ventilation systems presenting good cross-selling opportunities.

Asbestos consultancy offers a strong source of recurring revenue due to the requirement for periodic inspections and the vast amount of asbestos that remains in buildings across the UK.

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

Finance Director's review

For the year ended 31 March 2019

"In the year ended 31 March 2019, adjusted EBITDA increased by 53% to £11.0 million"

Mark Adams
Group Finance Director

Revenue

Revenue for the year ended 31 March 2019 increased by 59% to £128.5 million (2018: £80.6 million) reflecting good organic growth and the contribution from acquisitions completed in the year, together with the full year impact of those completed in 2018.

Profitability

On a statutory basis, profit before tax from continuing operations for the year ended 31 March 2019 was £2.0 million (2018: £(0.4) million). Adjusted profit before tax for the year was £8.9 million (2018: £5.8 million). Our key measures of profitability for the Group are adjusted operating profit and adjusted EBITDA. In the year ended 31 March 2019, adjusted operating profit increased by 53% to £9.5 million (2018: £6.2 million) and adjusted EBITDA also increased by 53% to £11.0 million (2018: £7.2 million). Adjusted EBITDA means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs.

Non-IFRS measures

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

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

Continuing operations

	2019 £'m	2018 £'m
Profit/(loss) before tax	2.0	(0.4)
Acquisition costs	1.0	0.6
Restructuring costs	5.2	3.6
Amortisation of acquisition intangibles	1.8	0.9
Share-based payments	0.8	0.4
Profit on disposal of non-core business	(1.9)	-
Exceptional loss on customer liquidation	-	0.7
Adjusted profit before tax – continuing operations	**8.9**	**5.8**

Reconciliation of adjusted operating profit and adjusted EBITDA

	2019 £'m	2018 £'m
Adjusted operating profit	9.5	6.2
Depreciation	1.5	1.0
Adjusted EBITDA	**11.0**	**7.2**

Acquisition and other costs
Acquisition and other costs totalled £6.9 million in the year (2018: £6.2 million).

	2019 £'m	2018 £'m
Acquisition costs	1.0	0.6
Restructuring costs	5.2	3.6
Amortisation of acquisition intangibles	1.8	0.9
Share-based payments	0.8	0.4
Profit on disposal of non-core business	(1.9)	-
Exceptional loss on customer liquidation	-	0.7
Total	**6.9**	**6.2**

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 increased to £5.2 million (2018: £3.6 million). The increase reflects both the number of transactions completed in the year and the scale of restructuring required at certain acquired businesses. In particular, the acquisition from its administrator of the business and assets of Forest Environmental. The costs include the bulk of the restructuring of acquisitions in the second half of 2018 and those completed in 2019. These primarily consisted of:

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

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

Amortisation of intangible assets for the year was £1.8 million (2018: £0.9 million) with the increase attributable to the higher carrying value of intangible assets.

Long term incentive schemes have been established to incentivise certain key members of the Group's senior management to create shareholder value through the successful acquisition, restructuring and integration of businesses in their chosen service sectors. As such, we consider share based payments to be part of "Acquisition and other costs" as we continue to execute our stated strategy. Share-based payments increased to £0.8 million (2018: £0.4 million), in line with the Group's growth strategy and as a result of additional key members of the senior management being included in the Group's long-term incentive schemes during the year.

On 21 January 2019 the Group sold certain non-core assets for a profit of £1.9 million. These assets comprised of two contracts which produced specialist chemical products with applications in healthcare and clinical disinfection that were acquired as part of the acquisition of Suez WCS.

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)

	2019 pence	2018 pence
Basic adjusted earnings per share	18.8	14.0
Basic earnings per share	3.8	(2.2)

* Refer to note 9

Interest

Net finance costs amounted to £0.6 million (2018: £0.4 million) which reflects the increased average levels of debt in the year arising from the financing of acquisitions.

Taxation

UK Corporation Tax is calculated at 19% (2018: 19%) of the estimated assessable profit/(loss) for the year.

The rate will reduce further to 17% from 1 April 2020; accordingly, this rate reduction has been reflected in the deferred tax balance which forms part of the statement of financial position.

Statement of financial position

Net assets increased to £77.5 million (2018: £48.1 million) primarily due to the placing of shares in July and December 2018 and equity issued as part of acquisition consideration.

Finance Director's review continued

"Enlarged revolving credit facility of £30m and additional accordion facility of £15m to support the Group's acquisition-led growth strategy."

Goodwill and intangibles at 31 March 2019 were £89.6 million (2018: £42.4 million).

Property, plant and equipment totalled £6.3 million (2018: £4.2 million), comprising freehold and long leasehold property, leasehold improvements, operational equipment, vehicles and computer systems.

Cash flow

The net cash inflow from operating activities before restructuring costs was £3.2 million (2018: £2.4 million) in the year. Cash conversion (being the ratio of cash generated from operations, excluding any acquisition related flows, to adjusted operating profit) was 83%.

There was a net working capital outflow in the year of £5.8 million (2018: £3.2 million). The movement reflects the continuing increased scale of the Group but also includes additional working capital investment at certain businesses acquired in the year. In particular, the acquisition of Forest Environmental which was structured as an asset purchase with no working capital so required an investment in working capital post acquisition. Management of working capital remains a key focus across the Group with a strong emphasis on cash collection and overdue debt reduction.

Capital expenditure totalled £1.8 million (2018: £0.5 million) following investment in our IT systems and motor fleet across the business.

Net debt

Net debt at the end of the year was £20.1 million (2018: £2.9 million). In November 2018 we replaced our £18 million debt facility with Lloyds Bank with a three-year £30 million revolving facility and £15 million additional accordion facility with HSBC and NatWest Bank.

The Group has sufficient headroom on its facilities at the end of the year to continue to fund acquisitions as part of its strategy should it choose to do so with debt.

Key Performance Indicators ('KPIs')

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

IFRS 16

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

It is expected that the application of this standard will have a material impact on Group's financial statements. Indicatively, the estimated impact can be summarised as follows:

Net debt will increase by £6.5 million primarily reflecting the sizeable leasehold property and vehicle portfolio of the Group.

Operating profit will increase by approximately £0.25 million reflecting the reclassification of rental payments to interest charges.

Adjusted EBITDA will increase by approximately £3.25 million reflecting the reclassification of rental payments to interest and depreciation charges.

The debt covenants on the Group's borrowing facility will be unaffected by the application of IFRS 16 as the covenant calculation are based on the accounting principles in place at the date the agreement was entered into.

The strategic report on pages 4 to 29 has been approved by the Board and signed on its behalf by:

Alex Dacre
Chief Executive

Mark Adams
Group Finance Director

17 June 2019

Case study

Acquisition of Suez & B&V

Strategy in action Accelerate Integrate Collaborate

"The successful integration of Suez highlights our ability to identify, acquire, integrate and enhance complementary acquisitions"

We acquired Suez WCS for approximately £4.5m in August 2018 to expand the scale of our Water operation. The business had revenues of about £13m and low profitability.

Founded in 1977 and employing approximately 170 staff, Suez WCS operates nationally from its headquarters in Daventry and provides water treatment and hygiene services across a broad range of sectors. In addition, the business produces certain chemicals used in water treatment applications.

The acquisition was a significant step in our strategy of consolidating the UK water treatment market and strengthens our position as one of the leading players. Furthermore, it broadened the scope of our water treatment activities, allowing us to bring our water treatment chemical spend in house and offering attractive synergies with our existing businesses. Quickly, we were able to leverage on our existing overhead and significantly improve the business's profitability. We expect to continue to realise benefits as the business is further integrated in to our Water Division.

Post-acquisition we carved-out a small part of the business with revenues of £0.6m that produced specialist chemical products with applications in healthcare and clinical disinfection which we regarded as non-core to the operations. In January 2019 these operations were sold for £2.3m enabling us to focus on enhancing the core business operations of Suez WCS, effectively reducing the acquisition cost of the business to approximately £2.2m.

Risk management

The Board established a Risk Committee during the year. The Committee reports directly to the Board and is chaired by Kevin Quinn. The duties and responsibilities of the Committee are set out in Terms of Reference that were approved by the Board in March 2019.

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

Principal risks and uncertainties

Risk	Potential impact	Risk mitigation
Dependence on key personnel	Attracting, training, retaining and motivating technical and managerial personnel is important to the Group.	Retention measures are in place to attract, retain and incentivise personnel to mitigate such a risk.
Acquisition strategy	As the Group continues to pursue acquisitions as part of its overall growth strategy, the failure to properly integrate acquired businesses or to realise the anticipated benefits from acquisitions could have a negative impact on performance.	The Group's integration processes are well defined and are carried out by dedicated resources and management teams across the Group who are experienced in post-acquisition restructuring and management.
Liquidity	Lack of liquidity driven by lack of profitability, failure to meet banking covenants or reduced appetite from banks to lend impacting the continuation of the strategy of the Group.	All of the Group's businesses benefit from high levels of recurring revenues. Leverage is maintained within Board defined parameters to ensure ongoing covenant compliance. Historically the Group has not had any issues in raising capital to fund its acquisition strategy.
Loss of key customers	The Group has relationships with over 15,000 customers of which about 100 are significant relationships. The loss of relationships with customers could have a negative effect on performance.	Attrition rates in the Group are low and relationships are strong. Our largest customers represent a low percentage of our revenues.
Compliance with regulations and changes in legislation	The markets in which the Group operates are subject to a range of environmental, health and safety laws and standards.	The Group is very aware of the regulatory requirements and certifications needed to operate and this is given the highest importance within the organisation.
Systems, technology and cyber attack risk	Financial and operational impact of a loss of systems or operational data in one or more of the Group's operations impacting day to day services.	The Group has disaster recovery plans in place in all of its businesses. All of our data is backed up off site.
Reputational damage	Inadequate delivery of services provided by the Group or failure of any of the systems maintained by the Group could expose the Group to reputational damage, should any of its clients experience a major incident.	Standards of service delivery are maintained by well established processes and procedures. These include full compliance reporting processes and the auditing of service delivery standards on a regular basis.
Health and safety	Some of the Group's operations involve physical labour, use of machinery and take place in locations where there is the potentially for harm.	The Group has well established processes in place to mitigate such risks including detailed risk assessments, training and accident reporting procedures.

Case study

Acquisition of William Martin

Strategy in action Acquire Integrate Collaborate

"The acquisition of William Martin significantly accelerates our strategy of providing our customers with a comprehensive one-stop approach to their health & safety and regulatory compliance needs. William Martin is a market leader which shares a similar channel to market with our existing businesses and benefits from strong relationships with customers who place a high value on the consultancy and software services. We are confident that this acquisition will generate attractive returns for Marlowe's shareholders" **Alex Dacre,** Chief Executive

In December 2018 Marlowe acquired William Martin Compliance Solutions ("William Martin"), a leading provider of software-enabled property risk management and compliance services. Founded in 2004, William Martin's service offering revolves around a range of consultancy, audit and inspection services complemented by its proprietary property compliance and risk management software as a service platform, Meridian.

William Martin's customer base is predominantly comprised of managers, owners and operators of large property portfolios for whom the need to ensure compliance with health and safety regulation is paramount. William Martin works with its customers to achieve this by providing a range of property compliance audit and consultancy services, including general health & safety, fire safety, contractor management, water safety, asbestos management, access and training and data management.

William Martin provides online software 'Meridian' and consultancy services as an integrated service to approximately 80% of its customers. Meridian enables real-time compliance and risk monitoring across a portfolio of properties, addressing the issue of poor stakeholder visibility in large organizations and ensuring high quality health and safety standards and data retention.

