Parent Company Accounts for Advance Environmental Limited
Co. No. 03735393

Marlowe plc Annual Report and Financial Statements
for the year ended **31 March 2018**

Contents

Marlowe plc is an AIM-listed company formed to create *sustainable shareholder value through the acquisition and* development of businesses in targeted outsourced service sectors across the UK.

"Our businesses provide closely-related services which deliver a comprehensive and integrated approach to our customers safety, regulatory compliance and the upkeep of the building systems they rely on"

Alex Dacre
Chief Executive's report
10-16

Mark Adams
Finance Director's review
20-22

Derek O'Neill
Chairman's statement
4-5

Charles Skinner
Directors' remuneration report
30-31

A fast-emerging history of shareholder value creation

Share price performance (%)

During our second year of trading since formation we have further refined our clear model to create shareholder value through the growth and development of market-leading, complementary, service businesses. Our businesses are now well-established forces in their markets and our strategy has gained momentum. Our track record in value creation continues to develop apace.

Since we launched our venture in May 2015, our market capitalisation has grown from £3m to over £140m.

Highlights

- Two operating divisions providing services across four main service sectors
- Top-four market position in each of our sectors
- Nine acquisitions completed during the year, two since year-end, nineteen since inception
- Key divisional management appointments and operational improvements implemented during year
- New service sector entered during year, with others under review
- Marlowe provides at least one service to 9% of the UK's 1.8m non-residential buildings
- 10,000+ customers, 500+ national accounts
- 700,000+ service visits each year
- 12,000,000+ assets serviced each year

Strong financial performance

Revenue (£'m):

£80.6m +72%

Adjusted EBITDA[1] (£'m)

£7.2m +81%

Adjusted PBT[2] (£'m)

£5.8m +74%

Adjusted Earnings Per Share[3] (p)

14.0p +35%

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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 p.20 and Note 4.

"The potential offered by the fragmented service sectors that we identify combined with our disciplined approach to M&A, quick decision making and the operational improvements we implement, when married with our access to capital to invest in growth, creates superior returns and provides a platform for significant growth"

Alex Dacre Chief Executive

Acquire

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 aren't threatened by technological change
- Fragmented markets where we recognise growing barriers to entry which lay the foundations for consolidation. These sectors are well suited to support growth, over and above the long-term organic revenue growth rate, through acquisition and subsequent integration
- We consider including equity in transactions which aligns the interests of our management teams closely with our shareholders and locks-in our people. In a similar vein, the founders of Marlowe have invested in a significant shareholding in the Company

Enhance

Agile decision-making and entrepreneurial autonomy

- Make investment decisions, change and provide strategic focus, 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 have 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 technological improvements 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

A platform for fast-paced organic and acquisition-led growth

Industry expertise
service sectors with trends towards consolidation

Set the strategic framework
a coherent model that fosters growth

Change management focus
empower our operating divisions

Accelerate

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. Potential acquisition targets 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. Our pipeline of potential add-on deals going into the new financial year is strong and well-developed

Build business into a top-3 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 enhances our competitive proposition

Integrate

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

Collaborate

Collaboration within our Group

- Realise strategic synergies across the Marlowe group which provide a competitive advantage and further accelerates growth
- We favour entering sectors which share a similar channel to market 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
- Entering markets which share a similar route to the customer also ensures that we develop a close understanding of our customers needs and 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

Effective governance
financial controls and close divisional oversight

Provide access to capital for expansion
funding M&A and organic investment

Operational improvements
route-based efficiencies

Chairman's statement

For the year ended 31 March 2018

"I am pleased to report a second year of strong progress for the Group as we continue to develop and implement our strategy of organic and acquisitive growth focused on regulated service markets"

Derek O'Neill
Non-Executive Chairman

Results
2018 represents the second year of trading for Marlowe plc and another successful year as we delivered operational improvements and further expanded our activities and geographical coverage through the implementation of our acquisition led strategy.

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 2018, adjusted EBITDA[1] was ahead of market expectations at £7.2 million. Revenue was £80.6 million and earnings per share[2], on an adjusted basis, were also ahead of market expectations at 14.0 pence.

The Group has two operating divisions, Fire Protection & Security Systems ("Fire & Security") and Water Treatment & Air Quality ("Water & Air") both of which are focused on providing critical asset maintenance services across the UK built environment. During a year of significant restructuring, the Fire & Security division performed in line with expectations benefitting from the full year contribution of acquisitions in 2017 and a partial contribution from those completed in 2018. The Water & Air division had a strong year. Good organic growth supplemented the impact of acquisitions and operating margins improved as a result of the focus on operating efficiencies.

Investment focus

Critical services

Our investment focus is on B2B service sectors in which businesses provide services which are essential or mandatory, where demand is at least partially driven by regulation and there is consistency in demand. The mission-critical nature and switching costs of these services can result in customer stickiness: if we deliver a competitive 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 derive from long-term, durable customer relationships. These revenues, which demonstrate these 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 technical, specialist and operationally complex to deliver. These services command attractive margins thanks to the value they add to our customers' operations. They are invariably outsourced rather than conducted in-house because of this specialist nature, the levels of regulatory compliance which govern them, the need for service providers to adhere to stringent industry standards and the efficiencies which can result from outsourcing.

Corporate transactions

We completed nine acquisitions in the year and a further two since the year-end, adding to the eight acquisitions during Marlowe's first year of trading. In line with our strategy to broaden the Group's capabilities into complementary areas of critical asset maintenance, the key event in the year was the acquisition in July of Ductclean (UK) Limited ("DCUK"), which broadened the services provided by the Group into a market-leading position in the ventilation maintenance, ductwork cleaning and management, kitchen extract cleaning and contamination remediation services markets ("Air Quality").

In addition to the DCUK transaction, we added scale and further broadened the Group's capabilities through four add-on acquisitions in the Fire & Security division and four in the Water & Air division.

People

We appointed Mark Adams as Group Finance Director on 1 January 2018. Mark brings to Marlowe more than 20 years of experience in senior finance roles in a broad range of sectors.

In addition to Mark's appointment, we also appointed Rob Flinn to the role of Chief Executive of the Fire & Security division and Phil Greenwood as Chief Executive of our Water businesses. Rob and Phil both bring to the Group a wealth of relevant experience in building and managing businesses in the UK support services sector.

Since our first acquisition in April 2016, our Group has rapidly increased in scale and now employs over 1,300 people, over half of whom are highly skilled engineers. The continued dedication of all the teams across Marlowe has been impressive. The businesses that are in the Group deliver services that are provided by people. As we strive to 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 and I would like to thank all of our people for their hard work and dedication.

Looking forward

The markets in which we operate are fragmented, and offer significant scope for continued organic and acquisitive growth. We are well-placed to take advantage of this opportunity through the model that we have established. We have a well-developed pipeline of attractive opportunities to add further scale to the Group as we continue to implement our strategy of building a leading UK support services group in complementary areas of critical asset maintenance.

The new financial year has started in line with our expectations and we look forward to making further progress during the year.

Derek O'Neill
Non-Executive Chairman — 25 June 2018

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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 and delivering business. All the sectors we focus on and occupy offer significant scope for profit growth and margin enhancement.

Strategic fit

We will 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 automatic advantage gained through our ability to share customer relationships across the Group and to implement well-rehearsed operational improvement initiatives.

Fragmented markets

We focus on markets which are fragmented which we believe exhibit characteristics that lend themselves well towards 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 service which we can deliver, and the returns we can generate, create barriers against our smaller competitors.

Group overview

Our history

2015-16
- Marlowe was formed in May 2015 as a platform for growth through targeted acquisitions in B2B service sectors
- Board appointed, £8m fundraising and acquisition search begins
- Initial focus on businesses providing regulated maintenance service 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 Protection & Security Systems division through acquisition of Swift Fire & Security
- Formation of Water Treatment division through acquisition of WCS
- Six further add-on acquisitions

2017-18
- Developed a market leading position in Air Quality & Ventilation Hygiene market, expanding into a new service sector, through the acquisition of DCUK
- 8 further add-on acquisitions
- Key divisional leadership appointments made
- Mark Adams appointed as Group Finance Director

2018 and beyond
- 2 further add-on acquisitions announced so far this year
- Build existing divisions into market leaders through further organic and acquisition-led growth and continue to broaden capabilities into adjacent and complementary service sectors which offer scope for consolidation

Marlowe's unique strength is that it provides a range of closely related critical testing and maintenance services each of which is delivered by one of our specialist Fire & Security or Water & Air divisions. Individually, these divisions 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, of course, 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 count 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

Fire Protection & Security Systems division

Provision of maintenance and installation services providing a comprehensive range of fire safety compliance, fire protection, security systems and connected services

Revenue (£'m)	Adjusted EBITDA[1] (£'m)
+39%	+25%

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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.

Air
15%
of total annualised revenue

Fire & Security
60%
of total annualised revenue

Water
25%
of total annualised revenue

Water Treatment & Air Quality division

Water Treatment: Provision of maintenance and engineering services related to treating, optimising and safeguarding a building's water systems

Air Quality: Provision of services related to ventilation maintenance & management, ductwork and extract cleaning and contamination remediation

Revenue (£'m)

+221%

Adjusted EBITDA[1] (£'m)

+274%

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Group overview continued

All the spheres in which we operate are complementary: Fire Protection & Fire Safety Compliance, Security Systems, Water Treatment, Ventilation Hygiene and Contamination Remediation are all services which are governed by strict regulation and tend to be procured by the same person or department within an organisation. Ever-increasing health and safety awareness results in stricter legislation and places more onus on organisations to ensure the safety of their buildings' occupants, in turn driving our growth.

All Marlowe's businesses operate nationally and are represented by around 750 technically trained field-based service engineers in nearly every postcode across the UK along with a team of 550 support, sales and account management staff. We install, test, inspect, maintain and certify complex fire, security, water and ventilation systems ensuring they are working at optimum efficiency and complying with legislation. Our services are mission-critical and our responsibility, in many cases, is not just to keep our customers' systems operating effectively, but also to keep our customers safe from very real health and safety threats.

"Route Density"

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

Acquisitions conducted during 2018

15 June 2017

Advance Environmental, a Brackley based Water Treatment specialist

31 July 2017

Ductclean UK, the UK leader in ventilation hygiene and contamination remediation

14 August 2017

Philton, a Watford based Fire & Security service business

25 August 2017

BTE Systems, a Chertsey based Fire Protection specialist

25 October 2017

dB Audio, a Tonbridge based Fire Protection specialist

Jun **Jul** **Aug** **Sept** **Oct** **Nov**

"Our businesses, which all operate across mainland Britain, are distinct from one another and our management teams have the freedom to operate and to innovate in response to customer feedback. Collectively, our Group understands what it takes to effectively deliver services which ensure safety, systems efficiency and regulatory compliance"

Derek O'Neill
Non-Executive Chairman

1,300
Employees

22
Sites

750
Engineers & technicians

8 December 2017

SB Hygiene, a Osset based ventilation hygiene specialist

20 December 2017

Guardian Water, a Basildon based Water Treatment specialist

7 February 2018

Future Water, a Milford based Water Treatment specialist

26 March 2018

Flamefast Fire Systems, a Wellingborough based commercial kitchen fire safety specialist

24 April 2018

Island Fire Protection, a Birmingham based fire protection specialist

17 May 2018

Forest Environmental, an environmental services and asbestos remediation business

Dec **Jan** **Feb** **Mar** **Apr** **May**

Chief Executive's report

For the year ended 31 March 2018

Marlowe continues to demonstrate strong progress

"We have continued to execute our strategy at pace throughout the year. Our Group has been transformed in the two years since we commenced trading and our run rate revenues are now approaching £100 million"

Alex Dacre
Chief Executive

Investment propositon

Marlowe's record for generating shareholder value is built upon attractive and sustainable foundations

Robust markets with steady growth prospects

We operate in specialist markets and provide services that are largely 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, digitalisation driving the need for more complex systems and the resulting requirement that they have for maintenance along with ever-increasingly broad and stringent health, safety and environmental regulations and their enforcement burden.

The Group made good progress during 2018 delivering a strong financial performance with substantial improvements in revenue, adjusted profit and adjusted earnings per share, alongside significant M&A activity and further focus and investment on operational improvements.

For the year ended 31 March 2018, adjusted EBITDA[1] was up 81% to £7.2 million, adjusted profit before tax[2] was up 74% to £5.8 million and adjusted earnings per share[3] were up 35% to 14.0p on revenues up 72% to £80.6 million.

We have continued to execute our strategy at pace throughout the year. Our Group has been transformed in the two years since we commenced trading and our run rate revenues are now approaching £100 million.

We formed Marlowe as a platform to create shareholder value through the acquisition and development of businesses in targeted outsourced service sectors across the UK. Attracted to the increasing barriers to entry that we perceived, the regulation that drives its growth, high customer retention rates and its attractive earnings visibility we decided, initially, to enter the Fire & Security market. Since then, we have implemented a clear strategy to build a leading UK support services group providing a range of closely related critical maintenance services each of which is delivered by one of our specialist Fire Protection & Security Systems ("Fire & Security") or Water Treatment & Air Quality ("Water & Air") divisions. Individually, the businesses that make up these divisions 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. The markets on which we focus offer long-term growth prospects and we continue to benefit from an increased awareness of the requirement to comply with high safety standards and regulations.

We completed nine further acquisitions during our 2018 financial year and have completed another two acquisitions following the year end. Our two operating divisions, now focused on four main service sectors, are becoming well-established forces in their respective markets. Our decentralised structure allows each division operational autonomy within a clearly defined strategic framework. This approach is designed to promote collaboration

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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 700,000 visits to maintain millions of assets. Our services are so vital to our customers and in many instances complex to effectively deliver that the costs and inconvenience of switching providers can be undesirable leading to interdependence and high retention rates. Our businesses, which have a core focus on regulated 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.

