

Marlowe plc

Annual Report and Financial Statements

for the year ended 31 March 2022



MARLOWE
P L C

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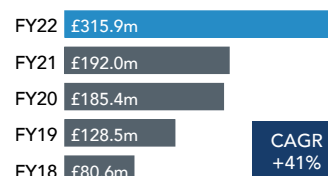
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To download the full Annual Report and Financial Statements, and for further information about Marlowe visit www.marloweplc.com

Strong financial performance

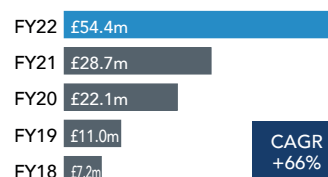
Revenue

£315.9m
+65%



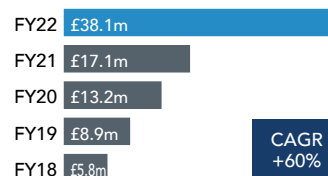
Adjusted EBITDA¹

£54.4m
+90%



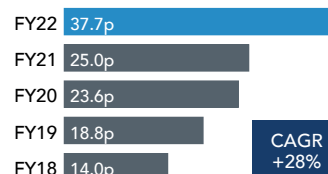
Adjusted PBT²

£38.1m
+123%



Adjusted basic earnings per share³

37.7p
+51%



Statutory results

| | FY22 | FY21 |
|----------------------------|---------------|---------|
| Operating profit | £10.5m | £1.0m |
| Profit/(loss) before tax | £5.9m | £(1.6)m |
| Earnings per share - basic | 0.8p | (3.1)p |

1. Adjusted earnings before interest, tax, depreciation and amortisation ("EBITDA") is EBITDA before separately disclosed acquisition and other costs as disclosed in note 4 and 5.

2. Adjusted profit before tax ("PBT") is PBT before separately disclosed acquisition and other costs as presented within the Chief Financial Officer's review on page 32.

3. Adjusted earnings per share is earnings per share calculated on adjusted PBT. These are all non-IFRS measures.

Further information about these measures and the reasons why we believe they are important for an understanding of the performance of the business is provided in the Chief Financial Officer's review on page 32.

At a glance

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

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



Marlowe’s unique strength is that it provides a range of closely related regulated compliance services and software platforms, each of which is delivered by one of our specialist businesses. Individually, these businesses are leaders in their fields but together form a group that can provide our customers with a comprehensive and integrated approach to their safety, regulatory compliance, business efficiency and employee welfare.

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

2022 key highlights

Marlowe delivered further strong financial and strategic progress as the leader in compliance services & software.

Revenue growth

2022: £315.9m
2021: £192.0m

+65%

+90%

Adjusted EBITDA growth

2022: £54.4m
2021: £28.7m

Underlying organic growth¹

+9%

85%

Recurring revenue

Recurring revenue is defined as subscription revenue, software license revenue and multi-year contracted services

Cash conversion²

Combined underlying cash conversion for the 24-month period

91%

9%

SaaS ARR

SaaS ARR is defined as the annual value of the recurring revenue components of subscriptions for our software products, normalised to a one-year period

Net zero carbon emissions⁴

2035

£314m

FY22 capital deployed on acquisitions

Based on initial capital deployed

Run rate revenue³

£434m

£77m

Run rate EBITDA³

¹ Organic revenue growth % on a like-for-like basis is defined as the year-on-year growth of our entire business. This includes the growth or decline of acquisitions from the day of completion, by including their performance from the corresponding prior period. Organic revenue excludes the estimated distortive impact from the prior-period effects of COVID-19 in FY21. Including this estimated impact, organic growth was +11%.

² In FY21 the group benefited from a significant reduction in working capital as a result of COVID related VAT and payroll tax deferrals. These factors have normalised in the current year. To get a normalised cash flow a 24-month period has been used.

³ Run-rate is based on year-end performance annualised and adjusted for post year end acquisitions.