Significant investments have been made in the business since acquisition including investing in the senior management team and the further development of Meridian. The opportunities to accelerate the growth of William Martin within our group are significant given its shared channel to market with other Marlowe companies and the cross-selling opportunities available as a result.

The acquisition of William Martin significantly accelerates our strategy of providing our customers with a comprehensive one-stop approach to their health & safety and regulatory compliance needs. Marlowe is unique in the UK in being able to provide an end-to-end property compliance solution which combines routine inspection and testing of safety systems with consulting, risk assessment and ongoing risk monitoring to ensure total regulatory compliance.

Board of Directors

as at 31 March 2019

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

Alex Dacre
Chief Executive

Mark Adams
Group Finance Director

Kevin Quinn
Non-Executive Chairman

Charles Skinner
Non-Executive Director

Peter Gaze
Non-Executive Director

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

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

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

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

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

Case study

Acquisition of Tersus

Strategy in action | Acquire | Enhance | Accelerate

"The acquisition of Tersus demonstrates our ability to identify and expand into adjacent regulated compliance services sharing a channel to market with our existing business"

In October we acquired Tersus Consultancy Limited ("Tersus") for a total enterprise value of £3.7 million, financed through existing cash reserves. Formed in 1986, Tersus employs approximately 180 staff, is headquartered in Rainham, Essex, and operates nationally from eight sites, each with its own laboratory. Tersus specialises in asbestos consultancy services: asbestos surveying, air monitoring, sample testing, training and other services related to managing the risk of asbestos and other similar hazards.

The air quality market shares attractive key characteristics with the fire & security and water treatment markets, including a significant element of non-discretionary spend, strong regulatory and legislative drivers, a degree of operational and technical complexity which favours outsourcing and the same channel to market, which provides opportunities for cross-selling. The acquisition of Tersus represents an extension of Marlowe's offering in the air quality market. Marlowe already has a presence in duct-cleaning and remediation activities, through its DCUK business. Tersus' acquisition by Marlowe enables the group to provide a comprehensive service offering in managing air quality and the market's fragmentation provides opportunity for future acquisitions in this space.

Directors' report

The Directors submit their report and the financial statements of Marlowe plc for the year ended 31 March 2019

Matthew Allen
Company Secretary

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

Business review and future developments

The Chief Executive's Report on pages 14 to 20 includes a review of the business, the Group's trading for the year ended 31 March 2019 and an overview of future developments.

Principal activities

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

Results and dividend

The Group's results for the year ended 31 March 2019 are set out in the consolidated statement of comprehensive income on page 44. The profit before tax for the year was £2.0 million (2018: £(0.4) million).

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

Directors

As announced on 4 December 2018, Kevin Quinn was appointed to the Board as a Non-Executive Director and Chairman Designate. Kevin joined the Board with immediate effect and assumed the role of Chairman on 1 April 2019 upon the planned retirement of Derek O'Neill.

The following Directors have held office during the year:

Derek O'Neill (Non-Executive Chairman)
Resigned 31 March 2019
Alex Dacre (Chief Executive)
Mark Adams (Group Finance Director)
Kevin Quinn (Non-Executive Director/Chairman Designate)
Appointed 4 December 2018
Charles Skinner (Non-Executive Director)
Peter Gaze (Non-Executive Director)

The biographical details of the Directors are given on page 30.

Directors' remuneration, long-term incentive plans, pension contributions and benefits are set out in the Directors' Remuneration Report on pages 36 to 37. The Company maintains liability insurance for its Directors and Officers.

Share capital

Full details of the share capital of the Company are set out in note 22 to the financial statements.

Substantial shareholdings

At 31 March 2019, 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	29.12%
Alex Dacre	3,516,234	8.62%
Canaccord Genuity Wealth Management	2,591,751	6.35%
Danske Capital Management	2,183,327	5.35%
Allianz Global Investors	1,726,000	4.23%
Polar Capital Holdings	1,616,464	3.96%
Premier Asset Management	1,566,153	3.84%

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

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

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

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

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

Political and charitable donations
Donations of £10,000 were made by the Group for charitable purposes during the year (2018: £10,000). The Group does not make political donations.

Statement as to disclosure of information to auditors
The Directors in office on 17 June 2019 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 33 to the financial statements.

Annual General Meeting
The notice of the Annual General Meeting to be held on 18 September 2019 is enclosed with this Annual Report.

Going concern
The Directors are satisfied that the Group has adequate resources to continue in operation for the foreseeable future and that it is appropriate to prepare financial statements on the going concern basis. Further details are given in note 2 to the financial statements on page 49.

Approval
This Directors' report was approved on behalf of the Board on 17 June 2019.

Matthew Allen
Company Secretary

17 June 2019

Corporate governance statement

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

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

The Board of Directors

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

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

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

Board Committees

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

The Company has an established Remuneration Committee and its report is set out on pages 36 to 37.

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

Our Chairman was newly appointed on 1 April 2019 and continues to ensure that contributions made to the Board are relevant, independent, effective and encourage debate. Over the next 12 months further review of the Board functionality will be undertaken to include assessments of whether Board members attend and actively contribute to meetings as well as thoughts on Board composition, external advisers and other relevant matters.

Relations with shareholders

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

Internal control

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

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

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

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

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

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

Going concern

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

	Number of meetings attended during the year ended 31 March 2019			
	Board Total: 8	Audit Committee Total: 3	Remu-neration Committee Total: 2	Nominations Committee Total: 1
Executive Directors				
Alex Dacre	8	3	-	-
Mark Adams	8	3	-	-
Non-Executive Directors				
Kevin Quinn[1]	3	1	1	-
Derek O'Neill[2]	8	2	2	1
Charles Skinner	8	3	2	1
Peter Gaze	8	3	2	1

1. Appointed 4 December 2018. 2. Resigned 31 March 2019

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

Directors' remuneration report

for the year ended 31 March 2019

Charles Skinner
Chairman of the Remuneration Committee

Remuneration Committee

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

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

Directors' Contracts and Letters of Appointment

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

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		Benefits		Pension costs		Total	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Executive Directors								
Alex Dacre	298	100	-	-	-	-	298	100
Mark Adams	179	31	-	-	-	-	179	31
Nigel Jackson*	-	50	-	14	-	-	-	64
Non-Executive Directors								
Derek O'Neill**	30	30	3	3	-	-	33	33
Kevin Quinn***	11	-	-	-	-	-	11	-
Charles Skinner	23	-	-	-	-	-	23	-
Peter Gaze	35	35	-	-	-	-	35	35
Total	**567**	**246**	**3**	**17**	**-**	**-**	**570**	**263**

*Resigned 30 September 2017 **Resigned 31 March 2019 ***Appointed 4 December 2018

The £30,000 (2018: £30,000) paid regarding Derek O'Neill is paid directly to Signature Quality Refurbished Homes Limited for the provision of his services as Chairman. The £35,000 (2018: £35,000) paid regarding Peter Gaze is paid directly to Deacon Street Partners Limited for the provision of his services as a Non-Executive Director.

The Committee undertook a review of the remuneration of the Executive Directors in the year, to coincide with the first redemption date of the Marlowe 2016 Incentive Scheme, details of which are given in note 28 on page 83. The Committee considered current market arrangements for comparable companies and the need to provide more balance between fixed and variable elements of the packages for the Chief Executive and Group Finance Director. With effect from 1 April 2019, the remuneration for Alex Dacre and Mark Adams respectively is composed of the following elements: salary £225,000 and £150,000; bonus up to a maximum of 100% and 50% of salary, based on specific financial performance targets for the year ending 31 March 2020; and in both cases, eligibility for annual awards of share options under the Company's Long-Term Incentive Plans. Vesting will be subject to the achievement of performance conditions over a period of three years.

Directors' Interest in Shares

The beneficial interests of the Directors who were in office at 31 March 2019 in the shares of the Company (including family interests) were as follows:

	Number of ordinary shares of 50p each	
	31 March 2019	31 March 2018
Alex Dacre	3,516,234	3,503,334
Peter Gaze	600,925	600,925
Charles Skinner	467,156	467,156

Incentive Plans

The Company has in place a number of Incentive Plans, details which are given in note 28 on page 83. The Directors' interest in the Marlowe 2016 Incentive Scheme are as follows:

	Number of performance units	
	31 March 2019	31 March 2018
Alex Dacre	5,460	5,460
Charles Skinner	1,183	1,183

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

By order of the Board

Charles Skinner
Chairman of the Remuneration Committee

Statement of Directors' responsibilities

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

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

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

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group for that period.

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

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

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

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

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

Independent Auditors' 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 2019, which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statements of changes in equity, Consolidated and Company statements of financial position, the Consolidated statement of cash flows, notes to the group financial statements and notes to the company financial statements, including a summary of significant group and company accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosures Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2019 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the group financial statements, Article 4 of the IAS Regulation.

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

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

Overview of our audit approach

- Overall group materiality: £460,000, which represents 4.8% of the group's adjusted operating profit;
- Key audit matters were identified as valuation at acquisition of goodwill and other intangible assets, impairment of goodwill and other intangible assets, and the classification, presentation and disclosure of acquisition and other costs;
- We performed full scope procedures on all operating subsidiaries subject to statutory audit. For the entities identified on page 48 as being exempted from audit, we performed specified audit procedures on all other entities that are individually financially significant to the group and analytical procedures for all other entities.

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.

Independent Auditors' report continued

Key Audit Matter - Group	How the matter was addressed in the audit - Group
Valuation at acquisition of goodwill and other intangible assets Goodwill (cost) as at 31 March 2019: £70.2m (2018: £35.9m) Customer relationships (cost) as at 31 March 2019: £19.8m (2018: £7.9m) Other intangibles (cost) at 31 March 2019: £2.8m	
The group has acquired 8 businesses in the year, as disclosed on pages 65 to 68, and has finalised the fair values in respect of the businesses it acquired in the previous year. Under International Financial Reporting Standard (IFRS) 3 'Business combinations', management are required to recognise, separately from goodwill, the assets acquired and liabilities assumed, and then recognise goodwill on the purchase. Management make significant judgements to identify specific intangible assets that are acquired with a new business, and significant estimates to value these assets. The residual goodwill is subsequently updated for any fair value adjustments identified during the measurement period of one year from the date of acquisition and such adjustments are also significant judgements and estimates made by management. We therefore identified the valuation at acquisition of goodwill and other intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • assessing whether the group's accounting policy for valuation of such assets is in accordance with IFRSs as adopted by the European Union, and checking that valuations are accounted for in accordance with the policy. • obtaining the acquisition date balance sheet of each acquired subsidiary and performing audit procedures over the material trading assets and liabilities acquired, including testing the recoverability of acquired debtors and inspecting expenditure post acquisition to identify any unrecorded creditors; • obtaining the details of the consideration paid, and agreeing these to relevant source documents, such as sale and purchase agreements; • obtaining the details of any fair value adjustments made to the acquired assets and liabilities post acquisition and agreeing them to supporting evidence, including cash receipts and legal documentation; • obtaining management's purchase price allocation as contained within their Multi-Period Excess Earnings Method and assessing the appropriateness and reasonableness of key assumptions made in the calculations, such as growth rates, customer attrition rates and discount rates, and engaging our internal valuation specialists as auditor's experts to assess the reasonableness of such models and assumptions, and inform our challenge; • 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 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

As a result of our challenge, management materially changed the allocation between goodwill and separately identifiable intangible assets on one of the eight acquisitions. We did not identify any further material misstatements in the valuation and allocation at acquisition of goodwill and separately identifiable intangible assets.