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 and a larger market share. When acquired businesses join our Group we focus on driving revenue synergies that are available to us through effective inter-company collaboration within the Marlowe group.

Chief Executive's report continued

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.

between all of the Group's businesses and demonstrate to our customers the clear coherence across the services they provide. This decentralised structure relies on the calibre of our divisional management teams, which we have strengthened and refocused during the year through key leadership appointments in our Fire & Security and Water Treatment businesses.

Alongside building market-leading positions in each service sector in which we operate, our model seeks to: identify adjacent areas for further diversification that satisfy certain key investment criteria; acquire a platform business within that area; enhance and improve the operations of that platform; and accelerate its growth through further, targeted, bolt-on acquisitions to build and integrate a national infrastructure.

The service sectors that we enter are a logical extension of those where we already have a presence and the acquisition during the year of DCUK, the market leader in ventilation hygiene and contamination remediation, was an example of this strategy in action. Since the DCUK acquisition, we have acquired SB Hygiene and, following the year-end, we acquired the business and assets of Forest Environmental – two complementary add-on acquisitions which have extended the scale and capabilities of DCUK and enhanced its national footprint. Additionally, DCUK's growth has been accelerated through access to the customer base of other Marlowe companies and similarly other Marlowe companies have been successful in delivering services, such as Fire Protection and Water Treatment, to the DCUK customer base.

As a Group we now have a successful track record of sourcing, acquiring, integrating and developing businesses providing critical asset maintenance services across the UK and our strategy is focused on three main areas:

- continuing to build the scale of our activities in Fire & Security and Water & Air through continued investment in organic growth, cross-selling across the customer bases and through further fast-paced acquisition activity;
- enhancing and improving the operations of each of our route-based operating divisions. We are focused on margin enhancement which can be effected through engineer utilisation and productivity, procurement initiatives, and is directly determined by route density such that increased scale, when employed appropriately, results in improved profitability and more rapid response-times and service;
- broadening the Group's capabilities both within existing service sectors and also by extending the scope of its activities through further targeted strategic acquisitions of businesses in complementary service sectors that possess a strong element of recurring revenues and would benefit from being part of our Group, to which we can then apply the Marlowe acquisition-based growth model.

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.

Operational improvements

We are experts in UK route-based services and we look to continually improve engineer utilisation & productivity to add value to our customers and generate improved returns. We invest in our people to ensure that they possess the correct tools and expertise to enhance our services. We implement route planning tools to improve response times and ensure that we effectively leverage our scale to spend less time travelling between jobs and more profitable time delivering services. 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. Our customers increasingly seek to consolidate their supplier base towards partners who, like them, possess a national footprint. 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 that we are beginning to enjoy and, in particular, the advantages presented by route density (the proximity of our customers to one another), make our services more desirable to our customers and profitable to deliver, further strengthening our position.

Water & Air division margin expansion

Strategy in action **Enhance**

We entered the Water Treatment market in April 2016 through the acquisition of WCS Group. The acquired business had revenues in the region of £6m. Since acquiring WCS we have gone on to acquire a number of other water treatment businesses whilst also broadening the capabilities of the division into the ventilation hygiene and contamination remediation markets. We have enhanced and refocused management, made investments in unified technology platforms to drive revenues, removed duplicated costs, strengthened our customer relationships and effectively integrated add-on acquisitions. Revenues in the twelve months to March '18 were £29m and are expected to expand significantly again during the current financial year. Since we acquired WCS, our focus on operational improvements and the economies that come with the scale from which we now benefit have resulted in a 2.3 percentage point improvement in the division's underlying operating margin.

Today, our water business is one of the largest specialist water treatment and hygiene outsourcing companies in the UK. We have strong market positions with universities (working for more than 23 of the top 60) and in healthcare (working on over 270 NHS Trust and Care Home sites across the UK). We also have significant experience in aerospace and defence and hospitality and leisure (working for a large portion of the major UK hotel groups). Our customers now have access to digital applications: 'For the Record', our online customer compliance portal, our remote monitoring services and our operating system which digitally connects all our engineers and allows our customers access to their critical asset compliance data in real time.

“Our focus on integration, cost-control and disciplined working capital management ensures we are able to deliver enhanced returns on capital to our investors”

Mark Adams Group Finance Director

Underlying operating profit margin (%)

+24.5%

Chief Executive's report continued

Key performance figures

	Revenue 2018 £'m	Revenue 2017 £'m	Adjusted operating profit[1] 2018 £'m	Adjusted operating profit[1] 2017 £'m
Fire & Security	52.6	37.8	3.9	3.4
Water & Air	28.8	9.0	3.3	0.8
Inter-segment elimination / Head Office costs	(0.8)	-	(1.0)	(0.7)
Total	**80.6**	**46.8**	**6.2**	**3.5**

Fire & Security division

During a period of significant restructuring, the Fire & Security division traded in line with expectations during 2018 and recorded adjusted EBITDA[2] growth of 25% to £4.6 million with adjusted operating profits[1] of £3.9 million (2017: £3.4 million) and revenues of £52.6 million (2017: £37.8 million). The main contributor to this growth was the impact of add-on acquisitions made at the end of 2017 and during 2018.

Our Fire & Security division comprises three main activities focused on the maintenance of fire and security systems: installation and mandatory recurring maintenance of mechanical and electrical systems. The systems we maintain are designed to detect and suppress fire, protecting people from the threat it poses; the provision of services related to installing and maintaining electronic security systems; and 24/7 monitoring and connected services for alarms and CCTV from our purpose-built Alarm Receiving Centre ('ARC'). The strategic strength of this business model was demonstrated towards the end of the financial year with the award of a national contract across c.3,000 stores for one of the UK's largest retailers. The division now delivers an integrated fire safety, security and off-site monitoring solution. This strength was also evident following the liquidation of Carillion, a customer of the Group, when we successfully re-secured the majority of the work directly with the end customers that we had previously conducted as a sub-contractor, in a number of cases at enhanced profit margins.

Our model and the bulk of our revenues are based upon contracted maintenance and planned service visits, which are typically arranged months in advance alongside reactive repairs and remedial works, and which provide good forward revenue visibility. During the year we conducted four earnings-enhancing add-on acquisitions in Fire & Security, with a further acquisition since the year-end. These acquisitions have significantly extended our base of recurring revenues and our density of customer locations. When we acquire a business in this space, we refocus it where necessary to ensure that it is aligned with the recurring maintenance on which our model is based.

Operational efficiency, which can be enhanced through economies of scale mainly linked to route density, and high standards of service are closely linked in the provision of fire and security services. Through ensuring that engineers have the appropriate training, the correct stock and that their routes are carefully planned, we focus closely on our ability to both increase the amount of time that an engineer spends at a customer's site (as opposed to travelling between them) and also to remediate system faults at the first service visit, thus avoiding the need for a return visit. This results in improved productivity, profitability and service levels which helps us to retain customers who value the critical services we provide. As a business, if our engineers are spending more productive time at customers' sites completing more service work, standards of service and compliance will improve and the key metric, revenue per engineer per day, grows too. As one of a small number of truly national service providers in the market, we expect to benefit from the current trend of national customers consolidating their suppliers.

During the past year we have made good progress on the restructuring and integration of the four fire and security acquisitions that were completed in the year and the six acquisitions completed during 2017. The integrations are on track, our model is well-defined, and the business is now operating as three main brands following the recent rebranding of our main Fire & Security entity as Marlowe Fire & Security. Our focus within the division has continued to be on investing in the development of our nationwide operating platform in preparation for further growth, alongside developing and investing in our engineering teams to enhance standards of service and compliance at customers' sites. We expect these initiatives to deliver attractive improvements in our operating margins in the medium term and our near-term operational focus continues to be on leveraging our increased scale.

Following the acquisitions, we have been focused on closing and relocating three regional offices and integrating our service delivery network. All the businesses within the division now operate from unified operating systems resulting in increased visibility. The acquisition of Flamefast, the leader in the installation and maintenance of fire suppression systems with a focus on commercial

1: Adjusted operating profit is adjusted EBITDA less depreciation incurred during the year. 2: 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. 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 p.20 and Note 4.

Fire and Security add on acquisitions

Strategy in action **Integrate**

"We possess the skills to identify good quality, compatible acquisitions which we are able to effectively integrate through carefully implemented programmes"

Alex Dacre
Chief Executive

During the year we conducted a number of add-on Fire & Security acquisitions. These types of acquisitions typically have £1-£10m of revenues and enable us to accelerate our growth in attractive geographic areas and build critical mass. Once properly integrated these acquisitions enable us to remove duplicated costs (such as unnecessary regional offices), infill locally, develop further density and grow margins. Once integrated, we can improve service levels and response times for customers who benefit from our scale, breadth of technical expertise and the investments in digital applications we make to enhance the customer experience. Our proprietary systems allow our fire & security engineers to quote for remedial works at service visits to ensure that our customers' systems, whenever possible, are functioning safely following the first service visit. The investments that we make across our Group, the opportunities that we provide to our people and the ambitious strategy that we have embarked upon enable us to attract and retain motivated and technically capable people to work for us.

Chief Executive's report continued

kitchen fire safety, demonstrates our strategy to broaden our capabilities into areas of the fire protection market aligned to our customers' needs. The services provided by Flamefast are also highly complementary to those of other Marlowe businesses, such as DCUK which provides a range of services to commercial kitchens across the UK.

The economies of scale that these acquisitions will provide, once integrations are fully complete, are expected to be a significant contributor to enhanced profitability and we are now beginning to see some improvements in margins as acquisition and route density synergies are realised.

Water & Air division

Our Water & Air division traded strongly in 2018 with adjusted EBITDA[1] increasing by £2.7 million to £3.6 million and adjusted operating profits[2] of £3.3 million (2017: £0.8 million). Turnover increased from £9.0 million to £28.8 million, as a result of the acquisitions made in 2017 and 2018 which supplemented good organic growth.

Our Water & Air division comprises three primary activities: water treatment & hygiene, ventilation hygiene and contamination remediation.

Water treatment & hygiene, which has been formed through five acquisitions, is the largest and most profitable segment of the division and is focused on delivering services related to maintaining and optimising a building's water systems to: manage the health and safety risk posed by water borne diseases; maintain systems to improve operational efficiency, extend life and conserve energy; and to provide engineering and installation services to water systems, with a focus on converting these projects into long-term recurring service relationships. Our water treatment activities trade as two main brands, WCS Group and Guardian Water, and operate nationally from four main locations across the UK. We are a top-three player in our segment of the market.

During the year we broadened the division's capabilities into the ventilation hygiene and contamination remediation markets through three acquisitions, two of which were completed during the financial year and one post year-end. These activities are focused on delivering a range of services related to ventilation maintenance, ductwork cleaning and management, kitchen extract cleaning – services largely designed to ensure air hygiene standards and prevent the spread of fire through ventilation systems in commercial buildings, alongside a leading capability in asbestos and contamination remediation services. We trade as DCUK FM from three locations across the UK. The business, which has had a promising start under Marlowe ownership, is the market leader in its sector and unlike our other markets, the ventilation hygiene market is fast-growing, relatively immature and significantly un-vended which provides us with significant scope for organic growth, which has been accelerated during the year through our cross-selling activities. We have proven our ability to accelerate this growth through acquisitions in this market which is at the early stages of consolidation.

Much like our Fire & Security activities, critical mass and route density can lead to increased efficiency in the provision of water and air services. The market remains highly fragmented, but the advantages of route density on a national scale, along with the increasing awareness within our customer base of the requirement to comply with standards and regulations, continues to put pressure on the smaller independent players. We view this as representing a significant opportunity for the Group to continue to consolidate this market through further acquisitions.

The integration of the acquisitions conducted during the year is on track and cost savings as a result of the mergers have been in line with our expectations at the time of acquisition. Operating margins within the division improved to 11.6% for the year (2017: 9.3%) as we begin to see the benefits of our increased scale and the effectiveness of our focus on operating efficiencies. As in Fire & Security, we strengthened our management team bringing on board a new leader to head up our water treatment activities towards the end of the year as we prepare the division for further planned growth and continue to convert our well-developed pipeline of acquisition opportunities.

Outlook

The markets in which we operate are fragmented and offer significant scope for continued organic and acquisitive growth. We are well-placed to take advantage of this opportunity through the model that we have established. We have a well-developed pipeline of attractive opportunities to add further scale to the Group as we continue to implement our strategy of building a leading UK support services group in complementary areas of critical asset maintenance.

The new financial year has started in line with our expectations and we look forward to making further strong progress during the year.

Alex Dacre
Chief Executive

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 operating profit is adjusted EBITDA less depreciation incurred during the year. 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 p.20 and Note 4.

Acquisition of Guardian Water

Strategy in action **Accelerate**

We acquired Guardian Water Treatment Limited ("Guardian") for approximately £3m in December 2017 to expand the scale of our Water division. The business has revenues of about £7m.

Founded in 2000, Guardian operates nationally from head-quarters in Basildon, Essex, and employs around 90 staff. Guardian provides a comprehensive portfolio of water treatment services to over 400 customers with a significant presence within the facilities management, engineering and manufacturing sectors in and around London, a market in which our existing Water Services business previously lacked critical mass. The acquisition accelerated our growth into one of the UK's leading providers of water treatment services and provides the Group with enhanced route density in the important London market.