⁴ Scope 1 and Scope 2 GNG emissions

Group structure

Marlowe organises its end-to-end compliance solution across two divisions: GRC and TIC. GRC is a consulting and software focused division and TIC specialises in field-based assurance. Together they allow us to offer a full compliance package.

| | |
|--|--|
| <h2 style="margin: 0;">Governance, Risk and Compliance (GRC)</h2> <p style="margin: 10px 0 0 0;">Consulting and software solutions to mitigate business risk and ensure legally compliant governance standards</p> | <h2 style="margin: 0;">Testing, Inspection and Certification (TIC)</h2> <p style="margin: 10px 0 0 0;">Recurring testing and inspection regimes to certify properties and systems are safe and compliant</p> |
|--|--|

RECURRING SERVICE EXAMPLE

| | | | | | |
|---|---|---|---|---|---|
| <p>Compliance Software</p>  | <p>Health & Safety</p>  | <p>Employment Law/HR</p>  | <p>Occupational Health</p>  | <p>Fire Safety & Security</p>  | <p>Water & Air Hygiene</p>  |
|---|---|---|---|---|---|

ALL UNDERPINNED BY EVER-EVOLVING REGULATIONS

| | |
|--|---|
| <ul style="list-style-type: none"> • H&S at Work Act 1974 • UK GDPR Act 2021 • Management of H&S 1999 • Employment Rights Act 1996 • Employment Relations Act 1999 • Workplace (Health, Safety and Welfare) Regulations 1992 | <ul style="list-style-type: none"> • Regulatory Reform (Fire Safety) Order 2005 • Corporate Manslaughter Act 2007 • H&S at Work Act 1974 • ACoP L8 • HSG 274 / TR19 • COSHH |
|--|---|

| | | | | | |
|---|---|---|---|---|---|
| <table border="0" style="width: 100%;"> <tr> <td style="text-align: center; padding: 10px;"> <p>£185m</p> <p>Run rate revenue</p> </td> <td style="text-align: center; padding: 10px;"> <p>30.1%</p> <p>Adj. EBITDA margin</p> </td> </tr> </table> | <p>£185m</p> <p>Run rate revenue</p> | <p>30.1%</p> <p>Adj. EBITDA margin</p> | <table border="0" style="width: 100%;"> <tr> <td style="text-align: center; padding: 10px;"> <p>£249m</p> <p>Run rate revenue</p> </td> <td style="text-align: center; padding: 10px;"> <p>13.8%</p> <p>Adj. EBITDA margin</p> </td> </tr> </table> | <p>£249m</p> <p>Run rate revenue</p> | <p>13.8%</p> <p>Adj. EBITDA margin</p> |
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| <p>£249m</p> <p>Run rate revenue</p> | <p>13.8%</p> <p>Adj. EBITDA margin</p> | | | | |

Chairman's statement

For the year ended 31 March 2022



KEVIN QUINN

Non-Executive Chairman

“ Marlowe has delivered another year of strong, strategic, operational and financial progress across our highly attractive compliance service and software markets. ”

Overview

We have continued to make significant strategic progress, and we have delivered another strong financial performance in the year.

Marlowe is a UK leader in compliance services and software, with top three-positions in the markets in which we operate. We are focused on attractive sectors that are undergoing structural, non-cyclical growth. We are well placed to capitalise, organically and through acquisitions, on the significant opportunities, inherent in our markets.

For the year ended 31 March 2022, adjusted EBITDA was £54.4 million on revenues of £315.9 million. Adjusted profit before tax was £38.1 million, resulting in adjusted basic earnings per share of 37.7 pence. Statutory operating profit was £10.5 million and statutory profit before tax was £5.9 million. Full details of Marlowe's financial performance are set out in the Chief Executive's and Chief Financial Officer's reviews on pages 8 to 11 and 32 to 34 respectively.

Strategy

The Group has built positions in its markets through a focused strategy which combines strong organic revenue growth and targeted acquisitions.

Further, we have made excellent progress against our medium-term strategic and financial targets, which we originally set out in February 2021. These were to reach a run-rate revenue target of c.£500m, of which 10% annual run-rate revenue will be generated by software, run-rate adjusted EBITDA of c.£100m, and to be delivering at least 90% operating cash conversion by 31 March 2024. We are now targeting to exceed these financial targets earlier than 31 March 2024.

Our strategy for growth is clearly defined and the opportunity is huge. Our ambition is to become the UK's most trusted name in the provision of business-critical services and software which assure safety, efficiency and regulatory compliance.

Corporate transactions

We completed 20 acquisitions during the year for an initial consideration of approximately £314 million, completing six further acquisitions for a total of £26 million since the year end.

Our single largest acquisition completed in January 2022, which was the acquisition of Optima Health, the UK market-leader in occupational health & wellbeing (OHW). As a result of this acquisition we are now the clear market-leader in the provision of OHW services within the UK and we are excited by the many value-creating opportunities that Optima Health brings.