Following the change noted above, the valuation methodologies and the assumptions therein are considered to be balanced and consistent with the expectation of our internal valuation specialists.

Impairment of goodwill and other intangible assets Goodwill (cost) as at 31 March 2019: £70.2m (2018: £35.9m) Customer relationships (cost) as at 31 March 2019: £19.8m (2018: £7.9m) Other intangibles (cost) at 31 March 2019: £2.8m	
Under International Accounting Standard 36 'Impairment of assets' (IAS 36), management are required to make an annual assessment to determine whether the group's goodwill and intangible assets are impaired, and to test goodwill for impairment. Management are also required to test intangibles for impairment if indicators of impairment are identified. The process for assessing whether impairment of assets exists under IAS 36 is complex. Management prepare impairment models to assess the valuation in use. The process of determining the value in use, through forecasting cash flows related to cash generating units ('CGUs') and the determination of the appropriate discount rate and other assumptions to be applied can be highly judgemental and can significantly impact the results of the impairment review. We therefore identified the impairment of goodwill and other intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.	Our audit work included, but was not restricted to: • obtaining management's assessment of the alignment of subsidiaries to the relevant cash generating unit (CGUs) used in their impairment calculations and comparing those to our understanding of the business units and operating structure of the group; • checking the arithmetical accuracy of those impairment calculations including the associated sensitivity analyses; • testing the assumptions utilised in the impairment models, including comparing growth rates to those achieved and using our internal valuation specialists to inform our challenge of the assumptions used within the calculation of weighted average cost of capital by benchmarking to those used by other companies in the market; • ensuring these assumptions are consistent across the business, and where different assumptions are used based on the profile of different CGUs, that these are consistent with our knowledge of the business; • testing the accuracy of management's forecasting through a comparison of budget to actual data and historical variance trends and inspecting the forecast cash flows for unusual items or assumptions. Where we identified significant shortfalls against budget in prior years, this informed our determination of sensitivities to apply as we formed our independent view about reasonable downside scenarios; • assessing one-off items in the impairment models which management have identified as impacting the current year and the risk of these items being pervasive in the business in the future; and • challenging management's assessment of impairment indicators relating to intangible assets by assessing whether any CGUs showed further indicators of impairment such as decline in performance or performance below budget. The group's accounting policy on goodwill and intangible assets is shown in note 2 to the group financial statements and related disclosures are included in notes 11 and 12.

Key observations

Our work did not identify any material misstatements in the carrying value of goodwill and other intangible assets.

<table>
<tr><th>Key Audit Matter - Group</th><th>How the matter was addressed in the audit - Group</th></tr>
<tr><td colspan="2">Classification, presentation and disclosure of acquisition and other costs (Group)
Acquisition and other costs, presented as a separate column in the Consolidated statement of comprehensive income, £6.9m (2018: £6.2m)</td></tr>
<tr><td>The group has presented separately certain items in relation to acquisition and other costs on the face of the Consolidated Income Statement. The Directors believe that the resulting "adjusted" income statement better reflects the group's trading performance during the year.

In the group's reported results, significant adjustments have been made to statutory operating profit of £2.6m to derive adjusted operating profit of £9.5m, and to statutory profit before tax of £2.0m to derive adjusted profit before tax of £8.9m. The most significant of these are discussed in detail in note 5.

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

Alternative performance measures can provide shareholders with appropriate additional information and understanding of a company's financial performance and strategy. However, when improperly used and presented, such measures might prevent the Annual Report being fair, balanced and understandable by confusing the real financial position and results or by making the results of the reporting entity seem more attractive. Failure to disclose clearly the nature and impact of alternative performance measures may distort the reader's view of the financial result in the year in the following areas:

Classification of acquisition and other costs and whether they meet the definition set out in the policy;

Presentation of acquisition and other costs as a separate column in the income statement, and whether the presentation of the 'adjusted' financial information is fair, balanced, and understandable in its representation of underlying trading, or whether undue prominence has been given to this information over the GAAP information; and

Disclosure of information in respect of the acquisition and other costs in respect of its appropriateness and quality, including associated critical judgements and estimates.

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

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

Presentation
• challenging management's rationale for the basis for inclusion of certain classes of items within acquisition and other costs, particularly around the areas of higher judgement such as identified duplicated personnel staff role costs, to check whether the types of items identified meet the criteria of the accounting policy for such items defined by the group;
• evaluating the appropriateness of the inclusion of items, both individually and in aggregate, within acquisition and other costs, including checking adherence to IFRS requirements and latest FRC best practice findings, and comparing them to similar disclosures seen in other companies in similar industries.

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

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

We did not identify any Key Audit Matters relating to the audit of the financial statements of the Parent Company.

Independent Auditors' report continued

Our application of materiality

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

Materiality was determined as follows:

Materiality measure	Group	Parent
Financial statements as a whole	£460,000 which represents 4.8% of group's adjusted operating profit. This benchmark is considered the most appropriate because this is a key performance measure used by the Board of Directors to report to investors on the financial performance of the group. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 to reflect the growth of the group.	£345,000 which is 2% of the parent company's total assets capped at 75% of group financial statement materiality. Net assets is considered the most appropriate benchmark because the parent company is a holding company and does not earn revenue. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2018 to reflect the growth of the group.
Performance materiality used to drive the extent of our testing	75% of financial statement materiality.	75% of financial statement materiality.
Communication of misstatements to the audit committee	£23,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£17,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

An overview of the scope of our audit

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

We evaluated the group's internal control environment including its IT systems and controls relevant to the audit.For those components that were subject to a statutory audit as identified in notes 1 and 34, a full scope audit approach was undertaken. As part of these component's statutory audits we documented our understanding of the controls relevant to financial reporting and evaluated the appropriateness of management's treatment of critical accounting matters at a component level, including the recognition of revenue, recoverability of debtors and accrued income. We then undertook substantive testing on significant transactions and material account balances.

The components that were subject to full scope audit procedures comprised 87% of consolidated revenues and 76% of consolidated adjusted operating profit.

For those components that have taken a parental guarantee for exemption from statutory audit as identified on page 48 and we considered to include group significant risks, specified audit procedures were performed over those significant classes of transactions that related to those significant risks.

The components that were subject to targeted audit procedures comprised 9% of consolidated revenues and 20% of consolidated adjusted operating profit.

The remaining subsidiaries were not considered significant to the group, and were subject to analytical audit procedures. These components comprised 4% of consolidated revenues and 4% of consolidated adjusted operating profit.

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

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.

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

As explained more fully in the statement of directors' responsibilities set out on page 38, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of our report

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

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

17 June 2019

Consolidated statement of comprehensive income

For the year ended 31 March 2019

		Year ended 31 March 2019			Year ended 31 March 2018		
	Notes	Adjusted results £'m	Acquisition & other costs £'m	Unadjusted results £'m	Adjusted results £'m	Acquisition & other costs £'m	Unadjusted results £'m
Revenue	4	**128.5**	-	**128.5**	**80.6**	-	**80.6**
Cost of sales		(82.5)	-	(82.5)	(54.2)	-	(54.2)
Gross profit		46.0	-	46.0	26.4	-	26.4
Administrative expenses excluding acquisition and other costs		(36.5)	-	(36.5)	(20.2)	-	(20.2)
Acquisition costs		-	(1.0)	(1.0)	-	(0.6)	(0.6)
Restructuring costs	5	-	(5.2)	(5.2)	-	(3.6)	(3.6)
Amortisation of acquisition intangibles	12	-	(1.8)	(1.8)	-	(0.9)	(0.9)
Share-based payments	28	-	(0.8)	(0.8)	-	(0.4)	(0.4)
Profit on disposal of non-core business	29	-	1.9	1.9	-	-	-
Exceptional loss on customer liquidation		-	-	-	-	(0.7)	(0.7)
Total administrative expenses		**(36.5)**	**(6.9)**	**(43.4)**	**(20.2)**	**(6.2)**	**(26.4)**
Operating profit	6	**9.5**	**(6.9)**	**2.6**	**6.2**	**(6.2)**	**-**
Finance costs	7	(0.6)	-	(0.6)	(0.4)	-	(0.4)
Profit/(loss) before tax		**8.9**	**(6.9)**	**2.0**	**5.8**	**(6.2)**	**(0.4)**
Income tax charge	8			(0.5)			(0.3)
Profit/(loss) for the year				**1.5**			**(0.7)**
Other comprehensive income				**-**			**-**
Profit/(loss) and total comprehensive income for the year from continuing operations				**1.5**			**(0.7)**
Attributable to owners of the parent				**1.5**			**(0.7)**
Earnings per share attributable to owners of the parent (pence)	9						
Total							
Basic				3.8p			(2.2p)
Diluted				3.6p			(2.2p)
Continuing operations							
Basic				3.8p			(2.2p)
Diluted				3.6p			(2.2p)

Consolidated statement of changes in equity

For the year ended 31 March 2019

		Attributable to owners of the parent				
	Notes	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 April 2017		15.5	18.7	0.3	0.5	35.0
Loss for the year		-	-	-	(0.7)	(0.7)
Total comprehensive income for the year		-	-	-	(0.7)	(0.7)
Transactions with owners						
Issue of shares during the year		1.8	12.0	-	-	13.8
Issue costs		-	(0.3)	-	-	(0.3)
Share-based payments		-	-	0.3	-	0.3
		1.8	**11.7**	**0.3**	**-**	**13.8**
Balance at 31 March 2018		**17.3**	**30.4**	**0.6**	**(0.2)**	**48.1**
Balance at 1 April 2018		17.3	30.4	0.6	(0.2)	48.1
Profit for the year		-	-	-	1.5	1.5
Total comprehensive income for the year		-	-	-	1.5	1.5
Transactions with owners						
Issue of shares during the year	22/23	3.1	25.4	-	-	28.5
Issue costs	23	-	(0.9)	-	-	(0.9)
Share-based payments	28	-	-	0.3	-	0.3
		3.1	**24.5**	**0.3**	**-**	**27.9**
Balance at 31 March 2019		**20.4**	**54.9**	**0.9**	**1.3**	**77.5**

Consolidated statement of financial position

As at 31 March 2019

Company registered no. 09952391

	Note	2019 £'m	2018 £'m
ASSETS			
Non-current assets			
Intangible assets	12	89.6	42.4
Property, plant and equipment	13	6.3	4.2
Deferred tax asset	21	0.2	-
		96.1	46.6
Current assets			
Inventories	14	4.5	2.7
Trade and other receivables	16	39.8	24.6
Other financial assets		0.5	-
Cash and cash equivalents	20	7.7	7.7
		52.5	35.0
Total assets		**148.6**	**81.6**
LIABILITIES			
Current liabilities			
Trade and other payables	17	(33.2)	(19.9)
Financial liabilities – borrowings	18	-	(2.3)
Other financial liabilities	19	(0.4)	(0.3)
Current tax liabilities		(0.8)	(0.5)
Provisions		(0.5)	(0.2)
		(34.9)	(23.2)
Non-current liabilities			
Trade and other payables	17	(5.0)	(1.0)
Financial liabilities – borrowings	18	(26.7)	(7.7)
Deferred tax liability	21	(3.8)	(1.3)
Other financial liabilities	19	(0.7)	(0.3)
		(36.2)	(10.3)
Total liabilities		**(71.1)**	**(33.5)**
Net assets		**77.5**	**48.1**
EQUITY			
Share capital	22	20.4	17.3
Share premium account	23	54.9	30.4
Other reserves	24	0.9	0.6
Retained earnings	25	1.3	(0.2)
Equity attributable to the owners of the parent		**77.5**	**48.1**

These financial statements were approved by the Board of Directors and authorised for issue on 17 June 2019 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 2019

	Note	Year ended 31 March 2019 £'m	Year ended 31 March 2018* £'m
Net cash generated from operations	26	**5.2**	**3.2**
Net finance costs		(0.5)	(0.4)
Income taxes paid		(1.5)	(0.4)
Net cash generated from operating activities before acquisition and restructuring costs		**3.2**	**2.4**
Acquisition and restructuring costs	5	(6.2)	(4.2)
Net cash used in operating activities		**(3.0)**	**(1.8)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(1.8)	(0.5)
Disposal of property, plant and equipment		0.3	0.3
Purchase of subsidiary undertakings, net of cash acquired	11	(38.6)	(10.6)
Disposal of non-core business	29	2.3	-
Cash flows used in investing activities		**(37.8)**	**(10.8)**
Cash flows from financing activities			
Proceeds from share issues		27.0	10.0
Repayment of bank borrowings		(19.2)	(5.2)
New bank loans raised		34.3	6.7
Cost of share issues		(0.9)	(0.3)
Finance lease repayments		(0.5)	(0.7)
Other financing activities		0.1	2.0
Net cash generated from financing activities		**40.8**	**12.5**
Net increase/(decrease) in cash and cash equivalents		**-**	**(0.1)**
Cash and cash equivalents at start of year		**7.7**	**7.8**
Cash and cash equivalents at end of year	20	**7.7**	**7.7**
Cash and cash equivalents shown above comprise:			
Cash at bank		7.7	7.7

* See Note 1 for details of a prior year restatement.