Our Water activities

8	Regional offices
320+	Water technicians, engineers and support staff
273+	Number of NHS and Private Hospital / Care Home sites we manage
23,195+	Number of prisoners we service across 34+ sites
250,000+	Number of water assets we monitor, report and service per annum
384,000 +	Miles our water engineers travelled last year
500,000+	Pupils, staff and students who enjoy safe, clean water in schools and universities as a result of our services

"Organic growth, the raising of equity from shareholders along with the conservative use of leverage, generates the financial resources we need to fund acquisitions to accelerate our growth and to enter adjacent service sectors. This in turn creates value and generates returns for our shareholders"

Mark Adams, Group Finance Director

Our markets

Fire protection

The fire protection market in the UK is worth an estimated

£1.5bn

at 31 March 2018

Growing at an estimated 5% per year

Our fire protection activities are focused on the installation, service and maintenance of a very wide variety of electrical and mechanical systems that are intended to detect fire and to protect people, buildings and assets from the threat it poses.

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. The majority of our revenues derive from predictable, long-term or repeat customer contracts.

Demand 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 & Safety at Work Act 1974 and the Management of Health & Safety at Work Regulations 1999 and typically dictates that systems require recurring periodic maintenance. Barriers to entry are growing in the market generated by economies of scale, route densities, the investment required to meet ever-increasing regulatory standards and the growing preference of larger customers to partner with national service providers who offer extended coverage and efficiency.

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

Security systems

The security systems market in the UK is worth an estimated

£1.4bn

at 31 March 2018

Growing at an estimated 4% per year

Our security services centre on the provision of service and maintenance for systems including intruder alarms, closed circuit television cameras, 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 the majority of commercial premises and the market is demonstrating trends towards internet connected devices.

A typical service contract will run for three years with a two-year extension although relationship lengths typically can last much longer, providing the business with good forward earnings visibility. The service contract entitles our businesses to the exclusive right to provide maintenance services and sets out the scheduled maintenance programme for the duration of the contract term. We provide CCTV and alarm monitoring and work alongside the emergency services to protect our customers' properties from our Innovation Centre, Marlowe Connect, a state of the art, purpose-built remote monitoring facility. 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: CCTV, intruder alarms, access control, connected services: monitoring, remote diagnostics, lone-worker solutions

Water treatment

The water treatment *market in the UK is* worth an estimated

£700m

at 31 March 2018

Growing at an estimated 4% per year

Every day, we help manufacturers, commercial businesses, public organisations, institutions and facilities management companies look for better ways to perform strategic, non-core processes managing and upgrading water systems, hygiene, water chemicals and compliance. From eight regional offices, we deliver services that are safe, maintain clean environments, optimise water and energy use, improve operational efficiency, manage water systems related to heating and cooling systems and maintain critical 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 ensure 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. Comprehensive regulations and legislation including the Health & Safety Act 1974, LS (ACOP) 2001, Control of Substances Hazardous to Health Regulations 2002 and Water Supply Regulations 1999 ensure that organisations have a legal duty to prepare and manage a scheme for maintaining safe water quality (and provide a framework of actions designed to assess, prevent or control the risk from bacteria such as Legionella and take suitable precautions). We help organisation comply with the full requirements of water regulations.

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

Air quality

The air quality market *in the UK is worth an* estimated

£300m

at 31 March 2018

Growing at an estimated 7% per year

Our Air Quality activities centre on two main business activities: the cleaning, maintenance and management of ducting and ventilation systems in commercial premises and the licenced removal of asbestos and other contaminants. The requirement for regular maintenance of ventilation systems is driven by the need to comply with fire safety regulations as ventilation systems, over time, build up combustible materials such as grease. 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 maintenance 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 Reform Order along with TR19 regulations, but also with the requirements of their insurance policies to have their ventilation systems cleaned of potentially combustible materials.

Our asbestos activity is mainly focused on the provision of Health & Safety Executive licenced removals in buildings with on-going occupancy, such as schools, hospitals of social housing dwellings.

The removal of asbestos has been on-going in the UK for over 30 years and will continue throughout the remaining life of the existing national building stock. Asbestos is often found in ventilation systems presenting good cross-selling opportunities.

Key services: asbestos and contamination remediation, ductwork and ventilation cleaning and maintenance, fire and smoke damper maintenance, fan maintenance, kitchen canopy cleaning, health and safety training

Finance Director's review

For the year ended 31 March 2018

"A disciplined approach to integration, the removal of duplicated costs and the implementation of strong financial controls results in predictable and improved shareholder returns"

Mark Adams
Group Finance Director

Revenue

Revenue for the year ended 31 March 2018 was up 72% to £80.6 million (2017: £46.8 million) reflecting organic growth and the contribution from acquisitions completed in the year together with the full year impact of those completed in 2017.

Profitability

On a statutory basis, loss before tax from continuing operations for the year ended 31 March 2018 was £0.4 million (2017: £0.7 million profit). Adjusted profit before tax for the year was £5.8 million (2017: £3.3 million). Our key measures of profitability for the Group are adjusted operating profit and adjusted EBITDA. In the year ended 31 March 2018, adjusted EBITDA increased by 81% to £7.2 million (2017: £4.0 million). Adjusted EBITDA means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs.

Non-IFRS measures

This Annual Report includes 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 operating 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 one-off nature of acquisition and other costs and the non-cash element of certain charges, the Directors believe that 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.

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

Continuing operations

	2018 £'m	2017 £'m
(Loss)/profit before tax	(0.4)	0.7
Acquisition costs	0.6	0.6
Restructuring costs	3.6	1.1
Exceptional loss on customer liquidation	0.7	-
Amortisation of acquisition intangibles	0.9	0.6
Share-based payments	0.4	0.3
Adjusted profit before tax – continuing operations	5.8	3.3

Reconciliation of adjusted operating profit and adjusted EBITDA

	2018 £'m	2017 £'m
Adjusted Operating profit	6.2	3.5
Depreciation	1.0	0.5
Adjusted EBITDA	7.2	4.0

Acquisition and other costs

Acquisition and other costs totalled £6.2 million in the year (2017: £2.6 million).

	2018 £'m	2017 £'m
Acquisition costs	0.6	0.6
Restructuring costs	3.6	1.1
Exceptional loss on customer liquidation	0.7	-
Amortisation of acquisition intangibles	0.9	0.6
Share based payments	0.4	0.3
Total	6.2	2.6

Acquisition costs include legal and 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 £3.6 million (2017: £1.1 million) as the pace of transactions increased in the year. The costs include the bulk of the restructuring of acquisitions in the second half of 2017 and those completed in 2018. 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.

During the year, Carillion, a customer of the Group went into liquidation. A large proportion of the work carried out for the buildings maintained by that customer was continued by the Group post liquidation. As such, the ongoing impact to the trading of the Group was not material. As a result of the liquidation, a one-off exceptional bad debt of £0.7 million was incurred by the Group in the year.

Amortisation of intangible assets for the year was £0.9 million (2017: £0.6 million) with the increase attributable to the higher carrying value of intangible assets.

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)

	2018 pence	2017 pence
Basic adjusted earnings per share	14.0	10.4
Basic earnings per share	(2.2)	1.1

* Refer to note 9

Interest

Net finance costs amounted to £0.4 million (2017: £0.2 million) which reflects the increased average levels of debt arising from the financing of acquisitions.

Taxation

UK Corporation Tax is calculated at 19% (2017: 20%) of the estimated assessable (loss)/profit for the year. The UK Corporation Tax rate reduced to 19% in 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 £48.1 million (2017: £35.0 million) primarily due to the placing of shares in July 2017 and equity issued as part of acquisition consideration.

Goodwill and intangibles at 31 March 2018 were £42.4 million (2017: £26.6 million).

Property, plant and equipment totalled £4.2 million (2017: £2.6 million), comprising freehold and long leasehold property, leasehold improvements, operational equipment, vehicles and computer systems.

Cash flow

The net cash inflow from operating activities was £2.4 million (2017: £2.5 million) in the year.

There was a net working capital outflow in the year of £3.2 million (2017: £0.8 million). The movement reflects the increased scale of the Group but also includes additional working capital investment at certain businesses acquired in the year. Management of working capital is a key focus across the Group with a strong emphasis on cash collection and overdue debt reduction.

Capital expenditure totalled £0.5 million (2017: £0.4 million) following the investment in our IT systems across the business.

Finance Director's review continued

The Group closely monitors the funding it has available to it and is conservative in its use of debt

Net debt

Net debt at the end of the year was £2.9 million (2017: net cash £2.6 million). In April 2017 we increased our debt facilities with Lloyds Bank by an additional £5.0 million to £18.0 million, comprising £15.0 million of term loans, a £2.5 million revolving credit facility and a £0.5 million overdraft facility. 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. At an executive level, a selection of operational KPIs, which allow a relevant and robust review of operational performance, are considered with operational management on a monthly basis. The Board also relies on KPIs that focus on the financial performance of the Group such as revenue, gross profit, adjusted EBITDA and adjusted operating profit.

The non-financial indicators that are regularly monitored are customer satisfaction and retention as well as staff turnover ratios, especially the turnover of skilled engineers. Customer attrition rates are low, as the business has strong and long-term relationships. The Group has a strong team of experienced and dedicated staff and staff turnover rates are low.

Risks specific to the Group, its business and the industry in which it operates

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.

Loss of key customers

The Group has relationships with over 5,000 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 relatively low percentage of our revenues.

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

The Group is likely to require additional funds in future to finance the acquisition of other businesses and its operations. Debt financing secured by the Group in the future could involve restrictive covenants relating to its capital raising activities and other financial and operational matters, which may make it more difficult to obtain additional capital and to pursue business opportunities.

The Group closely monitors the funding it has available to it and is conservative in its use of debt.

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. The Group is very aware of the regulatory requirements and certifications needed to operate and this is given the highest importance within the organisation.

Failure of information systems

The Group's ability to maintain financial controls and provide a high quality service to its customers depends, in part, on the efficient and uninterrupted operation of its management information systems, including its computer systems. All our systems are backed up off site and we have robust disaster recovery measures in place.

Reputational damage from failure of fire installation and security services

Failure of any of the Group's fire or security systems or maintenance services could expose the Group to reputational damage, should any of its clients experience fire or security related incidences. We mitigate this risk through auditing the standard of the service we deliver on a daily basis.

The strategic report on pages 4 to 23 has been approved by the Board and signed on its behalf by

Alex Dacre
Chief Executive

Mark Adams
Group Finance Director

25 June 2018

Acquisition of DCUK

Strategy in action **Acquire** **Accelerate** **Integrate**

"The acquisition of DCUK represents the next chapter in the Marlowe story. Our strategy is focused on deepening our market share within existing service sectors and extending our capabilities into adjacent service sectors which share the same channel to market and where our customers see the strategic coherence; the DCUK deal is a prime example of this strategy in action"

Alex Dacre
Chief Executive

We intend to continue developing and extending the Group's activities into adjacent and complementary service sectors. By developing a presence in adjacent sectors, we create opportunities to implement operational improvement techniques to bolster organic growth and enhance efficiency. Through entering sectors which share the same channel to market, we create opportunities to leverage the existing customer relationships within our Group and to cross-sell services. We then create shareholder value through accelerating growth and broadening the capabilities of the businesses within our Group through further, bolt-on, acquisition-led growth.

In July we acquired Ductclean (UK) Limited ("DCUK") for a total enterprise value of up to £10.0 million, financed through a combination of Marlowe equity, cash and deferred contingent payments. DCUK is a UK market leader in ventilation maintenance, ductwork cleaning and management, kitchen extract cleaning and contamination remediation services - mainly asbestos remediation.

The acquisition of DCUK represents Marlowe's first step into the air quality market which 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. In addition to providing the Group with a presence in a new complementary service sector, the market in which DCUK operates is currently highly fragmented and offers significant scope for consolidation. The first step of this consolidation was the add-on acquisition of SB Hygiene in December which was immediately integrated into DCUK.
In May 2018, we followed this with the acquisition of the business and assets of leading asbestos remediation provider, Forest Environmental which is currently undergoing integration.

Board of Directors

as at 31 March 2018

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 in the support services sector

1 **Alex Dacre**
Chief Executive

2 **Mark Adams**
Group Finance Director

3 **Derek O'Neill**
Non-Executive Chairman

4 **Peter Gaze**
Non-Executive Director

5 **Charles Skinner**
Non-Executive Director

1 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 £400m 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.

2 Mark Adams joined the Board as Group Finance Director on 1 January 2018. He 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.

3 Derek O'Neill was Chief Executive and a majority shareholder of Lorien Resourcing, a £350m revenue market leader in technology recruitment, until its sale to Impellam Group plc. He has previously been on the Board of three listed companies including Deltron Electronics plc and Impellam Group plc. He spent 12 years as an executive director of a number of private equity backed businesses and also as an executive director in a diverse range of sectors, including house building, electronics, engineering, telecommunications, logistics and recruitment.

4 Peter Gaze was recently 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.

5 Charles Skinner is Chief Executive of Restore plc, the AIM-listed UK leader in document management and business relocation services. Under his leadership its market capitalisation has grown from £1m to over £600m today. 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.

Cross-selling across our customer bases

Strategy in action **Collaborate**

By design, all the businesses in our Group share a common channel to market. Typically, the different businesses in our Group are selling to the same individual, or team, within our customers' organisations. As a result, we understand this channel to market intimately and are able to take advantage of this knowledge to sell multiple services across the customer bases of different Marlowe businesses. We have had good success with this strategy over the past year: for one of the UK's leading leisure operators, we now provide fire protection along with ventilation hygiene and asbestos remediation services.

We partner with Travelodge Hotels through managing water treatment services across their portfolio and now advise them on the maintenance of their ducting and ventilation systems. For a leading UK retailer with 3,000 stores across Britain we now provide fire protection, security and connected monitoring services. These are just a few examples of the success we are having through our strategy to encourage our businesses to be both the leading specialists within their market, whilst also collaborating closely with other Marlowe companies to take advantage of the strategic synergies that are available to us. This collaboration provides us with a strong competitive advantage against our largely single-service competitors and when implemented successfully, deepens the relationship that we hold with our customers and lowers the cost of sale.