We further strengthened our Software as a Service (SaaS) offering within our Governance, Risk and Compliance (GRC) division by completing six acquisitions in the year, for an initial consideration of approximately £113 million. These include the acquisitions of Core Stream (£11 million), VinciWorks (£39 million), Essential Skillz (£25 million) and Barbour (£32m).

Within our Testing Inspection and Certification (TIC) division, we have broadened our service offering and added to our market leading positions in water & air hygiene through the acquisition of Hydro-X (£30 million). In fire & security, we have made a number of smaller acquisitions adding further scale and complementary offerings.

Board

In October, we welcomed Adam Cancell to the Board as Chief Financial Officer. Adam has joined us with a highly successful and relevant track record, bringing considerable experience in business-to-business services and acquisition-led growth strategies. After an orderly transition, Mark Adams stepped down from the Board in November, completing four highly successful years at Marlowe. I would like to thank him for his considerable contribution, supporting significant growth and transformative acquisitions. We wish him well in his retirement.

We also welcomed two new Independent Non-Executive Directors during the year, Rachel Addison and Gillian Kent. They have highly relevant experience in finance, M&A and digital markets. They have become Chair of the Audit and the Remuneration Committees respectively.

Environment, Social and Governance (ESG)

ESG runs throughout our company. As the UK market leader in safety and compliance, Marlowe's businesses are united by the common purpose of protecting people, ensuring adherence to essential regulation, and promoting environmental sustainability. We provide a sustainable, healthy and safe environment for tens of thousands of businesses and millions of people.

Our ESG strategy continues to make good progress, which will inform how we run our own operations. In November, we held the inaugural Marlowe ESG Committee with senior representatives from each of the business units and the CEO. The committee has already identified best practice and established group policies and a reporting process.

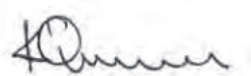
People

We welcome our new colleagues from all the businesses acquired during the year. We have continued to increase our scale and we now employ 5,370 people at the year end, with teams of specialists, including health & safety consultants and auditors, fire safety technicians and risk assessors, employment lawyers and HR consultants, compliance software developers, occupational health clinicians and counsellors and water & air hygiene technicians who deliver our services supported by back-office functions around the UK.

The dedication and professionalism of all our employees has been exemplary. We deliver services and products that are provided by people and we rely on the drive, expertise and customer service that has been evident through the year. Our employees are fundamental to the continued success of the Group, and the Board would like to sincerely thank all our employees for their dedication and hard work.

Looking forward

The Board sees much to be excited about in FY23. Our business is well-positioned in attractive and sustainable markets, and it is driven by a culture of continuous improvement. It is in robust financial health with differentiated capabilities and a strong digital presence, and this will help us continue our enviable record of value creation. We have made significant strategic progress in FY22, achieving organic progress and value enhancing acquisitions. The Board expects to deliver significant value, underpinned by top line growth, including from cross-selling, margin enhancement from operational improvements and the realisation of integration synergies, all underpinned by strong cash generation. When taken together, these factors provide the Board with confidence in the Group's near and longer term prospects.



Kevin Quinn
Non-Executive Chairman

30 June 2022

Marlowe's Vision: End-to-end compliance

Our vision is to provide a one-stop approach to our client's compliance, intelligence, consultancy, software and assurance needs.

Intelligence

Regulatory data, information and practical guidance that enables key compliance decision makers to assess the regulations that are applicable to their organisations

Consulting

Advice and expertise to help clients remain compliant and safe, providing peace of mind and a competitive edge



Assurance

Field-based testing & inspection services assuring compliance standards across business premises