Notes to the Group financial statements

For the year ended 31 March 2019

1. GENERAL INFORMATION

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

The Company is listed on the AIM market.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 17 June 2019.

Exemption from audit

For the year ended 31 March 2019 Marlowe plc has provided a guarantee in respect of all liabilities due by its following subsidiaries: Advance Environmental Limited, G.P.C.S. Limited, Future Water Limited, Firecrest Services Limited, Tersus Consultancy Limited, Tersus Management Services Limited, Tersus Training Services Limited, Kingfisher Environmental Services Limited, Fire & Security (Group) Limited, Connect Monitoring Limited, Swift Fire and Security Group Limited, Swift Fire & Security Limited, Swift Fire & Security (Electrical Engineers) Limited, Swift Fire & Security (Northern) Ltd, Hentland Limited, Island Fire Protection Limited, Atana Limited, Steven Industrial (GLW) Limited, Atana (Scotland) Limited, Fire Alarm Fabrication Services (South) Limited, dB Audio & Electronic Services Limited, Flamefast Fire Systems Limited, William Martin 2018 Limited, William Martin Firefly Limited, Nestor Business Consulting 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 cash flows

Following recent discussions with the Financial Reporting Council's ("FRC") Corporate Reporting Review team, which highlighted that the prior year presentation of acquisition and restructuring cost cash flows within investing activities did not satisfy the requirements of IAS 7 "Statement of Cash Flows", acquisition and restructuring cost cash flows have been re-presented within operating activities.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 6 to 29.

The Group meets its day-to-day working capital requirements through its financing facility which is due to expire in November 2021. Details of the Group's borrowing facility is given in note 20 of the financial statements.

The Group's budgets for 2020 and forecasts for 2021, taking account of reasonably possible changes in trading performance, show that the Group should be able to operate within the level of its current facility.

The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

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

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

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

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

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

Control and ownership of acquired companies

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

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

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

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES 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 is recognised in accordance with IFRS 9 either in profit or loss or as a charge to other comprehensive income unless the contingent consideration is classified as equity. In such circumstances, changes are recognised within equity.

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

Segmental reporting

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

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

Revenue recognition

The Group recognises revenue as follows:

Revenue from contracts with customers

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

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

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

Sale of services

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

Sale of goods

Revenues from the sale of goods is recognised at the point in time when the customer obtains control of the goods, which is generally at the time of delivery. It is recognised at the fair value consideration received or receivable net of discounts, VAT, returns, rebates and after eliminating intra-group sales..

Interest income

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

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Revenue recognition 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 15). Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises either a contract asset or a receivable in its statement of financial position depending on whether something other than the passage of time is required before the consideration is due.

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

Acquisition and other costs

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

Profit measures

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

Intangible assets

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

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

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

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Other intangible assets

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

Customer relationships

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

Application software

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

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

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

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Investments

The Company has investments in thirty five subsidiaries. Investments are valued at cost less allowances for impairment. An impairment test is performed annually on the carrying value of the investment. An impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount, when there is objective evidence for impairment including significant or prolonged decline in fair value below cost.

Inventories

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

Trade and other receivables

Trade receivables are recorded initially at fair value and subsequently measured at amortised cost less provision.

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

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

Cash and cash equivalents

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

Trade payables

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

Borrowings

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

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Taxation

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

Current tax

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

Deferred tax

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

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

Provisions

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

Equity instruments

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

Share-based payments

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

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

Further details of the Group's Incentive Schemes are documented in note 28.

Pensions

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

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

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.

Critical accounting judgements and estimates

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

Judgements

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

Identification of separable intangibles on acquisition and rate of customer attrition

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

Acquisition and other costs

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

Estimates and assumptions

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

Valuation of separable intangibles on acquisition

When valuing the customer relationship acquired in a business combination, management estimate the expected future cash flows from the asset and select a suitable discount rate in order to calculate the present value of those cash flows. Application software has been valued via a "Relief from Royalty" approach which determines value by reference to the hypothetical royalty payments that would be saved through owning the asset compared with licensing the asset froma third party. Separable intangibles valued on acquisitions made in the year were £12.3m (2018: £2.5m) in respect of customer relationships and £2.7 (2018: £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 28.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

Critical accounting judgements and estimates continued

Impairment of trade receivables

Management regularly review trade receivables that are past due and WIP and accrued income for signs of impairment taking into account credit ratings, recent history of default and the number of days past due date. Following this assessment, a £1.0m (2018: £1.2m) provision for impairment of trade receivables has been made. Refer to note 16 for further information.

Recoverability of amounts due from contract assets

The Group recognises revenue in accordance with a contract's stage of completion, with any variable consideration estimated using the expected value method as constrained if necessary. As part of our monthly review procedures management review accrued income for recoverability. If a contract is in dispute, management use their judgement based *on evidence and external expert advice, where appropriate, to estimate the value of accrued income recoverable on the* contract. Actual future outcome may differ from the estimated value currently held in the financial statements but the outcome of any amounts subject to dispute is not anticipated to have a material impact on the financial statements. At 31 March 2019 amounts due from contract assets totalled £7.1m (2018: £2.6m). Please refer to Note 15.

Adoption of new and revised standards

New standards, amendments and interpretations issued and effective during the financial year commencing 1 April 2018:

IFRS 15 Revenue from Contracts with Customers (endorsed for use in the EU on 22 September 2016)

The core principle of the new standard is for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue.

The final standard has the following stepped approach, which is to identify the contract with a customer, identify the performance obligations in the contract, determine the transaction price, allocate the transaction price to the performance obligations in the contract, recognise revenue when the entity satisfies a performance obligation.

The Group has undertaken analysis of how the adoption of IFRS 15 impacted the timing of recognition of revenue across its business, depending upon the nature and terms of their customer contracts.

The key areas which have been assessed are:
- the determination of distinct goods and services
- the determination of a standalone selling price
- the allocation of the transaction price and any discounts to the separate performance obligations
- how the performance obligation is satisfied over time
- how contract costs should be allocated to fulfilling a contract

The current contract terms and business practices were reconsidered, and it has been concluded that the new standard did not have an impact on the timing of the recognition of revenue and that no restatement was required. All new contracts and changes to existing contract terms are considered on an ongoing basis to ensure that the accounting is appropriate.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued
Adoption of new and revised standards continued
IFRS 9 Financial Instruments (endorsed for use in the EU on 22 November 2016)
The amendments include a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement.

Financial assets are still measured at amortised cost, fair value through profit or loss or fair value through comprehensive income but their classification and measurement is driven by the contractual cash flow characteristics of the financial asset and the business model in which an asset is held. This single, principle-based approach replaces existing rule-based requirements that are generally considered to be overly complex and difficult to apply. The new model also results in a single impairment model being applied to all financial assets, thereby removing a source of complexity associated with previous accounting requirements.

The Group undertook an assessment of how the adoption of IFRS 9 would have an impact on the Group's financial instruments. The key area that was considered across the business was the bad debt provisioning because of the implementation of the expected loss model and it was concluded that there will not be an impact as a result of the changes and that no restatement is required (note 15).

Periods commencing on or after 1 April 2019

IFRS 16 Leases (endorsed for use in the EU on 31 October 2017)
In January 2016, the IASB issued IFRS 16, Leases. IFRS 16 eliminates the current classification model for lessee's lease contracts as either operating or finance leases and, instead, introduces a single lessee accounting model requiring lessees to recognise right-of-use assets and lease liabilities for leases with a term of more than twelve months. This brings the previous off-balance leases on the balance sheet in a manner largely comparable to current finance lease accounting.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. The Group will adopt the standard for the financial year commencing 1 April 2019, by applying the modified retrospective approach, i.e. comparative figures for the preceding year will not be adjusted.

A detailed implementation project has taken place to identify all leases across the Group which are subject to the new standard and to calculate the expected impact to the financial statements. It is expected that the majority of the transition effect relates to property and motor vehicles leased by the Group. Where the implicit interest rate of the lease was not available, the Group's incremental borrowing rate was used to calculate the fair value of the future lease payments. The Group intends to utilise the recognition exemptions available for leases of low-value items and leases with a lease term of 12 months or less.

By applying IFRS 16, straight-line operating lease expense will be replaced by depreciation expense on right-of-use assets and interest expense on lease liabilities. It is expected that the application of this standard will have a material impact on Group's financial statements. Indicatively the estimated impact to the financial year commencing 1 April 2019 can be summarised as follows:

- Net debt will increase by £6.5m primarily reflecting the sizeable leasehold property and vehicle portfolio of the Group.
- Operating profit will increase by approximately £0.25m reflecting the reclassification of rental payments to interest charges.
- Adjusted EBITDA will increase by approximately £3.25m reflecting the reclassification of rental payments to interest and depreciation charges.

The debt covenants on the Group's borrowing facility will be unaffected by the application of IFRS 16 as the covenant calculations are based on the accounting principles in place at the date the agreement was entered into.

Other than where specifically stated above, the Directors are still considering the impact that the adoption of these Standards and Interpretations in future periods will have but do not expect a material impact on the financial statements of the Group when the relevant standards and interpretations come into effect.

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 2019 and 2018 the Group's borrowings at variable rates were denominated in pounds sterling. The Group analyses its interest rate exposure using financial modelling on a periodic basis. Based on the various scenarios, the Group does not currently consider any hedging appropriate.

Credit risk

Credit risk is managed on a Group basis, except for credit risk relating to accounts receivable balances. Each local entity is responsible for managing and analysing the credit risk for each of their new customers before standard payment, delivery terms and conditions are offered. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to retail customers, including outstanding receivables and committed transactions. The maximum exposure is the carrying amount as disclosed in note 20.

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 20.

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 20.

Notes to the Group financial statements continued

3 FINANCIAL RISK MANAGEMENT continued

Capital risk

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

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

No changes were made in the objectives, policies or processes during the year ended 31 March 2019 and prior year ended 31 March 2018.