Directors' report

The Directors submit their report and the financial statements of Marlowe plc for the year ended 31 March 2018

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 10 to 16 includes a review of the business, the Group's trading for the year ended 31 March 2018 and an overview of future developments.

Results and dividend

The Group's results for the year ended 31 March 2018 are set out in the consolidated statement of comprehensive income on page 38. The (loss) / profit before tax for the year was £(0.4) million (2017: £0.7 million).

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

Principal activities

The principal activities of the Group during the year were the provision of fire & security, water treatment and air hygiene services.

Directors

The following Directors have held office during the year:

Derek O'Neill (Non-Executive Chairman)
Alex Dacre (Chief Executive)
Mark Adams (Group Finance Director) *Appointed 1 January 2018*
Charles Skinner (Non-Executive Director)
Peter Gaze (Non-Executive Director)
Nigel Jackson (Director) *Resigned 30 September 2017*

Directors' remuneration, long-term executive plans, pension contributions and benefits are set out in the Directors' Remuneration Report on pages 30 to 31. 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 21 to the financial statements.

Substantial shareholdings

At 31 March 2018 the Company had been notified of the following interest 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	34.41%
Alex Dacre	3,503,334	10.15%
Hargreave Hale	2,499,470	7.24%
Nigel Jackson	1,500,000	4.35%

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, both of our operating segments have appointed Health and Safety Officers. The Group's operations report to the Board on a monthly basis includes a 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 (2017: £10,000). The Group does not make political donations.

Statement as to disclosure of information to auditors

The Directors in office on 25 June 2018 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.

Annual general meeting

The notice of the Annual General Meeting to be held on 5 September 2018 is enclosed with this Annual Report.

Post balance sheet events

Details of post balance sheet events are given in note 31 to the financial statements.

Derek O'Neill
Non-Executive Chairman
25 June 2018

Corporate governance statement

for the year ended 31 March 2018

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 to the extent appropriate for a group of the size of Marlowe plc.

The Board of Directors

The Board currently comprises of two Executive Directors and three Non-Executive Directors (including the Chairman). 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, including the appointment of new directors. There is no separate Nomination Committee due to the current size of the Board.

Directors' remuneration

The Company has an established Remuneration Committee.

Details of the remuneration of each Director are set out in the Directors' Remuneration Report on pages 30 and 31.

Accountability and audit

The Company has established an Audit Committee comprising the Chairman and Non-Executive Directors who are responsible for reviewing the scope and results of the audit, its cost effectiveness and the independence and objectivity of the auditor.

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.

	Number of meetings attended during the year ended 31 March 2018		
	Board Total: 9	Audit Committee Total: 4	Remuneration Committee Total: 1
Executive Directors			
Alex Dacre	9	3	-
Mark Adams*	2	1	-
Nigel Jackson**	3	1	-
Non-Executive Directors			
Derek O'Neill	8	3	-
Charles Skinner	9	4	1
Peter Gaze	9	4	1

*Appointed 1 January 2018 **Resigned 30 September 2017

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

Going concern

As more fully explained in note 2, 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.

Directors' remuneration report

for the year ended 31 March 2018

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
Derek O'Neill	29 February 2016	6 months
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	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Executive Directors								
Alex Dacre	100	100	-	-	-	-	100	100
Mark Adams*	31	-	-	-	-	-	31	-
Nigel Jackson**	50	84	14	16	-	26	64	126
Non-Executive Directors								
Derek O'Neill	30	30	3	1	-	-	33	31
Charles Skinner	-	-	-	-	-	-	-	-
Peter Gaze	35	35	-	-	-	-	35	35
Total	246	249	17	17	-	26	263	292

*Appointed 1 January 2018 **Resigned 30 September 2017

The £30,000 (2017: £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 (2017: £35,000) paid regarding Peter Gaze is paid directly to Anne Street Partners Limited for the provision of his services as a Non-Executive Director.

Directors' Interest in Shares

The beneficial interests of the Directors who were in office at 31 March 2018 in the shares of the Company (including family interests) were as follows:

	Number of ordinary shares of 50p each 31 March 2018	Number of ordinary shares of 50p each 31 March 2017
Alex Dacre	3,503,334	3,503,334
Derek O'Neill	828,432	828,432
Charles Skinner	467,156	467,156
Peter Gaze	600,925	600,925

Marlowe Executive Incentive Plan

The Company has an Executive Investment Plan (EIP), details which are given in note 27 on page 76. The Directors' interest in the EIP are as follows:

	Number of performance units 31 March 2018	Number of performance units 31 March 2017
Alex Dacre	5,460	5,460
Derek O'Neill	1,820	1,820
Charles Skinner	1,183	1,183

By order of the Board

Charles Skinner
Chairman of the Remuneration Committee

Statement of Directors' responsibilities

The Directors are responsible for preparing 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 2018 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statements of financial position, Consolidated and Company statements of changes in equity, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

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 is £321,000, which represents 5% of the group's adjusted operating profit based on preliminary results.
- 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 adjusted performance measures.
- We performed full scope procedures at all operating subsidiaries identified as subject to statutory audit as per note 1. We performed analytical audit procedures at all other entities.

Key audit matters

The graph below depicts the audit risks identified and their relative significance based on the extent of the financial statement impact and the extent of management judgement.

Key audit matters

Significant risk

Other risk

Other matter

* Impact the identified risk would have on the group or parent company's financial statements
** Probability that the identified risk could occur during the year under review if not properly controlled

Key audit matters are those matters that, in our professional judgment, 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

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Valuation at acquisition of goodwill and other intangible assets (Group)

Goodwill (cost): £35.9m (2017: £21.7m)
Customer relationships (cost): £7.9m (2017: £5.4m)</td></tr>
<tr><td>Refer to notes 2, 11 and 12 to the Group financial statements.

The Group has acquired 9 businesses in the year, as disclosed on pages 59 to 66, and has finalised the fair values in respect of the 8 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.

We therefore identified the valuation of goodwill and other intangible assets as a significant risk, which was one of the most significant assessed risks of material misstatement.</td><td>Our audit work included, but was not restricted to:
• reviewing the accounting policy for valuation of such assets, ensuring the policy is followed and that it was consistent with the relevant IFRS;
• obtaining the acquisition date balance sheet of each acquired subsidiary and performing appropriate audit procedures as relevant over the assets and liabilities acquired, including testing the recoverability of acquired debtors and inspecting expenses post acquisition to identify any unrecorded creditors;
• obtaining the details of any fair value adjustments and the consideration paid, and agreeing these to relevant source documents, such as sale and purchase agreements;
• 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 consulting our internal valuation specialists to confirm the reasonableness of such assumptions;
• 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;
• obtaining management's calculation of the intangible assets identified, and confirming the mathematical accuracy of the calculations; and
• for any fair value adjustment made to goodwill within the allowed measurement period, obtaining evidence that the adjustment is accurate and that management were aware of the adjustment within the allowed one year measurement period.</td></tr>
<tr><td colspan="2">Key observations
As a result of our work, we concluded that the valuation at acquisition of goodwill and other intangible assets was acceptable.</td></tr>
<tr><td colspan="2">Impairment of goodwill and other intangible assets (Group)

Goodwill (carrying value): £35.9m (2017: £21.7m)
Customer relationships (carrying value): £6.5m (2017: £4.9m)</td></tr>
<tr><td>Refer to notes 2 and 12 to the Group financial statements.

Under International Accounting Standard (IAS) 36 'Impairment of assets', the directors are required to make an annual assessment to determine whether the Group's goodwill and intangible assets are impaired, to test goodwill for impairment and to test intangibles for impairment if indicators of impairment are identified.

The process for assessing whether impairment exists under IAS 36 is complex. 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.</td><td>Our audit work included, but was not restricted to:
• obtaining management's assessment of the alignment of its subsidiaries to the relevant cash generating unit (CGUs) used in the impairment calculation and comparing those to our understanding of the business units and operating structure of the Group;
• determining the arithmetical accuracy of those calculations including the associated sensitivity analyses;
• testing the assumptions utilised in the impairment models, including comparing growth rates to those achieved, benchmarking discount rates to other companies in the market, and consulting with our internal experts to confirm the appropriateness of the rates used;
• 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; 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.</td></tr>
<tr><td colspan="2">Key observations
As a result of our work, we concluded that the impairment of goodwill and other intangible assets was acceptable.</td></tr>
</table>

<table>
<tr><th>Key Audit Matter</th><th>How the matter was addressed in the audit</th></tr>
<tr><td colspan="2">Classification, presentation and disclosure of adjusted performance measures (Group)

Acquisition and other costs, presented as a separate column in the Consolidated statement of comprehensive income, £6.2m (2017: £2.6m)</td></tr>
<tr><td>Refer to the Consolidated statement of comprehensive income, the Finance Director's review, and page 44 of the accounting policies.

The Group has presented separately certain items on the face of the Consolidated statement of comprehensive income. The Directors believe that the resulting adjusted financial information better reflects the Group's trading performance during the year. In the Group's reported results, significant adjustments have been made to statutory loss before tax of £0.4m to derive adjusted profit before tax of £5.8m, and to statutory loss after tax of £0.7m to derive adjusted profit after tax of £5.9m. The most significant of these are discussed in detail in the Finance Director's review and in note 5 to the Group financial statements.

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 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 group'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 material adjustments to earnings may distort the reader's view of the financial result in the year.

We therefore identified the following significant risks in respect of acquisition and other costs in the consolidated statement of comprehensive income, which was one of the most significant assessed risks of material misstatement:

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 consolidated statement of comprehensive income, and whether the presentation of the adjusted financial information is fair, balanced, and understandable in its representation of adjusted performance, or whether undue prominence has been given to this information over the information required under IFRS; 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.</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 by management.

Presentation
• challenging management's rationale for the basis for inclusion of certain classes of items within the consolidated statement of comprehensive income statement acquisition and other costs, particularly around the areas of higher judgement such as identified duplicated personnel costs, to determine whether the items identified meet the criteria of the accounting policy for such items defined by the Group;
• the extent to which the prominence given to the adjusted financial information and related commentary in the Annual Report compared to the statutory financial information and related commentary could be misleading;
• evaluating the appropriateness of the inclusion of items, both individually and in aggregate, within acquisition and other costs, including ensuring adherence to IFRS requirements and latest FRC guidance, and benchmarking them against market practice, including, but not limited to, the ICAEW's statement of principles, guidance issued by the FRC in their thematic review, and guidance issued by the European Securities and Markets Authority (ESMA).

Disclosure
We also assessed the disclosures made, and considered:
• whether the statutory and adjusted financial information are reconciled with sufficient prominence given to that reconciliation;
• whether the basis of the adjusted financial information is clearly and accurately described and consistently applied; and
• whether the adjusted financial information is not otherwise misleading in the form and context in which it appears in the Annual Report.</td></tr>
<tr><td colspan="2">Key observations
As a result of our work, we concluded that the classification, presentation and disclosure of adjusted performance measures was acceptable.</td></tr>
</table>

No key audit matters were identified in relation to the parent company.

Independent Auditors' report continued

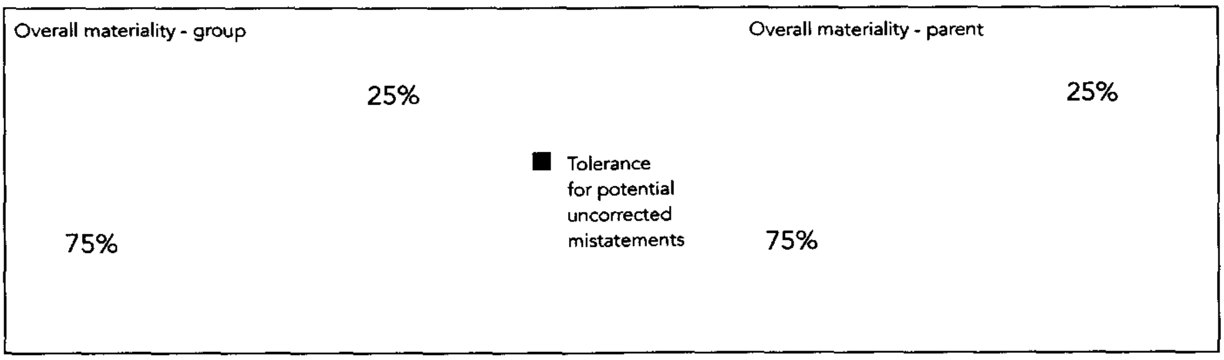
Our application of materiality

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	£321,000 which is 5% of adjusted operating profit based on preliminary results. 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 2017 to reflect the growth of the Group.	£241,000 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. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2017 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	£16,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£12,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



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.

For those components that were evaluated as significant to the group, a full scope audit approach was undertaken. For these components we documented our understanding of the controls relevant to financial reporting, reviewed the accounts production process and evaluated the appropriateness of management's treatment of critical accounting matters at a component level, including the recognition of revenue and recoverability of debtors and other receivables. We then undertook substantive testing on significant transactions and material account balances. The components that were subject to full scope audit procedures comprised 96% of consolidated revenues and 84% of consolidated adjusted operating profit.

The remaining subsidiaries were not considered significant to the group, and were subject to analytical audit procedures. These entities are incorporated in the UK but have taken parental guarantee for exemption from statutory audit, as set out in note 1.

All of the items that are presented in the "Acquisition and other costs" column have been tested under a comprehensive approach, even if the related entity was subject to an analytical approach.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report set out on pages 1 to 32, 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 32, 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.