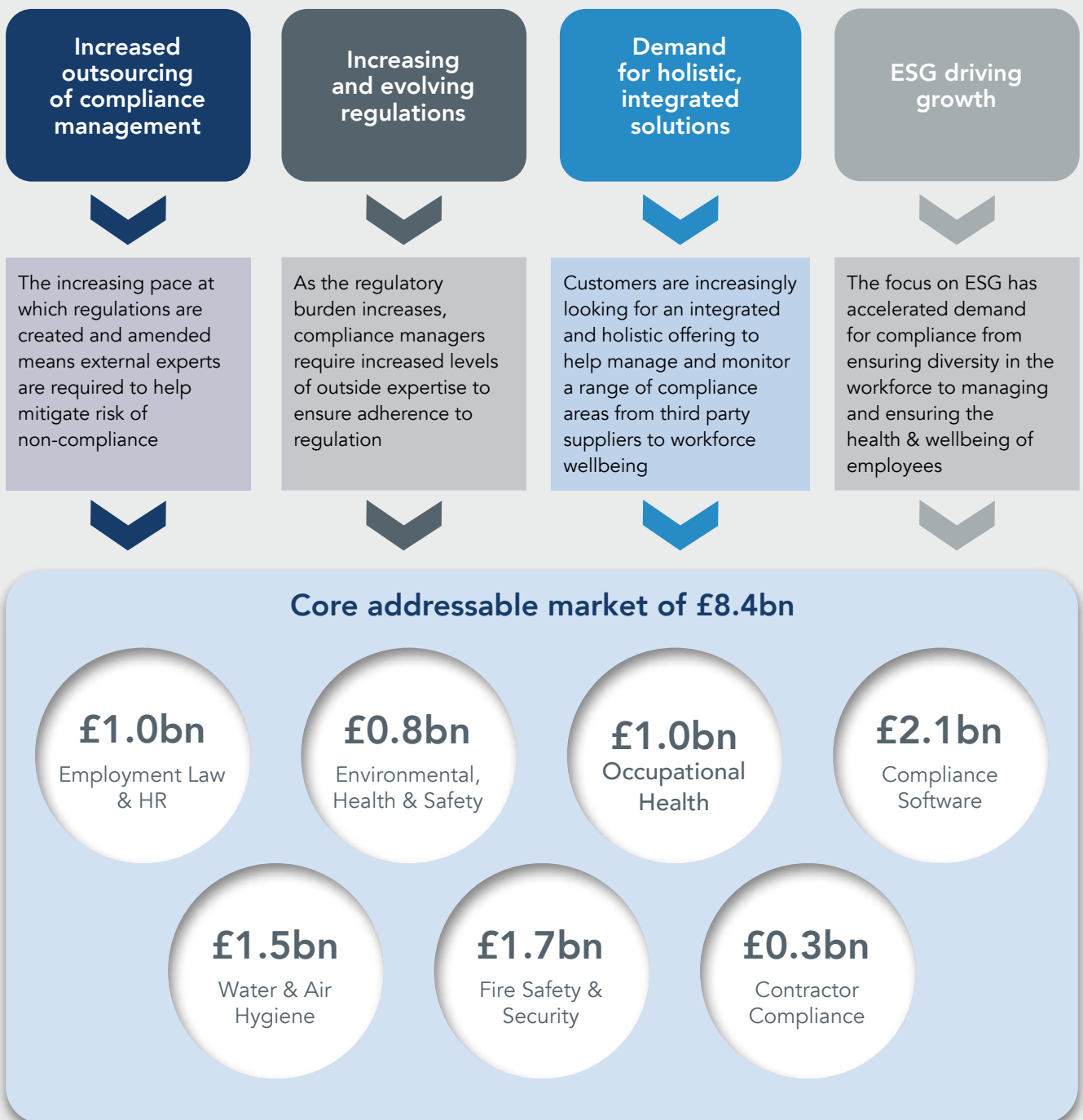
Software

SaaS applications which help to manage risk and monitor and control compliance issues at all times

Operating in highly attractive markets

The markets that we operate in are highly attractive and increasingly relevant. Marlowe is well-positioned to benefit from the ever-increasing needs of organisations for compliance.

We estimate our addressable market to be around £8.4bn. As we've broadened our offer into new compliance areas, the size of the market opportunity has increased.



Chief Executive's report

For the year ended 31 March 2022



ALEX DACRE
Chief Executive

“ The Group continued its good momentum with strong organic growth and well executed M&A. ”

Group results

The Group delivered a strong financial performance in the year with revenue increasing 65% to £315.9 million (FY21: £192.0 million), driven by strong organic growth of 11% and the contribution from acquisitions. After adjusting down for the estimated impact of COVID-19 in FY21 underlying organic revenue growth was 9%, representing an acceleration on prior years.

Adjusted EBITDA increased 90% to £54.4 million (FY21: £28.7 million) with adjusted EBITDA margins increasing 250bps to 18.7% (FY21: 16.2%) as we continue to drive efficiencies and integration synergies, as well as benefit from our pricing power and increased scale. Adjusted profit before tax increased by 123% to £38.1 million (FY21: £17.1 million), and adjusted basic EPS increased 51% to 37.7p (FY21: 25.0p), including the impact of the equity placings in the year.

On a statutory basis the Group has also made a step forward in profitability. Statutory operating profit increased to £10.5 million (FY21: £1.0 million). Profit before tax improved to £5.9 million compared to a £1.6 million loss in the prior year. Basic earnings per share of 0.8p reflected the increased tax provision on deferred tax balances resulting from the change in tax rate to 25% on 1 April 2023.