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

	2019 £'m	2018 £'m
Cash at bank	7.7	7.7
Bank loans due within one year	-	(2.3)
Bank loans due after one year	(26.7)	(7.7)
Finance leases due within one year	(0.4)	(0.3)
Finance leases due after one year	(0.7)	(0.3)
Net debt	(20.1)	(2.9)

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

Fair value estimation

The fair value of financial instruments is market value.

Notes to the Group financial statements continued

4. SEGMENTAL ANALYSIS

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

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

Notes to the Group financial statements continued

4. SEGMENTAL ANALYSIS - Revenue continued

Continuing operations	Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2018 Total £'m
Revenue	52.6	28.8	-	81.4
Inter-segment elimination	(0.7)	(0.1)	-	(0.8)
Revenue from external customers	51.9	28.7	-	80.6
Segment adjusted operating profit/(loss)	3.9	3.3	(1.0)	6.2
Acquisition costs				(0.6)
Restructuring costs				(3.6)
Amortisation of acquisition intangibles				(0.9)
Share-based payments				(0.4)
Exceptional loss on customer liquidation				(0.7)
Operating profit				-
Finance costs				(0.4)
Loss before tax				(0.4)
Tax charge				(0.3)
Loss after tax				(0.7)
Segment assets	16.8	11.3	53.5	81.6
Segment liabilities	6.9	5.0	21.6	33.5
Capital expenditure	0.3	0.2	-	0.5
Depreciation and amortisation	0.7	0.3	0.9	1.9

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

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

	Risk & Compliance £'m	Water & Air £'m	Head Office £'m	2018 Total £'m
Segment adjusted operating profit/(loss)	3.9	3.3	(1.0)	6.2
Depreciation	0.7	0.3	-	1.0
Adjusted EBITDA	**4.6**	**3.6**	**(1.0)**	**7.2**

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

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

Major customers

For the year ended 31 March 2019, no customers (2018: Nil) individually accounted for more than 10% of the Group's total revenue.

Notes to the Group financial statements continued

5. RESTRUCTURING COSTS

Restructuring and redundancy costs were £5.2m in 2019 (2018: £3.6m). These costs arise due to the following:

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

6. OPERATING PROFIT

	2019 £'m	**2018 £'m**
The following items have been included in arriving at operating profit:		
Amortisation of intangible assets	1.8	0.9
Depreciation of property, plant and equipment	1.5	1.0
Loss on disposal of property, plant and equipment	-	0.1
Share-based payments charge	0.8	0.4
Operating leases – plant and machinery	0.2	0.1
Operating leases – land and buildings	1.0	0.5
Auditors' remuneration*:		
– Parent and consolidated financial statements	0.1	-
– Audit of Company's subsidiaries pursuant to legislation	0.2	0.2
– Review of half yearly financial report	-	-

* Audit fees of £75k (2018: £30k) in respect of the parent and consolidated financial statements and £188k (2018: £155k) in respect of the audit of the Company's subsidiaries were incurred during the year. £14k (2018: £13k) was incurred by the Group in respect of the review of the half yearly financial reports.

7. FINANCE COSTS

	2019 £'m	**2018 £'m**
Interest on bank loans and overdrafts	0.5	0.3
Amortisation of deferred finance costs	0.1	0.1
Total	0.6	0.4

Notes to the Group financial statements continued

8. TAXATION

	2019 £'m	2018 £'m
Current tax:		
UK corporation tax on profit/loss for the year	1.1	0.5
Adjustment in respect of previous periods	(0.1)	(0.2)
Total current tax	1.0	0.3
Deferred tax: (note 21)		
Current year	(0.5)	(0.1)
Adjustment in respect of previous periods	-	0.1
Total deferred tax	(0.5)	-
Total tax charge	0.5	0.3

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

	2019 £'m	2018 £'m
Profit/(loss) before tax	2.0	(0.4)
Profit/(loss) before tax multiplied by the rate of corporation tax of 19%	0.4	(0.1)
Effects of:		
Expenses not deductible for tax purposes	0.2	0.5
Prior year adjustments	(0.1)	(0.1)
Tax charge	0.5	0.3

Notes to the Group financial statements continued

9. EARNINGS PER ORDINARY SHARE

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

	2019	2018
Weighted average number of shares in issue	38,019,985	33,296,260
Total profit/(loss) for the year	£1.5m	£(0.7)m
Total basic earnings per ordinary share (pence)	3.8p	(2.2)p
Weighted average number of shares in issue	38,019,985	33,296,260
Executive incentive plan	1,748,928	1,689,399
Weighted average fully diluted number of shares in issue	39,768,193	34,985,659
Total fully diluted earnings per share (pence)	3.6p	(2.2)p

The prior year dilutive executive incentive plan shares have been restated due to an error in the prior year calculation. This has no impact on the prior year diluted earnings per share but does reduce adjusted fully diluted earnings per share from 13.9p to 13.2p.

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:

	2019 £'m	2018 £'m
Profit/(loss) before tax	2.0	(0.4)
Adjustments:		
Acquisition costs	1.0	0.6
Restructuring costs	5.2	3.6
Amortisation of acquisition intangibles	1.8	0.9
Share-based payments	0.8	0.4
Profit on disposal of non-core business	(1.9)	-
Exceptional loss on customer liquidation	-	0.7
Adjusted continuing profit for the year	8.9	5.8

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

	2019	2018
Adjusted profit before tax (£'m)	8.9	5.8
Tax at 19% (£'m)	(1.8)	(1.1)
Adjusted profit after tax (£'m)	7.1	4.7
Adjusted basic earnings per share (pence)	18.8	14.0
Adjusted fully diluted earnings per share (pence)	17.9	13.2

10. DIVIDENDS

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

Notes to the Group financial statements continued

11. BUSINESS COMBINATIONS

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £150m and Group loss before tax would have been £0.5m. 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 Island Fire Protection Limited

On 23 April 2018 the Group acquired Island Fire Protection Limited ("Island Fire"), a provider of fire protection services, for a total consideration of £1.5m, satisfied by the payment of £1.2m in cash on completion and a cash payment of up to £0.3m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

The final fair values are shown to the right.

One hundred percent of the equity of Island 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 £60k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Island Fire would have generated £2.2m revenue and £0.4m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	0.4
Cash	0.3
Trade and other receivables	0.3
Property, plant and equipment	0.1
Trade and other payables	(0.2)
Deferred tax liabilities	(0.1)
Tax liabilities	(0.1)
Net assets acquired	**0.7**
Goodwill	**0.8**
Consideration	**1.5**
Satisfied by:	
Cash to vendors	**1.2**
Deferred cash consideration to vendors	**0.3**

Acquisition of Forest Environmental

On 17 May 2018 the Group acquired the business and assets of Forest Environmental Limited ("Forest"), a provider of asbestos remediation services, for a total consideration of £0.5m, satisfied in cash on completion.

The final fair values are shown to the right.

Acquisition costs of £67k have been charged to profit or loss.

	Fair value at acquisition £'m
Trade and other receivables	0.7
Property, plant and equipment	0.1
Trade and other payables	(0.4)
Net assets acquired	**0.4**
Goodwill	**0.1**
Consideration	**0.5**
Satisfied by:	
Cash to vendors	**0.5**

Notes to the Group financial statements continued

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

Acquisition of Kingfisher Environmental Services Limited

On 25 July 2018 the Group acquired Kingfisher Environmental Services Limited ("Kingfisher"), a provider of water treatment and hygiene services, for a total consideration of £3.1m, satisfied by the payment of £2.4m in cash on completion and a cash payment of up to £0.7m 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 Kingfisher 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 £69k have been charged to profit or loss.

	Fair value at acquisition £'m
Intangible assets – customer relationships	1.8
Trade and other receivables	0.7
Loans receivable	0.1
Trade and other payables	(1.1)
Deferred tax liabilities	(0.3)
Net assets acquired	**1.2**
Goodwill	**1.9**
Consideration	**3.1**
Satisfied by:	
Cash to vendors	**2.4**
Deferred cash consideration to vendors	**0.7**

If the acquisition had been completed on the first day of the financial year Kingfisher would have generated £2.9m revenue and £0.2m profit before tax.

Acquisition of Suez Water Conditioning Services Limited

On 24 August 2018 the Group acquired Suez Water Conditioning Services Limited ("Suez WCS"), a provider of water treatment and hygiene services, for a total consideration of £4.7m, satisfied by the payment of £4.7m 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 Suez WCS 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 £98k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Suez WCS would have generated £13.6m revenue and £1.0m loss before tax.

	Fair value at acquisition £'m
Trade and other receivables	2.9
Intangible assets – customer relationships	1.4
Property, plant and equipment	0.8
Inventories	0.4
Deferred tax asset	0.3
Cash	0.2
Trade and other payables	(3.8)
Net assets acquired	**2.2**
Goodwill	**2.5**
Consideration	**4.7**
Satisfied by:	
Cash to vendors	**4.7**

Notes to the Group financial statements continued

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

Acquisition of Tersus Consultancy Limited

On 3 October 2018 the Group acquired Tersus Consultancy Limited ("Tersus"), a provider of testing and inspection services, for a total consideration of £2.8m, satisfied by the payment of £2.8m 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 Tersus 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 £73k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Tersus would have generated £10.4m revenue and £0.3m profit before tax.

	Fair value at acquisition £'m
Trade and other receivables	3.2
Intangible assets – customer relationships	0.5
Property, plant and equipment	0.1
Trade and other payables	(1.9)
Loans payable	(0.7)
Tax liabilities	(0.1)
Deferred tax liabilities	(0.1)
Net assets acquired	**1.0**
Goodwill	**1.8**
Consideration	**2.8**
Satisfied by:	
Cash to vendors	**2.8**

Acquisition of Firecrest Services Limited

On 18 October 2018 the Group acquired Firecrest Services Limited ("Firecrest"), a provider of fire protection services, for a total consideration of £0.5m, satisfied by the payment of £0.5m 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 Firecrest 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 £53k have been charged to profit or loss.

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

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

Notes to the Group financial statements continued

11. BUSINESS COMBINATIONS

Provisional fair values for acquisitions acquired in the current year continued

Acquisition of William Martin Compliance Solutions Limited and Ivor Roy Limited

On 20 December 2018 the Group acquired William Martin Compliance Solutions Limited and Ivor Roy Limited (together "William Martin"), a provider of risk compliance consultancy services, for a total consideration of £33.1m, satisfied by the payment of £25.9m in cash on completion, £2.2m in cash by 31 January 2019, £1.5m satisfied by the issuance of 359,454 ordinary shares of the Company on completion and £3.5m 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.