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

25 June 2018

Consolidated statement of comprehensive income

For the year ended 31 March 2018

		Year ended 31 March 2018			Year ended 31 March 2017		
	Notes	Adjusted results £'m	Acquisition & other costs £'m	Unadjusted results £'m	Adjusted results £'m	Acquisition & other costs £'m	Unadjusted results £'m
Revenue	4	**80.6**	-	**80.6**	**46.8**	-	**46.8**
Cost of sales		(54.2)	-	(54.2)	(30.2)	-	(30.2)
Gross profit		26.4	-	26.4	16.6	-	16.6
Administrative expenses excluding acquisition and other costs		(20.2)	-	(20.2)	(13.1)	-	(13.1)
Acquisition costs		-	(0.6)	(0.6)	-	(0.6)	(0.6)
Restructuring costs	5	-	(3.6)	(3.6)	-	(1.1)	(1.1)
Exceptional loss on customer liquidation		-	(0.7)	(0.7)	-	-	-
Amortisation of acquisition intangibles	12	-	(0.9)	(0.9)	-	(0.6)	(0.6)
Share-based payments	27	-	(0.4)	(0.4)	-	(0.3)	(0.3)
Operating profit	6	**6.2**	**(6.2)**	**-**	**3.5**	**(2.6)**	**0.9**
Finance costs	7	(0.4)	-	(0.4)	(0.2)	-	(0.2)
(Loss)/profit before tax		**5.8**	**(6.2)**	**(0.4)**	**3.3**	**(2.6)**	**0.7**
Income tax charge	8			(0.3)			(0.4)
(Loss)/profit for the year				**(0.7)**			**0.3**
Other comprehensive income				**-**			**-**
(Loss)/profit and total comprehensive income for the year from continuing operations				**(0.7)**			**0.3**
Attributable to owners of the parent				**(0.7)**			**0.3**
Earnings per share attributable to owners of the parent (pence)	9						
Total							
Basic				(2.2p)			1.1p
Diluted				(2.2p)			1.1p
Continuing operations							
Basic				(2.2p)			1.1p
Diluted				(2.2p)			1.1p

Consolidated statement of changes in equity

For the year ended 31 March 2018

	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 2016	7.3	-	-	0.2	7.5
Profit for the year	-	-	-	0.3	0.3
Total comprehensive income for the year	-	-	-	0.3	0.3
Transactions with owners					
Issue of shares during the year	8.2	19.2	-	-	27.4
Issue costs	-	(0.5)	-	-	(0.5)
Share-based payments charge	-	-	0.3	-	0.3
	8.2	**18.7**	**0.3**	**-**	**27.2**
Balance at 31 March 2017	**15.5**	**18.7**	**0.3**	**0.5**	**35.0**
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 charge	-	-	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**

Consolidated statement of financial position

As at 31 March 2018

Company registered no. 09952391

	Note	2018 £'m	2017 £'m
ASSETS			
Non-current assets			
Intangible assets	12	42.4	26.6
Property, plant and equipment	13	4.2	2.6
Deferred tax asset	20	-	0.2
		46.6	29.4
Current assets			
Inventories	14	2.7	1.8
Trade and other receivables	15	24.6	16.5
Cash and cash equivalents	19	7.7	7.8
		35.0	26.1
Total assets		**81.6**	**55.5**
LIABILITIES			
Current liabilities			
Trade and other payables	16	(19.9)	(14.0)
Financial liabilities – borrowings	17	(2.3)	(1.1)
Other financial liabilities	18	(0.3)	(0.2)
Current tax liabilities		(0.5)	(0.2)
Provisions		(0.2)	(0.1)
		(23.2)	(15.6)
Non-current liabilities			
Trade and other payables	16	(1.0)	-
Financial liabilities – borrowings	17	(7.7)	(3.7)
Deferred tax liability	20	(1.3)	(1.0)
Other financial liabilities	18	(0.3)	(0.2)
		(10.3)	(4.9)
Total liabilities		**(33.5)**	**(20.5)**
Net assets		**48.1**	**35.0**
EQUITY			
Share capital	21	17.3	15.5
Share premium account	22	30.4	18.7
Other reserves	23	0.6	0.3
Retained earnings	24	(0.2)	0.5
Equity attributable to the owners of the parent		**48.1**	**35.0**

These financial statements were approved by the Board of Directors and authorised for issue on 25 June 2018 and were signed on its behalf by:

Derek O'Neill
Chairman

Alex Dacre
Chief Executive

Consolidated statement of cash flows

For the year ended 31 March 2018

	Note	Year ended 31 March 2018 £'m	Year ended 31 March 2017 £'m
Net cash generated from operations	25	**3.2**	**3.2**
Net finance costs		(0.4)	(0.2)
Income taxes paid		(0.4)	(0.5)
Net cash generated from operating activities		**2.4**	**2.5**
Cash flows from investing activities			
Purchase of property, plant and equipment		(0.5)	(0.4)
Disposal of property, plant and equipment		0.3	0.1
Restructuring costs	5	(3.6)	(1.1)
Purchase of subsidiary undertakings, net of cash acquired	11	(11.2)	(23.3)
Cash flows used in investing activities		**(15.0)**	**(24.7)**
Cash flows from financing activities			
Proceeds from share issues		10.0	20.0
Repayment of bank borrowings		(5.2)	(6.7)
New bank loans raised		6.7	6.5
Cost of share issues		(0.3)	(0.5)
Finance lease repayments		(0.7)	(0.2)
Other financing activities		2.0	0.3
Net cash generated from financing activities		**12.5**	**19.4**
Net (decrease)/increase in cash and cash equivalents		**(0.1)**	**(2.8)**
Cash and cash equivalents at start of year		**7.8**	**10.6**
Cash and cash equivalents at end of year	19	**7.7**	**7.8**
Cash and cash equivalents shown above comprise:			
Cash at bank		7.7	7.8

Notes to the Group financial statements

For the year ended 31 March 2018

1. GENERAL INFORMATION

Marlowe plc (the "Company") and its subsidiaries (together referred to as the "Group") specifically focus on critical asset maintenance services. 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 25 June 2018.

Exemption from audit

For the year ended 31 March 2018 Marlowe plc has provided a guarantee in respect of all liabilities due by its following subsidiaries: Fire & Security (Group) Limited, Swift Fire and Security Group Limited, Swift Fire and Security (Northern) Limited, Hentland Limited, Titan Fire and Security Limited, Alpha Peerless Limited, The Philton Group Limited, BTE Systems Limited, DB Audio Electrical Services Limited, Flamefast Fire Systems Limited, Advance Environmental Limited, Future Water Limited, G.P.C.S. Limited, SB Hygiene Limited. This entitles them to exemption from audit under 479A of the Companies Act 2006 relating to subsidiary companies.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

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

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

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance, financial position, its cash flows, liquidity position, principal risks and uncertainties affecting the business are set out in the Strategic report on pages 4 to 23.

The Group meets its day-to-day working capital requirements through its financing facilities which are due to expire in April 2020. Details of the Group's borrowing facilities are given in note 19 of the financial statements.

The Group's budgets for 2019 and forecasts for 2020, 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.

2. SIGNIFICANT ACCOUNTING POLICIES - Basis of consolidation continued

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.

Contingent consideration
Contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 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, Fire Protection & Security Systems ("Fire & Security"); 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
Revenue is measured as the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT, returns, rebates and after eliminating intra-group sales.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below.

Sale of goods and services – Fire & Security
Revenue arises from the sale of goods and rendering of services. It is measured at the fair value of the consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed. Revenue from the sale of electronic fire safety and security systems equipment together with installations is recognised when the significant rewards and risks of ownership have been transferred to the buyer, generally when the goods have been delivered to the customer. Revenue from service and monitoring is recognised on a straight-line basis over the future period of a contract as this represents the best estimate of the stage of completion. Income invoiced for future periods is deferred and included in current liabilities. Income for call out charges where such items do not form part of ongoing contracts are recognised when work is completed.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES - Sale of goods and services – Fire & Security continued

When a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total expected consideration at completion. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

Sale of goods and services – Water & Air
Revenue arises from the sale of goods and rendering of services. It is measured at the fair value of the consideration received or receivable, excluding sales taxes, and reduced by any rebates and trade discounts allowed. Revenue from the sale of water treatment and air hygiene together with installations is recognised when the significant rewards and risks of ownership have been transferred to the buyer, generally when the goods have been delivered to the customer. Revenue from service and monitoring is recognised on a straight-line basis over the future period of a contract as this represents the best estimate of the stage of completion. Income invoiced for future periods is deferred and included in current liabilities. Income for call out charges where such items do not form part of ongoing contracts are recognised when work is completed.

When a contract has only been partially completed at the balance sheet date turnover represents the value of the service provided to date based on a proportion of the total expected consideration at completion. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors due within one year.

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.

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.

Profit measures
Due to the one-off nature of acquisition and other costs 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 charge, 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.

2. SIGNIFICANT ACCOUNTING POLICIES - Intangible assets continued

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

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

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

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.

Investments
The Company has investments in seventeen 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.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

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, classified as loans and receivables in accordance with IAS 39 'Financial Instruments: Recognition and Measurement', are recorded initially at fair value and subsequently measured at amortised cost. A 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. The amount of the provision is the difference between the assets' carrying amount and the present value of future cash flows discounted at the effective interest rate. The movement in the provision is recognised in profit or loss.

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, classified as other liabilities in accordance with IAS 39, 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 classified as other liabilities in accordance with IAS 39 and 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.

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.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 27.

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

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

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.

Notes to the Group financial statements continued

2. SIGNIFICANT ACCOUNTING POLICIES continued

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 have been identified by management as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. Management do not believe there are any other intangible assets that have arisen on acquisition during the year which can be identified and reliably measured. The rate of customer attrition is determined by reference to the acquired company's historical customer life cycle.

Acquisition and other costs
Due to the one-off nature of acquisition and other costs 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.

Impairment of trade receivables
Management regularly review trade receivables that are past due 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 £1.2m (2017: £1.4) provision for impairment of trade receivables has been made. Refer to note 15 for further information.

Valuation of separable intangibles on acquisition
When valuing the intangibles acquired in a business combination, management estimate the expected future cash flows from the asset and select a suitable discount rate in order to calculate the present value of those cash flows. Separable intangibles valued on acquisitions made in the year were £2.5m (2017: £5.4m) 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 22.

Adoption of new and revised standards
New standards, amendments and interpretations issued and effective during the financial year commencing 1 April 2017:

*Amendments to IAS 12: Recognition of Deferred Tax Assets for Unrealised Losses**
The amendments are aimed at reducing diversity by clarifying how to account for deferred tax assets related to debt instruments measured at fair value. The following clarifications are made.

An entity takes into account any restrictions imposed by tax law on the source or type of taxable profits against which a deductible temporary difference can be relieved when assessing whether taxable profit will be available against which the deductible temporary difference can be utilised. If a restriction exists the entity considers the recovery of a deductible temporary difference only with other such differences of the appropriate type.

Notes to the Group financial statements continued

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

Future taxable profit used for assessing the utilisation of deductible temporary differences excludes tax deductions resulting from the reversal of those deductible temporary differences; otherwise they would be double counted. This comparison shows the extent to which the future taxable profit is sufficient for the entity to deduct the amounts resulting from the reversal of the deductible temporary differences.

Future taxable profit may include the recovery of some of an entity's assets for more than their carrying value if there is sufficient evidence that it is probable that the entity will achieve this. The amendment suggests that this may be the case for an asset measured at fair value, for example, when an entity expects to hold a fixed-rate debt instrument measured at fair value and collect the contractual cash flows.

Amendments to IAS 7: Disclosure initiative*
The amendment has the objective of ensuring that disclosures help users of financial statements to evaluate changes in liabilities arising from financing activities. To achieve the following changes in liabilities arising from financing activities are to be disclosed, changes from financing cash flows; changes arising from obtaining or losing control of subsidiaries or other businesses; the effect of changes in foreign exchange rates; changes in fair values; and other changes.

Periods commencing on or after 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 will have an impact on 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:
- contract modifications
- the determination of distinct goods and services
- customer options for future purchases
- 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 is not expected to have an impact on the timing of the recognition of revenue and that no restatement will be required. All new contracts and changes to existing contract terms are considered on an ongoing basis to ensure that the accounting is appropriate.

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.

Notes to the Group financial statements continued

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

Financial assets are still measured at amortised cost, fair value through profit or loss or fair value through other 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 classification and measurement of financial liabilities is largely unchanged, except for entities that designate financial liabilities as at fair value through profit and loss. They will be required to present the portion of the change in fair value attributable to the entity's own credit risk in other comprehensive income rather than profit or loss. Entities can elect to early-adopt this requirement without applying the other requirements in IFRS 9.

IFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk.

The Group has undertaken an assessment of how the adoption of IFRS 9 will 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).

*Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions**
The amendment seeks clarification in three main areas, vesting conditions when measuring cash-settled share-based payment transactions, classification of share-based payment transactions with net settlement features for withholding tax obligations, change of classification from cash-settled to equity-settled.

*Annual Improvements to IFRSs 2014–2016 Cycle**
In December 2016, the IASB published Annual Improvements to IFRSs 2014–2016 Cycle as part of its annual improvements project. A summary of the amendments is set out below:

IFRS 1 First-time Adoption of International Financial Reporting Standards
Deletion of short-term exemptions that are no longer applicable for first-time adopters. Applies for annual periods beginning on or after 1 January 2018.

IFRS 12 Disclosure of Interests in Other Entities
Clarification that except as described in paragraph B17, the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. Applies retrospectively in annual periods beginning on or after 1 January 2017.

IAS 28 Investments in Associates and Joint Ventures
Clarification that a venture capital organisation, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis.