Our business is highly cash-generative. For the year ending 31 March 2022, the Group generated £34 million of operating cash flow and, over the last 24-month period taking into account the distortive impact of COVID-related deferrals, we delivered cash conversion of 91%, slightly above our FY24 target. At the year-end net debt was £110.7 million (FY21: £43.3 million – cash), excluding lease liabilities of £22.6 million (FY21: £19.0 million), with a proforma net debt/adjusted EBITDA gearing ratio of 1.6x, within our target range of 1.5x-2.5x.

The Group has built major scale across its target markets and is well capitalised to take advantage of further acquisition opportunities. As a result of our significant operating cash flows, we are able to fund bolt-on acquisitions via cash generated from the business, rather than relying on external financing.

Major progress

Marlowe has successfully become a compliance platform addressing the full life cycle of risk: a proposition we deliver to c.50,000 clients operating across B2B markets, with our clients relying on our one-stop shop of services and software to ensure their businesses have what they need to be safe, efficient and compliant. Key focus areas such as safety, health, wellbeing and ESG continue to take on increased importance for our clients and, as a result, their budgets continue to grow.

Underlying organic growth
9%

Adjusted profit before tax up
123%
to £38.1 million

Adjusted basic earnings per share up
51%
to 37.7p

Revenues up
65%
to £315.9 million

We continued our fast-paced momentum during the year with strong organic growth and a well-executed M&A programme. During the year we deployed £314 million on 20 earnings-enhancing acquisitions, of which £267 million was deployed within our GRC division, representing 85% of capital deployed within the year. Of these acquisitions, the largest was Optima Health, which built on our existing occupational health activities to create a UK market leading corporate health and wellbeing platform. We also completed the acquisition of VinciWorks, Corestream and Barbour, consistent with our ambition to become the UK leader in compliance software. Within TIC, our acquisitions included Hydro-X, Alarm Communications ("ACL") and Santia which further deepened our market share across these attractive regulated testing & inspection markets. On a run-rate basis the GRC division now represents c.40% of Group revenue and c.60% of Group adjusted EBITDA, with SaaS ARR representing 9% of Group revenue. A further £26 million has been deployed on six acquisitions since the start of the current financial year across both GRC and TIC.

With our leading market shares, high service and compliance standards and technology-driven model, we are well-positioned to continue to benefit from the favourable growth trends in our markets. We operate in a heavily fragmented UK addressable market estimated to be £8.4 billion, with attractive medium-term growth rates of between 3% and 10% per annum. With Marlowe accounting for 5% to 10% share of each of its markets, the Group has significant scope for future expansion.

Strategy

Marlowe's vision is to be the leader in services and software which assure regulatory compliance. Our strategy is to deliver a one-stop approach for our clients' compliance needs from content, intelligence and consultancy, through to software and assurance services.

- Using our proprietary software, we provide regulatory data, information and practical guidance that enables decision makers to assess the regulations applicable to their organisations – this is our compliance content and intelligence capability.
- Our consultants and auditors provide the advisory services our clients depend on to help them apply regulations to their organisations – this is our compliance consulting capability.
- Our SaaS applications also help to monitor, control and automate a range of compliance risks – this is our software capability. We deliver field-based compliance services to

test and inspect business premises, in areas such as fire safety & water hygiene – this is our compliance assurance capability.

So, whether by training your staff via innovative eLearning on the latest workplace compliance standards, providing regulatory intelligence software, giving advice on an employee dispute, auditing health & safety standards, assessing the health & wellbeing of your staff or certifying fire safety compliance, all our activities are bound by the same mission of assuring compliance.

This focus is not just strategically coherent but financially compelling too, with 85% recurring revenues delivered as SaaS subscriptions or through multi-year contracts. As a result of the regulations that drive our model and the essential nature of our services and software, we have a defensive and resilient business model with a diverse customer base and long-term revenue streams affording excellent earnings visibility.

Our six business lines operate autonomously, but are bound by common sales channels resulting in strong synergies between them. We understand what our clients care about and we apply similar processes and methodologies across the Group to attract and retain clients. We benefit from the major competitive advantage of being able to cross-sell services and software, as this both accelerates our organic growth and also reduces the cost of customer acquisition. Our end-to-end compliance model often brings the market to us, as Compliance or Health & Safety Directors responsible for many different risk areas often prefer to have a single supplier addressing their requirements.