Eighty eight percent of the equity of William Martin 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 £430k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year William Martin would have generated £7.0m revenue and £1.7m profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	5.9
Intangible assets – software	2.7
Cash	3.3
Loans receivable	1.6
Trade and other receivables	1.5
Trade and other payables	(2.3)
Deferred tax liabilities	(1.9)
Deferred consideration	(0.4)
Tax liabilities	(0.4)
Net assets acquired	**10.0**
Goodwill	**23.1**
Consideration	**33.1**
Satisfied by:	
Cash to vendors	**28.1**
Put and Call option	**3.5**
Ordinary Shares in Marlowe plc to vendors	**1.5**

Acquisition of Atana Limited

On 30 January 2019 the Group acquired Atana Limited ("Atana"), a provider of water treatment services, for a total consideration of £5.5m, satisfied by the payment of £2.5m in cash on completion and £3.0m in cash payable subject to the achievement of certain performance targets by the acquired business in the periods ending 31 December 2019 and 2020. 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 Atana 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 £109k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Atana would have generated £6.9m revenue and £nil profit before tax.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.1
Trade and other receivables	1.5
Loans receivable	0.3
Cash	0.2
Property, plant and equipment	0.2
Inventories	0.2
Trade and other payables	(1.3)
Loans payable	(0.9)
Deferred tax liabilities	(0.4)
Tax liabilities	(0.2)
Net assets acquired	**1.7**
Goodwill	**3.8**
Consideration	**5.5**
Satisfied by:	
Cash to vendors	**2.5**
Deferred cash consideration to vendors	**3.0**

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS

	Goodwill £'m	Customer relationships £'m	Application software £'m	Order backlog £'m	Total £'m
Cost					
1 April 2017	21.7	5.4	-	0.1	27.2
Arising on acquisition of subsidiaries	14.2	2.5	-	-	16.7
31 March 2018	35.9	7.9	-	0.1	43.9
1 April 2018	35.9	7.9	-	0.1	43.9
Arising on acquisition of subsidiaries	34.3	12.3	2.7	-	49.3
Additions	-	-	0.1	-	0.1
Disposals	-	(0.4)	-	(0.1)	(0.5)
31 March 2019	**70.2**	**19.8**	**2.8**	**-**	**92.8**
Accumulated amortisation and impairment					
1 April 2017		0.5	-	0.1	0.6
Charge for the year	-	0.9	-	-	0.9
31 March 2018	-	1.4	-	0.1	1.5
1 April 2018	-	1.4	-	0.1	1.5
Charge for the year	-	1.7	0.1	-	1.8
Disposals	-	-	-	(0.1)	(0.1)
31 March 2019	**-**	**3.1**	**0.1**	**-**	**3.2**
Carrying amount					
31 March 2019	**70.2**	**16.7**	**2.7**	**-**	**89.6**
31 March 2018	35.9	6.5	-	-	42.4

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

12. *INTANGIBLE ASSETS continued*

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

	£'m
Cost	
31 March 2018	**35.9**
Adjusted – Flamefast	*0.2*
Acquired – Island Fire	0.8
Acquired – Forest	0.1
Acquired – Kingfisher	1.9
Acquired – Suez WCS	2.5
Acquired – Tersus	1.8
Acquired – Firecrest	0.1
Acquired – William Martin	23.1
Acquired – Atana	3.8
31 March 2019	**70.2**
Accumulated impairment	
1 April 2018 and March 2019	-
31 March 2018	-
Net book value	
31 March 2019	**70.2**
31 March 2018	35.9

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.

Flamefast Fire Systems Limited ("Flamefast") - the main changes are to trade and other payables, decreasing the value by £0.1m, and inventories, decreasing the value by £0.1m, which resulted in an increase in goodwill of £0.2m.

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS continued

Allocation to cash-generating units

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

Risk & Compliance	2019 £'m	2018 £'m
Swift/Hentland	15.7	15.7
FAFS/Titan/Alpha/Philton/BTE	2.7	2.7
BBC/dB/Firecrest	2.5	2.4
Flamefast	0.3	0.1
Island Fire	0.8	-
Tersus	1.8	-
William Martin	23.1	-
Total	**46.9**	**20.9**

Water & Air	2019 £'m	2018 £'m
WCS/AE/Future/H2O	5.3	5.3
DCUK/Forest/SB	8.0	7.9
Guardian	1.8	1.8
Kingfisher	1.9	-
Suez WCS	2.5	-
Atana	3.8	-
Total	**23.3**	**15.0**

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS continued

Allocation to cash-generating units continued

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

In accordance with IAS 36, the growth rates for beyond the forecasted ten years do not exceed the long-term average growth rate for the industry. The forecasts have been discounted at an average rate of 13.45% (2018: 15.50%). The key assumptions forming inputs to cash flows are in revenues and margins. Revenues for FY20 have been assessed by reference to existing contracts and market volumes. Margins have been assumed to be consistent with historical performance of the acquired business and reflect management's view of the post-acquisition performance following integration into the Marlowe Group.

For the purpose of impairment testing, goodwill and other intangibles are allocated to business segments which represent the lowest level at which that those assets are monitored for internal management purposes. The recoverable amount of each cash-generating unit is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two to five using growth rates that are considered to be in line with the general trends in which each cash-generating unit operates. Terminal cash flows are based on these five year projections, assumed to grow perpetually at 2%. In accordance with IAS 36, the growth rates for beyond the forecasted five years do not exceed the long-term average growth rate for the industry. The key assumptions forming inputs to the cash flows are in revenues and margins. Budgeted revenues for FY20 have been assessed by reference to existing contracts and market volumes. Having begun moving out of the restructuring and integration phase, budgeted margins in FY20 reflect the impact of implemented restructuring and post-integration performance improvement measures, particularly in relation to the Swift and Hentland cash-generating unit. Although these performance improvements are yet to be fully realised, management consider the FY20 budgets to contain reasonable and supportable assumptions. The forecasts have been discounted at a pre-tax rate of 9.23% (2018: 11.69%) for cash generating units in the Risk & Compliance division and 11.55% (2018: 11.69%) for cash generating units in the Water & Air division. These discount rates were calculated using a pre-tax rate based on the weighted average cost of capital for each operating segment. The key assumptions used for the value in use calculations are as follows:

	Risk & Compliance %	*Water & Air* %
Revenue growth – average over 5 years	4	2
Revenue growth – remainder	2	2
Cost growth – employee/overheads, average over 5 years	3	2

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

Notes to the Group financial statements continued

13. PROPERTY, PLANT AND EQUIPMENT

	Long leasehold land & buildings £'m	Leasehold improvements £'m	Plant & machinery £'m	Office equipment fixtures & fittings £'m	Motor vehicles £'m	Total £'m
Cost						
1 April 2017	0.3	0.5	0.1	0.9	0.9	2.7
Additions	-	-	0.1	0.4	0.3	0.8
Disposals	-	-	-	-	(1.0)	(1.0)
Acquisitions	1.4	-	0.1	0.5	2.1	4.1
31 March 2018	**1.7**	**0.5**	**0.3**	**1.8**	**2.3**	**6.6**
1 April 2018	1.7	0.5	0.3	1.8	2.3	6.6
Additions	-	0.5	0.8	0.4	1.0	2.7
Disposals	-	(0.4)	(0.2)	(1.1)	(1.0)	(2.7)
Acquisitions	-	-	0.2	0.1	2.3	2.6
31 March 2019	**1.7**	**0.6**	**1.1**	**1.2**	**4.6**	**9.2**
Accumulated depreciation						
1 April 2017	-	-	-	0.1	-	0.1
Charge for the year	-	0.1	0.1	0.5	0.3	1.0
Disposals	-	-	-	-	(0.6)	(0.6)
Acquisitions	-	-	-	0.5	1.4	1.9
31 March 2018	**-**	**0.1**	**0.1**	**1.1**	**1.1**	**2.4**
1 April 2018	-	0.1	0.1	1.1	1.1	2.4
Charge for the year	0.2	0.1	0.3	0.4	0.5	1.5
Disposals	-	(0.1)	(0.3)	(1.1)	(0.7)	(2.2)
Acquisitions	-	-	-	-	1.2	1.2
31 March 2019	**0.2**	**0.1**	**0.1**	**0.4**	**2.1**	**2.9**
Net book value						
31 March 2019	**1.5**	**0.5**	**1.0**	**0.8**	**2.5**	**6.3**
31 March 2018	1.7	0.4	0.2	0.7	1.2	4.2
1 April 2017	0.3	0.5	0.1	0.8	0.9	2.6

Depreciation is charged to profit or loss as an administrative expense. Motor vehicle assets with a net book value of £1.4m (2018: £1.1m) were held under finance leases.

14. INVENTORIES

	2019 £'m	2018 £'m
Finished goods and goods for resale	4.5	2.7

15. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

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

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

(b) Contract liabilities

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

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

Notes to the Group financial statements continued

16. TRADE AND OTHER RECEIVABLES

	2019 £'m	2018 £'m
Trade receivables	31.4	22.0
Less: provision for impairment of trade receivables	(1.0)	(1.2)
Trade receivables – net	30.4	20.8
Other receivables	0.6	0.4
Amounts due from contract assets	7.1	2.6
Prepayments and accrued income	1.7	0.8
	39.8	**24.6**

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

As at 31 March 2019, trade and other receivables includes amounts due from contract assets of £7.1m (2018: £2.6m). 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

As at 31 March 2019, trade receivables of £10.5m (2018: £6.9m) were past due but not impaired. These relate to a number of independent customers with no recent history of default. The ageing analysis of these trade receivables is as follows:

	2019 £'m	2018 £'m
0-120 days	8.4	5.1
Greater than 120 days	2.1	1.8

17. TRADE AND OTHER PAYABLES

	2019 £'m	2018 £'m
Current		
Trade payables	12.1	7.7
Other taxation and social security	6.1	4.1
Other payables	1.1	0.4
Accruals	6.7	3.4
Deferred income	2.3	1.6
Deferred consideration payable in less than one year	4.9	2.7
	33.2	19.9
Non-current		
Deferred consideration payable in one to three years	5.0	1.0
	5.0	**1.0**

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

18. FINANCIAL LIABILITIES – BORROWINGS

	2019 £'m	2018 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	-	2.3
	-	2.3
Non-current		
Bank loans – secured	26.7	7.7
	26.7	**7.7**

The bank debt is due to HSBC UK Bank plc and National Westminster Bank plc and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 20. 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)/cash

	2019 £'m	2018 £'m
Cash at bank and in hand	7.7	7.7
Bank loans and overdrafts due within one year	-	(2.3)
Bank loans due after one year	(26.7)	(7.7)
Finance leases due within one year	(0.4)	(0.3)
Finance leases due after one year	(0.7)	(0.3)
Net debt	**(20.1)**	**(2.9)**

Notes to the Group financial statements continued

19. OTHER FINANCIAL LIABILITIES

	2019 £'m	2018 £'m
Obligations under finance leases – present value of finance lease liabilities		
Repayable by instalments:		
In less than one year	0.4	0.3
In two to five years	0.7	0.3
Over five years	-	-
	1.1	**0.6**

20. 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

	2019 £'m	2018 £'m
Cash at bank and in hand	7.7	7.7

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

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

	2019 £'m	2018 £'m
Loans and receivables	38.5	23.8
Financial liabilities measured at amortised cost	(38.3)	(20.6)

20. FINANCIAL INSTRUMENTS continued

Currency and interest rate risk profile of financial liabilities

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

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

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 March 2019	**26.7**	**26.7**	**2.5**
Sterling at 31 March 2018	10.0	10.0	3.2

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

	2019 £'m	2018 £'m
3 months or less	26.7	9.5

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

Currency	Total £'m	Floating rate financial liabilities £'m	Weighted average interest rates %
Sterling at 31 March 2019	**3.3**	**3.3**	**0.5**
Sterling at 31 March 2018	6.5	6.5	1.0

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:

	2019 £'m	2018 £'m
3 months or less	3.3	6.5

Interest rate sensitivity

At 31 March 2019, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Company's profit before tax would be approximately £79k lower (2018: £39k). This is mainly attributable to the Company'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 Company's sensitivity to future interest rates changes has increased during the current year due to the increased debt and debt facility.