A non-investment entity investor may also elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. Applies retrospectively for annual periods beginning on or after 1 January 2018. Early application is permitted as long as that fact is disclosed.

Notes to the Group financial statements continued

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

Periods commencing on or after 1 January 2019
IFRS 16 Leases*
The new standard, which was issued in January 2016 recognises a leased asset and a lease liability for almost all leases and requires them to be accounted for in a consistent manner. This introduces a single lessee accounting model and eliminates the previous distinction between an operating lease and a finance lease.

The expense recognised in profit and loss is consistent with the charge recognised under IAS 17 with regards to finance leases in that it will comprise a depreciation charge on the leased asset and an interest charge on the lease liability. For leases previously classified as operating leases, this will replace the expense for lease payments.

Short-term leases (less than twelve months) and leases of low-value assets (such as personal computers) are exempt from the requirement to recognise a leased asset and lease liability. Instead, lessees can recognise the lease payments as an expense over the term of the lease either on a straight-line basis or on another systematic basis more representative of the pattern of the lessee's benefit.

The lessor accounting model is largely unchanged as it retains the classification of leases as operating or finance leases and the different methods of accounting for them.

Effective Date: Periods commencing on or after 1 January 2019. Early application is permitted but only if companies also apply IFRS 15 Revenue from Contracts with Customers at the same time. Transition exemptions from full retrospective application are available.

The Group has started the analysis of how IFRS 16 should be implemented and is in the process of taking tentative accounting policy decisions. Based upon this analysis and given the number of the Group's properties we expect that the adoption of IFRS 16 will have a material impact on the financial position of the Group. The key judgements which are currently in the process of being quantified are the interest rate which is implicit in the lease, and the lease term including judgements on break clause options, extensions and renewals.

* Not yet endorsed by the EU

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.

Notes to the Group financial statements continued

3. FINANCIAL RISK MANAGEMENT

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

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

Market risk

Foreign exchange risk

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

Cash flow and fair value interest rate risk

The Group's interest rate risk arises from long-term borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During 2018 and 2017 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 19.

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 19.

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 facilities is given in note 19.

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 2018 and prior year ended 31 March 2017.

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

	2018 £'m	2017 £'m
Cash at bank	7.7	7.8
Bank loans due within one year	(2.3)	(1.1)
Bank loans due after one year	(7.7)	(3.7)
Finance leases due within one year	(0.3)	(0.2)
Finance leases due after one year	(0.3)	(0.2)
Net (debt) / cash	(2.9)	2.6

Under the bank facility the Group is required to meet quarterly covenant tests in respect of cashflow cover, 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, Fire Protection & Security Systems ("Fire & Security") 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, exceptional loss on customer liquidation, share-based payments and amortisation of intangible assets. 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	Fire & Security £'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)
Exceptional loss on customer liquidation				(0.7)
Amortisation of acquisition intangibles				(0.9)
Share-based payments				(0.4)
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

Notes to the Group financial statements continued

4. SEGMENTAL ANALYSIS - Revenue continued

Continuing operations	Fire & Security £'m	Water & Air £'m	Head Office £'m	2017 Total £'m
Revenue	37.8	9.0	-	46.8
Inter-segment elimination	-	-	-	-
Revenue from external customers	-	-	-	46.8
Segment adjusted operating profit/(loss)	3.4	0.8	(0.7)	3.5
Acquisition costs				(0.6)
Restructuring costs				(1.1)
Amortisation of acquisition intangibles				(0.6)
Share-based payments				(0.3)
Operating profit				0.9
Finance costs				(0.2)
Profit before tax				0.7
Tax charge				(0.4)
Profit after tax				0.3
Segment assets	18.7	2.3	34.5	55.5
Segment liabilities	8.6	1.8	10.1	20.5
Capital expenditure	0.3	0.1	-	0.4
Depreciation and amortisation	0.4	0.1	0.6	1.1

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

	Fire & security £'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

	Fire & security £'m	Water & air £'m	Head office £'m	2017 Total £'m
Segment adjusted operating profit/(loss)	3.4	0.8	(0.7)	3.5
Depreciation	0.4	0.1	-	0.5
Adjusted EBITDA	3.8	0.9	(0.7)	4.0

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

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

Notes to the Group financial statements continued

4. SEGMENTAL ANALYSIS - Reconciliation of segment adjusted operating profit to adjusted EBITDA continued

Major customers
For the year ended 31 March 2018, no customers (2017: Nil) individually accounted for more than 10% of the Group's total revenue.

5. RESTRUCTURING COSTS

Restructuring and redundancy costs were £3.6m in 2018 (2017: £1.1m). 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

	2018 £'m	**2017 £'m**
The following items have been included in arriving at operating profit:		
Amortisation of intangible assets	0.9	0.6
Depreciation of property, plant and equipment	1.0	0.5
Loss on disposal of property, plant and equipment	0.1	-
Share-based payments charge	0.4	0.3
Operating leases – plant and machinery	0.1	0.2
Operating leases – land and buildings	0.5	0.3
Auditors' remuneration*:		
– Parent and consolidated financial statements	-	-
– Audit of Company's subsidiaries pursuant to legislation	0.2	0.1
– Review of half yearly financial report	-	-

* Audit fees of £30k (2017: £30k) in respect of the parent and consolidated financial statements and £155k (2017: £110k) in respect of the audit of the Company's subsidiaries were incurred during the year. £13k (2017: £13k) was incurred by the Group in respect of the review of the half yearly financial reports.

7. FINANCE COSTS

	2018 £'m	**2017 £'m**
Interest on bank loans and overdrafts	0.3	0.2
Amortisation of deferred finance costs	0.1	-
Total	0.4	0.2

Notes to the Group financial statements continued

8. TAXATION

	2018 £'m	2017 £'m
Current tax:		
UK corporation tax on loss/profit for the year	0.5	0.2
Adjustment in respect of previous periods	(0.2)	-
Total current tax	0.3	0.2
Deferred tax: (note 20)		
Current year	(0.1)	0.2
Adjustment in respect of previous periods	0.1	-
Total deferred tax	-	0.2
Total tax charge	0.3	0.4

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

	2018 £'m	2017 £'m
(Loss)/profit before tax	(0.4)	0.7
(Loss)/profit before tax multiplied by the rate of corporation tax of 19% / 20%	(0.1)	0.2
Effects of:		
Expenses not deductible for tax purposes	0.5	0.2
Prior year adjustments	(0.1)	-
Tax charge	0.3	0.4

9. EARNINGS PER ORDINARY SHARE

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

	2018	2017
Weighted average number of shares in issue	33,296,260	25,508,993
Total (loss)/profit for the year	(£0.7m)	£0.3m
Total basic earnings per ordinary share (pence)	(2.2p)	1.1p
Weighted average number of shares in issue	33,296,260	25,508,993
Executive incentive plan	157,880	98,992
Weighted average fully diluted number of shares in issue	33,454,140	25,607,985
Total fully diluted earnings per share (pence)	(2.2p)	1.1p

Notes to the Group financial statements continued

9. EARNINGS PER ORDINARY SHARE continued

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:

	2018 £'m	2017 £'m
(Loss)/profit before tax	(0.4)	0.7
Adjustments:		
Acquisition costs	0.6	0.6
Restructuring costs	3.6	1.1
Exceptional loss on customer liquidation	0.7	-
Amortisation of acquisition intangibles	0.9	0.6
Share-based payments	0.4	0.3
Adjusted continuing profit for the year	5.8	3.3

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

	2018	2017
Adjusted profit before tax (£'m)	5.8	3.3
Tax at 19% / 20% (£'m)	(1.1)	(0.7)
Adjusted profit after tax (£'m)	4.7	2.6
Adjusted basic earnings per share (pence)	14.0	10.4
Adjusted fully diluted earnings per share (pence)	13.9	10.3

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

11. BUSINESS COMBINATIONS

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £98m and Group profit before tax would have been £0.1m. 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 Advance Environmental

On 15 June 2017 the Company acquired Advance Environmental Limited ("Advance"), a provider of water treatment and hygiene services, for a total consideration of £2.7 million, satisfied by the payment of £2.7 million in cash on completion.

The final fair values are shown to the right.

One hundred percent of the equity of Advance 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 £67k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Advance would have generated £2.2m revenue and £0.5m profit before tax.

	Fair value at acquisition £'m
Cash	0.8
Intangible assets – customer relationships	0.6
Trade and other receivables	0.4
Property, plant and equipment	0.1
Trade and other payables	(0.5)
Deferred tax liabilities	(0.1)
Tax liabilities	(0.1)
Net assets acquired	**1.2**
Goodwill	**1.5**
Consideration	**2.7**
Satisfied by:	
Cash to vendors	**2.7**

Notes to the Group financial statements continued

11. BUSINESS COMBINATIONS continued

Provisional fair values for acqusitions acquired in the current year

Acquisition of Ductclean (UK) Limited

On 31 July 2017 the Company acquired Ductclean (UK) Limited ("DCUK"), a provider of ductwork and kitchen extract cleaning and contamination remediation services, for a total consideration of £9.2 million, satisfied by the payment of £3.3 million in cash, £3.4m satisfied by the issuance of 878,031 ordinary shares of the Company on completion, and additional earnouts of £0.5m, £1m and £1m payable subject to the achievement of certain performance targets by the acquired business 2 months, 14 months and 26 months respectively post acquisition. The shares are subject to a lock-in period of 60 months. The earnouts can be settled in cash or ordinary shares at the Company's option. The earnout shares would be issued at the market price at the time of issue and subject to the same lock-in period. It is expected that DCUK will achieve its performance targets and the earnouts will be paid out in full. 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 DCUK 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 £175k have been charged to profit or loss.

	Fair value at acquisition £'m
Trade and other receivables	2.7
Property, plant and equipment	2.0
Loans receivable	1.9
Intangible assets – customer relationships	0.7
Inventories	0.5
Loans payable	(2.4)
Trade and other payables	(1.9)
Cash	(0.5)
Finance leases	(0.4)
Tax liabilities	(0.2)
Deferred tax liabilities	(0.2)
Net assets acquired	**2.2**
Goodwill	**7.0**
Consideration	**9.2**
Satisfied by:	
Cash to vendors	**3.3**
Ordinary Shares in Marlowe plc to vendors	**3.4**
Deferred cash consideration to vendors	**2.5**

If the acquisition had been completed on the first day of the financial year DCUK would have generated £16.4m revenue and £1.2m profit before tax.

Acquisition of The Philton Group Limited

On 14 August 2017 the Company acquired The Philton Group Limited ("Philton"), a provider of fire protection services, for a total consideration of £0.1 million, satisfied by the payment of £0.1 million 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 Philton 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 £42k have been charged to profit or loss.

	Fair value at acquisition £'m
Trade and other receivables	0.2
Trade and other payables	(0.3)
Tax liabillities	(0.1)
Cash	(0.1)
Net assets acquired	**(0.3)**
Goodwill	**0.4**
Consideration	**0.1**
Satisfied by:	
Cash to vendors	**0.1**

If the acquisition had been completed on the first day of the financial year Philton would have generated £0.8m revenue and £0.1m profit before tax.

Notes to the Group financial statements continued

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

Acquisition of BTE Systems Limited

On 25 August 2017 the Company acquired BTE Systems Limited ("BTE"), a provider of fire protection services, for a total consideration of £1.7m, satisfied by the payment of £1.5m in cash on completion and a cash payment of up to £0.2m payable subject to the achievement of certain performance targets by the acquired business 6 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of BTE 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 £48k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year BTE would have generated £1.5m revenue and £0.3m profit before tax.

	Fair value at acquisition £'m
Cash	0.5
Trade and other receivables	0.4
Intangible assets – customer relationships	0.3
Loans payable	(0.1)
Trade and other payables	(0.1)
Net assets acquired	**1.0**
Goodwill	**0.7**
Consideration	**1.7**
Satisfied by:	
Cash to vendors	**1.5**
Deferred cash consideration to vendors	**0.2**

Acquisition of dB Audio and Electronic Services Limited

On 25 October 2017 the Company acquired dB Audio and Electronic Services Limited ("dB"), 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 dB 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 £39k have been charged to profit or loss.

	Fair value at acquisition £'m
Cash	0.3
Trade and other receivables	0.2
Trade and other payables	(0.1)
Tax liabilities	(0.1)
Net assets acquired	**0.3**
Goodwill	**0.2**
Consideration	**0.5**
Satisfied by:	
Cash to vendors	**0.5**

If the acquisition had been completed on the first day of the financial year dB would have generated £0.9m revenue and £0.1m profit before tax.

Notes to the Group financial statements continued

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

Acquisition of SB Hygiene Limited

On 8 December 2017, the Company acquired SB Hygiene Limited ("SB"), a provider of duct cleaning services, for a total consideration of £0.8m, satisfied by the payment of £0.8m 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 SB 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 £47k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year SB would have generated £0.7m revenue and £Nil profit before tax.

	Fair value at acquisition £'m
Trade and other receivables	0.4
Property, plant and equipment	0.1
Trade and other payables	(0.3)
Loans payable	(0.2)
Finance leases	(0.1)
Net assets acquired	**(0.1)**
Goodwill	**0.9**
Consideration	**0.8**
Satisfied by:	
Cash to vendors	**0.8**

Acquisition of Guardian Water Treatment

On 20 December 2017, the Company acquired Guardian Water Treatment Limited and GPCS Limited ("Guardian"), a provider of water treatment services, for a total consideration of £4.0m, satisfied by the payment of £3.1m in cash on completion and £0.9m in cash payable subject to the achievement of certain performance targets by the acquired business in the period ending 31 March 2018. The business met its targets and £0.9m deferred consideration was paid in June 2018. 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 Guardian 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 £91k have been charged to profit or loss.

	Fair value at acquisition £'m
Trade and other receivables	1.7
Intangible assets – customer relationships	0.6
Cash	1.0
Trade and other payables	(0.9)
Tax liabilities	(0.1)
Deferred tax liabilities	(0.1)
Net assets acquired	**2.2**
Goodwill	**1.8**
Consideration	**4.0**
Satisfied by:	
Cash to vendors	**3.1**
Deferred cash consideration to vendors	**0.9**

If the acquisition had been completed on the first day of the financial year Guardian would have generated £7.7m revenue and £1.0m profit before tax.

Notes to the Group financial statements continued

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

Acquisition of Future Water Limited

On 7 February 2018, the Company acquired Future Water Limited ("Future"), a provider of water treatment services, for a total consideration of £0.6m, satisfied by the payment of £0.5m in cash on completion and £0.1m in cash payable subject to the achievement of certain performance targets by the acquired business in the period ending 31 July 2018. 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 Future 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 £46k have been charged to profit or loss.

	Fair value at acquisition £'m
Trade and other receivables	0.2
Intangible assets – customer relationships	0.1
Trade and other payables	(0.3)
Net assets acquired	-
Goodwill	**0.6**
Consideration	**0.6**
Satisfied by:	
Cash to vendors	**0.5**
Deferred cash consideration to vendors	**0.1**

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

Acquisition of Flamefast Fire Systems Limited

On 26 March 2018, the Company acquired Flamefast Fire Systems Limited ("Flamefast"), a provider of fire protection and suppression services, for a total consideration of £0.1m, satisfied by the payment of £0.1m. 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 Flamefast 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 £nil have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Flamefast would have generated £5m revenue and (£0.1m) loss before tax.

	Fair value at acquisition £'m
Trade and other receivables	1.3
Intangible assets – customer relationships	0.1
Inventories	0.5
Trade and other payables	(1.0)
Loans payable	(0.9)
Net assets acquired	-
Goodwill	**0.1**
Consideration	**0.1**
Satisfied by:	
Cash to vendors	**0.1**

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS

	Goodwill £'m	Customer relationships £'m	Order backlog £'m	Total £'m
Cost				
1 April 2016	-	-	-	-
Arising on acquisition of subsidiaries	21.7	5.4	0.1	27.2
31 March 2017	*21.7*	*5.4*	*0.1*	*27.2*
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**
Accumulated amortisation and impairment				
1 April 2017				
Charge for the year	-	*0.5*	*0.1*	*0.6*
31 March 2017	-	0.5	0.1	0.6
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**
Carrying amount				
31 March 2018	**35.9**	**6.5**	**-**	**42.4**
31 March 2017	21.7	4.9	-	26.6

The customer relationships have a remaining life of 1-10 years.

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS continued

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

	£'m
Cost	
1 April 2016	-
Acquired - Swift	10.4
Acquired - WCS	1.3
Acquired - FAFS	0.7
Acquired - H2O	1.9
Acquired - Hentland	4.6
Acquired - Titan	0.5
Acquired - BBC	2.0
Acquired - Alpha	0.3
31 March 2017	21.7
Adjusted – Hentland	0.7
Adjusted – Titan	0.1
Adjusted – BBC	0.2
Acquired – Advance	1.5
Acquired – DCUK	7.0
Acquired – Philton	0.4
Acquired – BTE	0.7
Acquired – dB	0.2
Acquired – SB	0.9
Acquired – Guardian	1.8
Acquired – Future	0.6
Acquired – Flamefast	0.1
31 March 2018	**35.9**
Accumulated impairment	
1 April 2017 and March 2018	-
31 March 2018	**-**
Net book value	
31 March 2018	**35.9**
31 March 2017	21.7

Notes to the Group financial statements continued

12. INTANGIBLE ASSETS continued

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.

Hentland Limited ("Hentland") - the main changes are to trade and other payables, increasing the value by £0.4m, and deferred tax assets, decreasing the value by £0.2m. Other changes have been made to the value of acquired assets and liabilities resulting in an increase in goodwill of £0.7m.

Titan Fire and Security Limited ("Titan") – the main change is to inventories, decreasing the value by £0.1m, which resulted in an increase of goodwill of £0.1m.

BBC Fire Protection Limited ("BBC") – the main changes are to tax liabilities, increasing the value by £0.2m, and trade and other payables, increasing the value by £0.1m. Other changes have been made to the value of acquired assets and liabilities resulting in an increase in goodwill of £0.2m. Deferred consideration of £0.5m remains payable subject to the successful completion of an onerous contract which existed on acquisition. The contract is still ongoing so it remains uncertain how much of the additional consideration will be paid. It is expected the onerous contract will be completed within 6 months of the reporting date of the group accounts.

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:

Fire & Security	2018 £'m	2017 £'m
Swift/Hentland	15.7	15.0
FAFS/Titan/Alpha/Philton/BTE	2.7	1.5
BBC/dB	2.4	2.0
Flamefast	0.1	-
Total	**20.9**	**18.5**

Water & Air	2018 £'m	2017 £'m
WCS/AE/Future/H2O	5.3	3.2
DCUK	7.9	-
Guardian	1.8	-
Total	**15.0**	**3.2**

Goodwill is 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 and goodwill. Goodwill represents earnings from future customers and the contribution of the assembled workforce to the separately identifiable intangible assets. 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%.

Notes to the Group financial statements continued

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

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 15.50% (2017:18.40%). The key assumptions forming inputs to cash flows are in revenues and margins. Revenues for 2019 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 2019 have been assessed by reference to existing contracts and market volumes. Having begun moving out of the restructuring and integration phase, budgeted margins in 2019 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 2019 budgets to contain reasonable and supportable assumptions. The forecasts have been discounted at a pre-tax rate of 11.69%. This discount rate was calculated using a pre-tax rate based on the weighted average cost of capital for the Group. The key assumptions used for the value in use calculations are as follows:

	Fire & Security %	Water & Air %
Revenue growth – average over 5 years	5	2
Revenue growth – remainder	2	2
Cost growth – employee/overheads, average over 5 years	4	2

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

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 2016	-	-	-	-	-	-
Additions	-	-	-	0.4	-	0.4
Disposals	-	-	-	-	(0.3)	(0.3)
Acquisitions	0.3	0.5	0.1	0.5	1.2	2.6
31 March 2017	**0.3**	**0.5**	**0.1**	**0.9**	**0.9**	**2.7**
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**
Accumulated depreciation						
1 April 2016	-	-	-	-	-	-
Charge for the year	-	-	-	0.2	0.3	0.5
Disposals	-	-	-	(0.1)	(0.3)	(0.4)
31 March 2017	**-**	**-**	**-**	**0.1**	**-**	**0.1**
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**
Net book value						
31 March 2018	**1.7**	**0.4**	**0.2**	**0.7**	**1.2**	**4.2**
31 March 2017	0.3	0.5	0.1	0.8	0.9	2.6
1 April 2016	-	-	-	-	-	-

Depreciation is charged to profit or loss as an administrative expense. Motor vehicle assets with a net book value of £1.1m (2017: £0.4m) were held under finance leases.

14. INVENTORIES

	2018 £'m	2017 £'m
Finished goods and goods for resale	2.7	1.8

Notes to the Group financial statements continued

15. TRADE AND OTHER RECEIVABLES

	2018 £'m	2017 £'m
Trade receivables	22.0	15.5
Less: provision for impairment of trade receivables	(1.2)	(1.4)
Trade receivables – net	20.8	14.1
Other receivables	0.4	0.3
Prepayments and accrued income	3.4	2.1
	24.6	16.5

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 2018, trade receivables of £6.9m (2017: £2.4m) 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:

	2018 £'m	2017 £'m
0-120 days	5.1	2.4
Greater than 120 days	1.8	-

16. TRADE AND OTHER PAYABLES

	2018 £'m	2017 £'m
Current		
Trade payables	7.7	6.5
Other taxation and social security	4.1	2.8
Other payables	0.4	0.3
Accruals and deferred income	5.0	3.5
Deferred consideration payable in less than one year	2.7	0.9
	19.9	14.0
Non-current		
Deferred consideration payable in one to three years	1.0	-
	1.0	-

Trade and other payables principally comprise amounts outstanding for trade purchases, ongoing costs and deferred consideration. Prior year comparatives have been updated to conform with the current year presentation.

Notes to the Group financial statements continued

17. FINANCIAL LIABILITIES – BORROWINGS

	2018 £'m	2017 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	2.3	1.1
	2.3	1.1
Non-current		
Bank loans – secured	7.7	3.7
	7.7	3.7

The bank debt is due to Lloyds 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 19. Under the bank facility the Group is required to meet quarterly covenant tests in respect of cashflow cover, 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)/cash

	2018 £'m	2017 £'m
Cash at bank and in hand	7.7	7.8
Bank loans and overdrafts due within one year	(2.3)	(1.1)
Bank loans due after one year	(7.7)	(3.7)
Finance leases due within one year	(0.3)	(0.2)
Finance leases due after one year	(0.3)	(0.2)
Net (debt)/cash	(2.9)	2.6

18. OTHER FINANCIAL LIABILITIES

	2018 £'m	2017 £'m
Obligations under finance leases – present value of finance lease liabilities		
Repayable by instalments:		
In less than one year	0.3	0.2
In two to five years	0.3	0.2
Over five years	-	-
	0.6	0.4

19. 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

	2018 £'m	2017 £'m
Cash at bank and in hand	7.7	7.8

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

	2018 £'m	2017 £'m
Loans and receivables	23.8	14.7
Financial liabilities measured at amortised cost	(20.6)	(11.4)

Currency and interest rate risk profile of financial liabilities

All bank borrowings are subject to floating interest rates, at LIBOR plus a margin of 2.75%. Any undrawn borrowings are subject to floating interest rates, at 35% of LIBOR plus a margin of 2.75%.

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 2018	**10.0**	**10.0**	**3.2**
Sterling at 31 March 2017	4.8	4.8	3.1

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

	2018 £'m	2017 £'m
3 months or less	9.5	4.5

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 2018	**6.5**	**6.5**	**1.0**
Sterling at 31 March 2017	5.0	5.0	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:

	2018 £'m	2017 £'m
3 months or less	6.5	5.0

Notes to the Group financial statements continued

19. FINANCIAL INSTRUMENTS continued

Interest rate sensitivity

At 31 March 2018, 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 £39k lower (2017: £30k). 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 0.25% and is held with Lloyds Bank plc.

Maturity of financial liabilities

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

	Bank debt £'m	Other financial liabilities £'m	2018 Total £'m	Bank debt £'m	Other financial liabilities £'m	2017 Total £'m
Within one year, or on demand	2.3	0.3	2.6	1.1	0.2	1.3
Between one and two years	2.1	0.2	2.3	1.1	0.2	1.3
Between two and five years	5.6	0.1	5.7	2.6	-	2.6
	10.0	0.6	10.6	4.8	0.4	5.2

Borrowing facilities

The Group has a finance facility with Lloyds Bank plc which expires on 27 April 2020. This facility as at 31 March 2018 comprises term loans of £15m, a revolving credit facility (RCF) of £2.5m, and an overdraft facility of £0.5m (2017: Term loans of £10m, a revolving credit facility (RCF) of £2.5m, and an overdraft facility of £0.5m. Of this facility, £4.5m of the term loan, £1.5m of the RCF and £0.5m of the overdraft facility were undrawn as at 31 March 2018.

All of the Group's borrowings are in sterling.

Fair values of financial assets and financial liabilities

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

Notes to the Group financial statements continued

20. DEFERRED TAX

Summary of balances

	2018 £'m	2017 £'m
Deferred tax liabilities	(1.3)	(1.0)
Deferred tax asset	-	0.2
	(1.3)	(0.8)

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

	2018 £'m	2017 £'m
1 April	(0.8)	-
Charge to profit for the year	-	0.2
Acquisitions	(0.5)	(1.0)
31 March	(1.3)	(0.8)

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 2016		
Charge to income for the year	0.2	0.2
Acquisitions	(1.2)	(1.2)
31 March 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)**

Deferred tax assets

	Losses £'m	Total £'m
1 April 2016		
Charge to income for the year	-	-
Acquisitions	0.2	0.2
31 March 2017	0.2	0.2
Charge to income for the year	(0.2)	(0.2)
Acquisitions	-	-
31 March 2018	-	-

Notes to the Group financial statements continued

21. CALLED UP SHARE CAPITAL

	2018 £'m	2017 £'m
Allotted, issued and fully paid:		
34,517,425 ordinary shares of 50p each (2017: 30,916,995 ordinary shares of 50p each)	17.3	15.5

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**	

22. SHARE PREMIUM ACCOUNT

	2018 £'m	2017 £'m
1 April	18.7	-
Premium on shares issued during the year	12.0	19.2
Share issue costs	(0.3)	(0.5)
31 March	30.4	18.7

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.

Notes to the Group financial statements continued

23. OTHER RESERVES

Share-based payments reserve	**2018 £'m**	**2017 £'m**
1 April	0.3	-
Charge for the year	0.3	0.3
31 March	0.6	0.3

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.

24. RETAINED EARNINGS

	2018 £'m	2017 £'m
1 April	0.5	0.2
(Loss)/profit for the year	(0.7)	0.3
31 March	(0.2)	0.5

25. NET CASH GENERATED FROM OPERATIONS

	2018 £'m	**2017 £'m**
Continuing operations		
(Loss)/profit before tax	(0.4)	0.7
Depreciation of property, plant and equipment	1.0	0.5
Amortisation of intangible assets	0.9	0.6
Net finance costs	0.4	0.2
Acquisition costs	0.6	0.6
Restructuring costs	3.6	1.1
Share-based payments charge	0.4	0.3
Gain on disposal of property, plant and equipment	(0.1)	-
Decrease/(increase) in inventories	0.3	(0.2)
(Increase)/decrease in trade and other receivables	(1.2)	(1.4)
(Decrease)/increase in trade and other payables	(2.3)	0.8
Net cash generated from operations	3.2	3.2

26. 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 £0.3m (2017: £0.2m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

27. 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 (equaling £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.