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

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

Notes to the Group financial statements continued

20. FINANCIAL INSTRUMENTS continued

Maturity of financial liabilities

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

	Bank debt £'m	Other financial liabilities £'m	2019 Total £'m	Bank debt £'m	Other financial liabilities £'m	2018 Total £'m
Within one year, or on demand	-	0.4	0.4	2.3	0.3	2.6
Between one and two years	-	0.7	0.7	2.1	0.2	2.3
Between two and five years	26.7	-	26.7	5.6	0.1	5.7
	26.7	**1.1**	**27.8**	**10.0**	**0.6**	**10.6**

Borrowing facilities

The Group has a £30m revolving credit facility and an additional accordion facility of £15m with HSBC UK Bank plc and National Westminster Bank plc which expires on 22 November 2021. £3.3m of the facility was undrawn as at 31 March 2019. 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.

21. DEFERRED TAX

Summary of balances

	2019 £'m	2018 £'m
Deferred tax liabilities	(3.8)	(1.3)
Deferred tax asset	0.2	-
	(3.6)	**(1.3)**

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

	2019 £'m	2018 £'m
1 April	(1.3)	(0.8)
Charge to profit for the year	0.5	-
Acquisitions	(2.8)	(0.5)
31 March	**(3.6)**	**(1.3)**

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	Total £'m
1 April 2017	(1.0)	(1.0)
Charge to income for the year	0.2	0.2
Acquisitions	(0.5)	(0.5)
31 March 2018	**(1.3)**	**(1.3)**
Charge to income for the year	0.3	0.4
Acquisitions	(2.8)	(2.9)
31 March 2019	**(3.8)**	**(3.8)**

Deferred tax assets

	Losses £'m	Total £'m
1 April 2017	0.2	0.2
Charge to income for the year	(0.2)	(0.2)
Acquisitions	-	-
31 March 2018	-	-
Charge to income for the year	0.2	0.2
Acquisitions	-	-
31 March 2019	**0.2**	**0.2**

Notes to the Group financial statements continued

22. CALLED UP SHARE CAPITAL

	2019 £'m	2018 £'m
Allotted, issued and fully paid:		
40,786,879 ordinary shares of 50p each (2018: 34,517,425 ordinary shares of 50p each)	20.4	17.3

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
31 March 2017	30,916,995	
28 July 2017 – Consideration Shares ("DCUK")	878,031	394p
28 July 2017 – Subscription Shares	2,597,402	385p
11 January 2018 – Consideration Shares ("DCUK")	124,997	360p
31 March 2018	**34,517,425**	
18 July 2018 – Subscription Shares	4,210,000	475p
20 December 2018 – Consideration Shares ("William Martin")	359,454	417p
28 December 2018 – Subscription Shares	1,700,000	410p
31 March 2019	**40,786,879**	

23. SHARE PREMIUM ACCOUNT

	2019 £'m	2018 £'m
1 April	30.4	18.7
Premium on shares issued during the year	25.4	12.0
Share issue costs	(0.9)	(0.3)
31 March	**54.9**	**30.4**

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.

24. OTHER RESERVES

Share-based payments reserve	2019 £'m	2018 £'m
1 April	0.6	0.3
Charge for the year	0.3	0.3
31 March	**0.9**	**0.6**

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

25. RETAINED EARNINGS

	2019 £'m	2018 £'m
1 April	(0.2)	0.5
Profit/(loss) for the year	1.5	(0.7)
31 March	**1.3**	**(0.2)**

26. NET CASH GENERATED FROM OPERATIONS

	2019 £'m	**2018 £'m**
Continuing operations		
Profit/(loss) before tax	2.0	(0.4)
Depreciation of property, plant and equipment	1.5	1.0
Amortisation of intangible assets	1.8	0.9
Net finance costs	0.6	0.4
Acquisition costs	1.0	0.6
Restructuring costs	5.2	3.6
Share-based payments charge	0.8	0.4
Gain on disposal of property, plant and equipment	-	(0.1)
Gain on disposal of non-core business	(1.9)	-
(Increase)/decrease in inventories	(1.3)	0.3
Increase in trade and other receivables	(3.6)	(1.2)
Decrease in trade and other payables	(0.9)	(2.3)
Net cash generated from operations	**5.2**	**3.2**

27. 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 £0.9m (2018: £0.3m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

Notes to the Group financial statements continued

28. SHARE-BASED PAYMENTS

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

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

On such redemption, the aggregate value of the B Shares is to be 10% of the result of the following:
- the market value of Ordinary Shares that were in issue at Admission (being 21,084,998 Ordinary Shares), in addition to the market value of any Ordinary Shares issued following Admission in relation to net shareholder investments of up to £40m (any Ordinary Shares issued where net shareholder investments exceed £40m will be excluded); less
- the Ordinary Shares in issue at Admission (being 21,084,998 Ordinary Shares) multiplied by the Issue Price of 100 pence (equalling £21,084,998); less
- net shareholder investments of up to £40m in the Company raised by way of a share placing following Admission; plus
- the amount of any dividends declared by the Company following Admission.

The market value of Ordinary Shares for these purposes will be the average closing price of the Ordinary Shares over the 10 Business Days immediately preceding the day on which notice of redemption is given by a B Shareholder.

The B Shareholders may only give notice to redeem their B Shares in any of the following circumstances:
- a sale of all or a material part of the business of the Enlarged Group;
- a sale of more than 51% of the Ordinary Shares to an unconnected person;
- a winding up of the Company, or any other return of capital; and
- not earlier than the third anniversary of the relevant agreement relating to the B Shares and not later than the fifth anniversary of the relevant agreement relating to the B Shares.

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

28. SHARE-BASED PAYMENTS 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 Director's interests in the performance units of the Incentive Scheme is as follows:

	2019	2018
Alex Dacre	5,460	5,460
Derek O'Neill	1,820	1,820
Charles Skinner	1,183	1,183
Nigel Jackson*	-	-

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

The issued B Share capital is as follows:

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

A charge of £0.3m (£2018: £0.3m) was recognised in the year in respect of the Marlowe 2016 Incentive Scheme.

Notes to the Group financial statements continued

28. SHARE-BASED PAYMENTS continued

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 3-4 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
Share price at grant date	320p	360p	340p
Number of employees	2	1	1
Phantom shares granted	170,000	50,000	151,515
Vesting period	3-4	3-4	3-4
Expected volatility	36.59%	36.59%	36.59%
Risk free rate	0.64%	0.64%	0.65%
Fair value per phantom share	402p	426p	441p

Long Term Investment Plan

During the prior year the Remuneration Committee approved a number of Long Term Incentive Plan ("LTIP") Awards to Robert Flinn, Chief Executive of the Fire businesses, and Phil Greenwood, Chief Executive of the Water businesses, which can be exercised between the third and fifth year of their employment, which commenced on 1 September 2017 and 3 January 2018 respectively. The LTIP Awards were extended to certain senior management individuals of the Fire and Water businesses on 1 April 2018. The LTIP is calculated by reference to the financial performance of the Fire and Water businesses.

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

In total, a charge of £0.4m (2018: £0.1m) was recognised in respect of the Phantom Award Scheme and Long Term Investment Plan.

As at 31 March 2019, the liability was £0.5m (2018: £0.1m).

29. DISPOSAL OF NON-CORE BUSINESS

	2019 £'m	2018 £'m
Profit on disposal of non-core business	1.9	-

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

30. DIRECTORS AND EMPLOYEES

Staff costs during the year	2019 £'m	2018 £'m
Wages and salaries	53.4	33.6
Social security costs	5.4	3.6
Post employment benefits	1.0	0.3
Share-based payments charge	0.4	0.4
	60.2	**37.9**

Average monthly number of employees during the year	Number	Number
Directors	5	5
Management	278	178
Engineers	787	495
Administration	316	192
Sales	106	70
	1,492	**940**

Total amounts for Directors' remuneration and other benefits	2019 £'m	2018 £'m
Emoluments for Directors' services	0.6	0.3
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	0.3	0.1

Key management compensation	2019 £'m	2018 £'m
Short-term employment benefits	1.2	0.8
Social security costs	0.1	0.1
Post employment benefits	-	-
Other benefits	-	-
Share-based payments charge	0.3	0.3
	1.6	**1.2**

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

Notes to the Group financial statements continued

31. LEASING COMMITMENTS

The Group leases various premises and assets under non-cancellable operating lease agreements of varying terms. The majority of the lease agreements are renewable at the end of the lease period at market rate.

	Land and buildings 2019 £'m	Land and buildings 2018 £'m	Vehicles 2019 £'m	Vehicles 2018 £'m
Future aggregate minimum lease payments under non-cancellable operating leases				
– Within one year	0.9	0.5	2.0	1.6
– Within two to five years	2.4	1.0	2.9	1.3
– Over five years	1.4	0.7	-	-
	4.7	**2.2**	**4.9**	**2.9**

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

32. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

The remuneration of key management personnel and details of the Directors' emoluments are shown in note 28.

The following sales and purchases were to companies which are related by virtue of Nigel Jackson being a controlling party up to the date of his resignation on 30 September 2017.

	Sales 2019 £'000s	Sales 2018 £'000s	Purchases 2019 £'000s	Purchases 2018 £'000s
Canon Fire Protection Limited	-	-	-	59
Video Receiving Centre Limited	-	-	-	11
Boundary Gate & Barriers (Contracts) Limited	-	-	-	67
Alarm Response & Keyholding Limited	-	1	-	88

33. POST BALANCE SHEET EVENTS

On 21 May 2019 the Company acquired Clearwater Group Limited, a provider of water treatment services, for a total enterprise value of £11m. One hundred percent of the equity was acquired in this transaction. A purchase price allocation has not yet been performed as the Company is still in the process of establishing the fair value of the assets and liabilities acquired in this acquisition.

On 22 May 2019 the Company announced the successful placing of 4,694,836 ordinary shares raising gross proceeds of £20m.

Company statement of changes in equity

For the year ended 31 March 2019

	Attributable to owners of the parent				
	Share capital £'m	Share premium £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 April 2017	15.5	18.7	0.3	(1.5)	33.0
Loss for the year	-	-	-	(2.0)	(2.0)
Total comprehensive income for the year	-	-	-	(2.0)	(2.0)
Transactions with owners					
Issue of shares during the year	1.8	12.0	-	-	13.8
Issue costs	-	(0.3)	-	-	(0.3)
Share-based payments	-	-	0.3	-	0.3
	1.8	**11.7**	**0.3**	**-**	**13.8**
Balance at 31 March 2018	**17.3**	**30.4**	**0.6**	**(3.5)**	**44.8**
Balance at 1 April 2018	17.3	30.4	0.6	(3.5)	44.8
Loss for the year	-	-	-	(3.5)	(3.5)
Total comprehensive income for the year	-	-	-	(3.5)	(3.5)
Transactions with owners					
Issue of shares during the year	3.1	25.4	-	-	28.5
Issue costs	-	(0.9)	-	-	(0.9)
Share-based payments	-	-	0.3	-	0.3
	3.1	**24.5**	**0.3**	**-**	**27.9**
Balance at 31 March 2019	**20.4**	**54.9**	**0.9**	**(7.0)**	**69.2**

Company statement of financial position

As at 31 March 2019

	Note	2019 £'m	2018 £'m
ASSETS			
Non-current assets			
Investments	34	55.7	22.6
		55.7	22.6
Current assets			
Trade and other receivables	35	60.5	42.4
Cash and cash equivalents		0.8	0.6
Other financial assets		0.5	-
Tax asset		0.5	0.2
		62.3	43.2
Total assets		**118.0**	**65.8**
LIABILITIES			
Current liabilities			
Trade and other payables	36	(18.6)	(10.0)
Financial liabilities – borrowings	37	-	(2.3)
		(18.6)	(12.3)
Non-current liabilities			
Financial liabilities – borrowings	37	(26.7)	(7.7)
Trade and other payables	36	(3.5)	(1.0)
		(30.2)	(8.7)
Total liabilities		**(48.8)**	**(21.0)**
Net assets		**69.2**	**44.8**
EQUITY			
Share capital	38	20.4	17.3
Share premium account	39	54.9	30.4
Other reserves		0.9	0.6
Retained earnings		(7.0)	(3.5)
Equity attributable to the owners of the parent		**69.2**	**44.8**

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 £3.5m (2018: 2.0m).