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

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

Notes to the Group financial statements continued

27. SHARE-BASED PAYMENTS - Marlowe 2016 Incentive Scheme continued

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

	2018	**2017**
Alex Dacre	5,460	5,460
Derek O'Neill	1,820	1,820
Charles Skinner	1,183	1,183
Nigel Jackson*	-	900

*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 (£2017: £0.3m) was recognised in the year in respect of the Marlowe 2016 Incentive Scheme.

Phantom Award Scheme
The Phantom Award Scheme (the "Scheme") provides eligible participants with the right to receive cash based on the appreciation in the Company's share price between the date of grant and the vesting date. Under the scheme, such eligible participants are granted phantom shares. Phantom shares are settled in cash and contain a service condition of 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 assumptions:

Grant date	**11 May 2017**	**12 July 2017**
Share price at grant date	320p	360p
Number of employees	2	1
Phantom shares granted	170,000	50,000
Vesting period	3-4	3-4
Expected volatility	39.89%	39.89%
Risk free rate	0.88%	0.88%
Fair value per phantom share	441p	463p

Notes to the Group financial statements continued

27. SHARE-BASED PAYMENTS continued

Long Term Investment Plan
During the year the Remuneration Committee approved a Long Term Incentive Plan ("LTIP") Award to Robert Flinn, Chief *Executive of the Fire & Security Division,and Phil Greenwood, Chief Executive of the Water Division 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 is calculated by reference to the financial performance of the Fire & Security and Water Divisions. 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 £0.1m was recognised in respect of the Phantom Award Scheme and Long Term Investment Plan. As at 31 March 2018, the liability was £0.1m.

28. DIRECTORS AND EMPLOYEES

Staff costs during the year	2018 £'m	2017 £'m
Wages and salaries	33.6	16.9
Social security costs	3.6	2.0
Post employment benefits	0.3	0.2
Share-based payments charge	0.4	0.3
	37.9	19.4

Average monthly number of employees during the year	Number	Number
Directors	5	6
Management	178	69
Engineers	495	287
Administration	192	113
Sales	70	69
	940	544

Total amounts for Directors' remuneration and other benefits	2018 £'m	2017 £'m
Emoluments for Directors' services	0.3	0.3
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	0.1	0.1

Key management compensation	2018 £'m	2017 £'m
Short-term employment benefits	0.8	0.7
Social security costs	0.1	0.1
Post employment benefits	-	-
Other benefits	-	-
Share-based payments charge	0.3	0.3
	1.2	1.1

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

29. 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 2018 £'m	Land and buildings 2017 £'m	Vehicles 2018 £'m	Vehicles 2017 £'m
Future aggregate minimum lease payments under non-cancellable operating leases				
– Within one year	0.5	0.2	1.6	1.2
– Within two to five years	1.0	0.7	1.3	0.9
– Over five years	0.7	0.4	-	-
	2.2	**1.3**	**2.9**	**2.1**

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

30. 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 2018 £'000s	Sales 2017 £'000s	Purchases 2018 £'000s	Purchases 2017 £'000s
Canon Fire Protection Limited	-	-	59	169
Video Receiving Centre Limited	-	41	11	202
Boundary Gate & Barriers (Contracts) Limited	-	7	67	96
Alarm Response & Keyholding Limited	1	20	88	351

31. POST BALANCE SHEET EVENTS

On 23 April 2018 the Company acquired Island Fire Protection Limited, a provider of fire protection services, for a total consideration of £1.4m. 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 17 May 2018 the Company acquired the business and assets of Forest Environmental Limited, a provider of duct cleaning and asbestos remediation services, for a total consideration of £0.6m. 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.

Company statement of changes in equity

For the year ended 31 March 2018

	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 2016	7.3	-	-	0.2	7.5
Loss for the year	-	-	-	(1.7)	(1.7)
Total comprehensive income for the year	-	-	-	(1.7)	(1.7)
Transactions with owners					
Issue of shares during the year	8.2	19.2	-	-	27.4
Issue costs	-	(0.5)	-	-	(0.5)
Share-based payments charge	-	-	0.3	-	0.3
	8.2	**18.7**	**0.3**	**-**	**27.2**
Balance at 31 March 2017	**15.5**	**18.7**	**0.3**	**(1.5)**	**33.0**
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 charge	-	-	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**

Company statement of financial position

As at 31 March 2018

	Note	2018 £'m	2017 £'m
ASSETS			
Non-current assets			
Investments	32	22.6	13.4
		22.6	13.4
Current assets			
Trade and other receivables	33	42.4	26.6
Cash and cash equivalents		0.6	3.2
Tax asset		0.2	-
		43.2	29.8
Total assets		**65.8**	**43.2**
LIABILITIES			
Current liabilities			
Trade and other payables	34	(11.0)	(5.4)
Financial liabilities – borrowings	35	(2.3)	(1.1)
		(13.3)	(6.5)
Non-current liabilities			
Financial liabilities – borrowings	35	(7.7)	(3.7)
		(7.7)	(3.7)
Total liabilities		**(21.0)**	**(10.2)**
Net assets		**44.8**	**33.0**
EQUITY			
Share capital	36	17.3	15.5
Share premium account	37	30.4	18.7
Other reserves		0.6	0.3
Retained earnings		(3.5)	(1.5)
Equity attributable to the owners of the parent		**44.8**	**33.0**

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement in these financial statements. The Company results for the year included a loss after tax of £2.0m (2017: 1.7m).

These financial statements were approved by the Board of Directors and authorised for issue on 25 June 2018 and were signed on its behalf by:

Derek O'Neill
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 42 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 81 of the financial statements.

Notes to the Company Financial Statements

For the period ended 31 March 2018

32. INVESTMENTS

Shares in subsidiary undertakings.

	£'m
Cost:	
1 April 2016	-
Marlowe 2016	13.0
H2O	0.4
31 March 2017	**13.4**
1 April 2017	13.4
DCUK	9.2
31 March 2018	**22.6**
Provision for impairment	
1 April 2016	-
Charge for the year	-
31 March 2017	-
1 April 2017	-
Charge for the year	-
31 March 2018	-
Net book value:	
31 March 2018	**22.6**
31 March 2017	**13.4**

Notes to the Company financial statements continued

32. INVESTMENTS continued

At 31st March 2018, 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
** H20 Chemicals Limited	Ordinary	100%	England & Wales	Water Treatment 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
*** Protecting What Matters Limited	Ordinary	100%	England & Wales	Dormant
*** Swift Fire Suppression Systems Limited	Ordinary	100%	England & Wales	Dormant
*** Swift Fire & Security (National) Limited	Ordinary	100%	England & Wales	Fire and Security Services
*** Swift Fire & Security (Northern) 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 Integrated Systems Limited	Ordinary	100%	England & Wales	Dormant
*** Swift Keyholding and Response Limited	Ordinary	100%	England & Wales	Dormant
*** Swift Connect Monitoring Limited	Ordinary	100%	England & Wales	Dormant
*** Swift Monitoring Centre Limited	Ordinary	100%	England & Wales	Dormant
*** Swift Fire & Mechanical Products Group	Ordinary	100%	England & Wales	Dormant
*** Swift Fire & Mechanical Products Limited	Ordinary	100%	England & Wales	Dormant
*** Swift Holdings Limited	Ordinary	100%	England & Wales	Dormant
*** Fire Alarm Fabrication Services Limited	Ordinary	100%	England & Wales	Fire and Security Services
*** Hentland Limited	Ordinary	100%	England & Wales	Fire and Security Services
*** Titan Fire and Security Limited	Ordinary	100%	England & Wales	Fire and Security Services
*** BBC Fire Protection Limited	Ordinary	100%	England & Wales	Fire and Security Services
*** Alpha Peerless Fire Systems Limited	Ordinary	100%	England & Wales	Fire and Security Services
*** WCS Environmental Group Limited	Ordinary	100%	England & Wales	Holding Company
*** WCS Environmental Limited	Ordinary	100%	England & Wales	Water Treatment Services
*** Advance Environmental Limited	Ordinary	100%	England & Wales	Water Treatment Services
*** 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
*** The Philton Group Limited	Ordinary	100%	England & Wales	Holding Company
*** Philton Fire and Security Limited	Ordinary	100%	England & Wales	Fire and Security Services

Notes to the Company financial statements continued

32. INVESTMENTS continued

Company	Class of holding	% held	Country of incorporation	Nature of business
*** Guardian Fire Detector Systems Limited	Ordinary	100%	England & Wales	Dormant
*** DB Audio & Electronic Service Limited	Ordinary	100%	England & Wales	Fire and Security Services
*** SB Hygiene Limited	Ordinary	100%	England & Wales	Duct Cleaning Services
*** Flamefast Fire Systems Limited	Ordinary	100%	England & Wales	Fire and Security Services

* Held directly
** 15% held directly and 85% held via Marlowe 2016 Limited
*** Held via Marlowe 2016 Limited

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

H2O Chemicals Limited was dissolved on 20 March 2018. Prior to this H2O's assets and liabilities were transferred to WCS Environmental Limited. As a result, the investment in H2O has been redesignated as an investment in WCS.

33. TRADE AND OTHER RECEIVABLES

	2018 £'m	2017 £'m
Due in less than one year		
Trade receivables	0.3	0.3
Less: provision for impairment of trade receivables	-	-
Trade receivables – net	0.3	0.3
Amounts due from Group undertakings	41.9	25.5
Other receivables	-	0.2
Prepayments and accrued income	0.2	0.6
	42.4	**26.6**

Of the £41.9m (2017: £25.5m) amounts due from Group undertakings, £30.1m (2017: £20.8m) relates to amounts due from Marlowe 2016 in respect of investments made in the year.

34. TRADE AND OTHER PAYABLES

	2018 £'m	2017 £'m
Trade payables	0.3	0.5
Amount due to Group undertakings	6.5	3.8
Other payables	0.1	0.1
Accruals and deferred income	0.4	0.1
Deferred consideration payable	3.7	0.9
	11.0	**5.4**

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame.

Notes to the Company financial statements continued

35. FINANCIAL LIABILITIES – BORROWINGS

	2018 £'m	2017 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – secured	2.3	1.1
	2.3	**1.1**
Non-current		
Bank loans – secured	7.7	3.7
	7.7	**3.7**

The bank debt is due to Lloyds 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 19. Under the bank facility the Group is required to meet quarterly covenant tests in respect of cashflow cover, 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

	2018 £'m	2017 £'m
Cash at bank and in hand	0.6	3.2
Bank loans and overdrafts due within one year	(2.3)	(1.1)
Bank loans due after one year	(7.7)	(3.7)
	(9.4)	(1.6)

36. SHARE CAPITAL

	2018 £'m	2017 £'m
Allotted, issued and fully paid:		
34,517,425 ordinary shares of 50p each (2017: 30,916,995 ordinary shares of 50p each)	17.3	15.5

Notes to the Company financial statements continued

36. SHARE CAPITAL continued

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	3,450,00	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 2017 – Consideration Shares ("DCUK)	124,997	360p
31 March 2018	**34,517,425**	

37. SHARE PREMIUM ACCOUNT

	2018 £'m	2017 £'m
1 April 2017	18.7	-
Premium on shares issued during the year	12.0	19.2
Share issue costs	(0.3)	(0.5)
31 March 2018	30.4	18.7

38. SHARE-BASED PAYMENTS

Details of the share-based payments are set out in note 27.

39. LEASING COMMITMENTS

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

	2018 £'m	2017 £'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	0.2
– Over five years	-	-
	0.2	0.3

Notes to the Company financial statements continued

40. DIRECTORS AND EMPLOYEES

Staff costs during the year	2018 £'m	2017 £'m
Wages and salaries	0.5	0.4
Social security costs	0.1	-
Post employment benefits	-	-
Share-based payments charge	0.3	0.3
	0.9	0.7

Average monthly number of employees during the year	Number	Number
Directors	1	1
Corporate Development	2	2
IT	1	1
Finance	2	1
Adminstration	1	1
	7	6

Total amounts for Directors' remuneration and other benefits	2018 £'m	2017 £'m
Emoluments for Directors' services	0.3	0.1
Directors' remuneration shown above included the following amounts in respect of the highest paid Director:		
Salary and benefits	0.1	0.1

Key management compensation	2018 £'m	2017 £'m
Short-term employment benefits	0.3	0.1
Share-based payments charge	0.3	0.2
	0.6	0.3

41. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

Details of related party transactions can be found in note 30.

42. POST BALANCE SHEET EVENTS

On 23 April 2018 the Company acquired Island Fire Protection Limited, a provider of fire protection services, for a total consideration of £1.4m. 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 17 May 2018 the Company acquired the business and assets of Forest Environmental Limited, a provider of duct cleaning and asbestos remediation services, for a total consideration of £0.6m. 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.

Trading record

Year ended 31 March	2018 £'m	2017 £'m
Revenue	**80.6**	46.8
Adjusted profit before taxation*	**5.8**	3.3
Adjusted earnings per share*	**14.0**	10.4p
Net debt/(cash)	**2.9**	(2.6)
Net assets	**48.1**	35.0

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

Financial calendar

Annual General Meeting	**5 September 2018**
Half year results	**December**
Financial year end	**31 March**
Full year results	**June**

Further information

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Charles Skinner
Peter Gaze
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