These financial statements were approved by the Board of Directors and authorised for issue on 17 June 2019 and were signed on its behalf by:

Kevin Quinn
Chairman

Alex Dacre
Chief Executive

Company accounting policies

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

The Company has taken advantage of the following disclosure exemptions under FRS 101:
The requirements of paragraphs 45 (b) and 46-52 of IFRS 2 "Share based Payment" because equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated;
The requirements of IFRS 7 "Financial Instruments: Disclosures" because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;
The requirements of paragraphs 91-99 of IFRS 13 "Fair Value Measurement" because equivalent disclosures are included within the consolidated financial statements in which the entity is consolidated;
The requirement in paragraph 38 of IAS 1 "Presentation of Financial Statements" to present comparative information in respect of:
paragraph 79(a)(iv) of IAS 1;
paragraph 73(e) of IAS 16 "Property, Plant and Equipment; paragraph 118 (e) of IAS 38 "Intangible Assets";
the requirements of paragraphs 10(d), 10(f), 39(c) and 134-136 of IAS 1 "Presentation of Financial Statements"; the requirements of IAS 7 "Statement of Cash Flows";
the requirements of paragraphs 30 and 31 of IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors";
the requirements of paragraph 17 of IAS 24 "Related Party Disclosures";
the requirements in IAS 24 "Related Party Disclosures" to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member;
the requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d)-134(f) and 135(c)-135(e) of IAS 36 "Impairment of Assets"; and the requirement to produce a balance sheet at the beginning of the earliest comparative period.

GOING CONCERN

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

The going concern position is discussed further in the consolidated financial statements of the Group on page 49 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 89 of the financial statements.

Notes to the Company Financial Statements

For the period ended 31 March 2019

34. INVESTMENTS

Shares in subsidiary undertakings.

	£'m
Cost:	
1 April 2017	13.4
DCUK	9.2
31 March 2018	**22.6**
1 April 2018	22.6
William Martin	33.1
31 March 2019	**55.7**
Provision for impairment	
1 April 2017	-
Charge for the year	-
31 March 2018	**-**
1 April 2018	-
Charge for the year	-
31 March 2019	**-**
Net book value:	
31 March 2019	**55.7**
31 March 2018	**22.6**

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

Company	Class of holding	% held	Country of incorporation	Nature of business
All Management Divisions All companies are registered at: Marlowe Plc, 20 Grosvenor Place, London, SW1X 7HN.				
* Marlowe 2016 Limited	Ordinary	100%	England & Wales	Holding Company
* Ductclean (UK) Limited	Ordinary	100%	England & Wales	Duct Cleaning and Asbestos Removal Services
* DCUK (FM) Limited	Ordinary	100%	England & Wales	Dormant
* William Martin 2018 Limited	Ordinary	100%	England & Wales	Holding Company
* William Martin Compliance Solutions Limited	Ordinary	88%	England & Wales	Risk Compliance Consultancy Services
* William Martin Firefly Limited	Ordinary	88%	England & Wales	Risk Compliance Consultancy Services
* Nestor Business Consultancy Limited	Ordinary	88%	England & Wales	Risk Compliance Consultancy Services
** Fire & Security (Group) Limited	Ordinary	100%	England & Wales	Holding Company
** Swift Fire and Security Group Limited	Ordinary	100%	England & Wales	Fire and Security Services
** Connect Monitoring Limited	Ordinary	100%	England & Wales	Dormant
** Marlowe Fire & Security Limited	Ordinary	100%	England & Wales	Fire and Security Services
** Swift Fire and Security Limited	Ordinary	100%	England & Wales	Dormant
** Swift Fire & Security (Electrical Engineers) Limited	Ordinary	100%	England & Wales	Holding Company
** Swift Fire & Security (Northern) Limited	Ordinary	100%	England & Wales	Fire and Security Services

Notes to the Company financial statements continued

34. INVESTMENTS continued

Company	Class of holding	% held	Country of incorporation	Nature of business
** Fire Alarm Fabrication Services Limited	Ordinary	100%	England & Wales	Fire and Security Services
** Hentland Limited	Ordinary	100%	England & Wales	Dormant
** BBC Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
** WCS Environmental Limited	Ordinary	100%	England & Wales	Water Treatment Services
** Advance Environmental Limited	Ordinary	100%	England & Wales	Dormant
** Guardian Water Treatment Limited	Ordinary	100%	England & Wales	Water Treatment Services
** G.P.C.S. Limited	Ordinary	100%	England & Wales	Water Treatment Services
** Future Water Limited	Ordinary	100%	England & Wales	Water Treatment Services
** Firecrest Services Limited	Ordinary	100%	England & Wales	Fire and Security Services
** Tersus Consultancy Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
** Tersus Management Services Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
** Tersus Training Services Limited	Ordinary	100%	England & Wales	Testing and Inspection Services
** Island Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
** Kingfisher Environmental Services Limited	Ordinary	100%	England & Wales	Water Treatment Services
** Atana Limited	Ordinary	100%	England & Wales	Water Treatment Services
** Steven Industrial Services (GLW) Limited	Ordinary	100%	Scotland	Water Treatment Services
** Atana (Scotland) Limited	Ordinary	100%	Scotland	Dormant
** Fire Alarm Fabrication Services (South) Limited	Ordinary	100%	England & Wales	Fire and Security Services
** DB Audio & Electronic Services Limited	Ordinary	100%	England & Wales	Dormant
** Flamefast Fire Systems Limited	Ordinary	100%	England & Wales	Fire and Security Services
** WCS Services Limited	Ordinary	100%	England & Wales	Water Treatment Services

* Held directly
** Held via Marlowe 2016 Limited

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

35. TRADE AND OTHER RECEIVABLES

	2019 £'m	2018 £'m
Due in less than one year		
Trade receivables	0.6	0.3
Less: provision for impairment of trade receivables	-	-
Trade receivables – net	0.6	0.3
Amounts due from Group undertakings	59.6	41.9
Prepayments and accrued income	0.3	0.2
	60.5	**42.4**

Of the £59.6m (2018: £41.9m) amounts due from Group undertakings, £44.2m (2018: £30.1m) 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.

Notes to the Company financial statements continued

36. TRADE AND OTHER PAYABLES

	2019 £'m	2018 £'m
Current		
Trade payables	0.3	0.3
Amounts due to Group undertakings	16.2	6.5
Other payables	0.1	0.1
Accruals and deferred income	0.5	0.4
Deferred consideration payable	1.5	2.7
	18.6	**10.0**
Non-current		
Deferred consideration payable	3.5	1.0
	3.5	**1.0**

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. £16.2m (2018: £6.5m) amounts due to Group undertakings are repayable on demand with no interest charged.

37. FINANCIAL LIABILITIES – BORROWINGS

	2019 £'m	2018 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	-	2.3
	-	**2.3**
Non-current		
Bank loans – secured	26.7	7.7
	26.7	**7.7**

The bank debt is due to HSBC UK Bank plc and National Westminster Bank plc and is secured by a fixed and floating charge over the assets of the Group. The interest rate profile and an analysis of borrowings is given in note 20. 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

	2019 £'m	2018 £'m
Cash at bank and in hand	0.8	0.6
Bank loans and overdrafts due within one year	-	(2.3)
Bank loans due after one year	(26.7)	(7.7)
	(25.9)	**(9.4)**

Notes to the Company financial statements continued

38. SHARE CAPITAL

	2019 £'m	2018 £'m
Allotted, issued and fully paid:		
40,786,879 ordinary shares of 50p each (2018: 34,517,425 ordinary shares of 50p each)	20.4	17.3

The issued ordinary share capital is as follows:

Date	Number of ordinary shares	Issue price
31 March 2016	14,584,999	
1 April 2016 - Subscription Shares	3,000,000	100p
1 April 2016 - Consideration Shares ("Swift")	3,500,000	100p
15 April 2016 - Consideration Shares ("WCS")	287,878	165p
7 September 2016 - Consideration Shares ("H2O")	211,765	170p
9 September 2016 - Subscription Shares	2,994,166	170p
27 September 2016 - Subscription Shares	2,888,187	170p
16 December 2016 - Subscription Shares	3,450,000	290p
31 March 2017	**30,916,995**	
28 July 2017 – Consideration Shares ("DCUK")	878,031	394p
28 July 2017 – Subscription Shares	2,597,402	385p
11 January 2018 Consideration Shares ("DCUK")	124,997	360p
31 March 2018	**34,517,425**	
18 July 2018 – Subscription Shares	4,210,000	475p
20 December 2018 – Consideration Shares ("William Martin")	359,454	417p
28 December 2018 – Subscription Shares	1,700,000	410p
31 March 2019	**40,786,879**	

39. SHARE PREMIUM ACCOUNT

	2019 £'m	2018 £'m
1 April	30.4	18.7
Premium on shares issued during the year	25.4	12.0
Share issue costs	(0.9)	(0.3)
31 March	54.9	30.4

40. SHARE-BASED PAYMENTS

Details of the share-based payments are set out in note 28.

Notes to the Company financial statements continued

41. LEASING COMMITMENTS

The Company leases an office under an operating lease. The future minimum lease payments are as follows:

	2019 £'m	2018 £'m
Future aggregate minimum lease payments under non-cancellable operating leases		
– Within one year	0.1	0.1
– Within two to five years	0.1	0.1
– Over five years	-	-
	0.2	**0.2**

42. DIRECTORS AND EMPLOYEES

Staff costs during the year	2019 £'m	2018 £'m
Wages and salaries	0.8	0.5
Social security costs	0.1	0.1
Post employment benefits	-	-
Share-based payments charge	0.3	0.3
	1.2	**0.9**

Average monthly number of employees during the year	Number	Number
Directors	5	1
Corporate Development	3	2
IT	1	1
Finance	3	2
Adminstration	1	1
	13	**7**

Total amounts for Directors' remuneration and other benefits	2019 £'m	2018 £'m
Emoluments for Directors' services	0.6	0.3
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	**0.3**	**0.1**

Key management compensation	2018 £'m	2017 £'m
Short-term employment benefits	0.7	0.3
Share-based payments charge	0.3	0.3
	1.0	**0.6**

Notes to the Company financial statements continued

43. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

Details of related party transactions can be found in note 32.

44. POST BALANCE SHEET EVENTS

On 21 May 2019 the Company acquired Clearwater Group Limited, a provider of water treatment services, for a total enterprise value of £11m. One hundred percent of the equity was acquired in this transaction. A purchase price allocation has not yet been performed as the Company is still in the process of establishing the fair value of the assets and liabilities acquired in this acquisition.

On 22 May 2019 the Company announced the successful placing of 4,694,836 ordinary shares raising gross proceeds of £20m.

Trading record

Year ended 31 March	2019 £'m	2018 £'m
Revenue	**128.5**	**80.6**
Adjusted profit before taxation*	**8.9**	**5.8**
Adjusted earnings per share*	**18.8**	**14.0**
Net debt	**20.1**	**2.9**
Net assets	**77.5**	**48.1**

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

Financial calendar

Event	Date
Annual General Meeting	**18 September 2019**
Half year results	**December**
Financial year end	**31 March**
Full year results	**June**

Further information

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