Outperformance against FY24 targets

As previously announced, we expect to exceed our end of FY24 strategic and financial targets materially ahead of schedule. We set these targets at our Capital Markets Day in February 2021, which was to double our run-rate revenue to c.£500 million and almost triple our run-rate Group adjusted EBITDA to c.£100 million. We said that we targeted a software ARR of at least 10% of overall Group revenue, or £50 million, and would deliver at least 90% cash conversion. We have made very significant progress towards reaching these financial targets and we have done this through executing our Deepen, Broaden, Strengthen and Digitalise strategy:

- Deepening our presence in our markets both organically and through further M&A, building leading positions across our markets.
- Broadening our capabilities across the compliance and business-critical service and software landscape.

We have made a strong start to the new financial year, with good levels of organic growth, and look forward to delivering further profitable growth.

- Strengthening the Group through organic investment initiatives, cross-selling our services and software, and expanding our margins through effective integration programmes.
- Digitalising our compliance proposition by becoming the leading compliance software Group.

We have made major progress on each of these strategic fronts, achieving our cash conversion target, and making major progress towards our FY24 revenue, profit and SaaS ARR targets.

Software

Software is a core part of the service that we deliver, a key competitive differentiator and a central part of our future growth strategy. We refer to this as our Digitalise strategy. We have made significant progress on this front through organic and M&A investment, having deployed £113 million of capital into software acquisitions during the year.

On a standalone basis Marlowe's Compliance Software business is one of the largest GRC software businesses in the UK.

We first announced our Digitalise strategy in February 2021 when our software ARR was 3% of overall Group revenue. Since then our software ARR has grown to around 9% of Group revenues and 25% of Group adjusted EBITDA. These revenues are generated through recurring SaaS-based subscriptions and we achieve customer net retention rates which are comfortably over 100%. Our Compliance Software business now generates over £38 million of ARR, with each product growing organically in the high teens and above. We are now also delivering a software EBITDA margin in excess of 40%, with our digital products serving over 3 million users.

Since launching the Digital strategy we have executed eight software acquisitions, and compliance software remains a key corporate focus area. We expect our SaaS revenue as a proportion of total revenues to continue to grow, as we benefit from continued fast growth in software markets and cross-selling our products across our enlarged client base. We plan to expand into compliance areas in adjacent markets such as supply chain risk and quality management, initially by acquiring new businesses.

We will continue to develop the Group's digital offering organically – leveraging the compliance and technology expertise within the Group to launch organic initiatives. Organic investment in our product roadmap has increased, and we have the in-house expertise to bring our own SaaS products to market. Following a software acquisition we will typically increase development investment by around 20%-30%. There are two clear examples of this investment in FY22: firstly, the in-year launch of ProSure360, a supplier verification tool, which allows our clients to vet and qualify their supply chain, and which is now generating revenues and being sold alongside our Elogbooks contractor

management and Meridian health and safety software. In addition, following investment in the year, our VinciWorks business has recently launched a new ESG software product to help clients design, assess, implement and manage their ESG strategies and goals.

Acquisitions

We have completed 20 transactions during FY22, deploying £314 million of capital, with a further £26 million deployed on six acquisitions post year-end. Key acquisitions completed in the year include:

- **Optima Health** (January 2022, £135 million) – making the Group the UK leader in the corporate health & wellbeing sector.
- **VinciWorks** (October 2021, £39 million) – building our leading compliance eLearning and GRC software offer.
- **Barbour** (July 2021, £32 million) – broadening our activities into the compliance intelligence space.
- **Essential Skillz** (October 2021, £25 million) – building further scale in compliance eLearning.
- **Core Stream** (July 2021, £11 million) – a leading provider of enterprise risk management software.
- **Hydro-X** (October 2021, £30 million) – further consolidating our leading position in water and air compliance.

We have refined and industrialised our M&A process. We are set up to pursue and integrate both large transformational opportunities – like Optima Health or VinciWorks – as well as smaller bolt-on acquisitions, or complex carve outs like Barbour – which we bought from Informa plc. We are proficient at sourcing targets, completing transactions and efficiently executing integration programmes. Our agility and flexibility to pursue acquisitions, that others may find hard to complete, supports our ability to source deals for attractive multiples.

We have continued to execute our bolt-on M&A strategy at pace. Our bolt-on acquisitions are often sourced off-market and we have well-rehearsed processes to execute and integrate these types of deals. These include the £6 million acquisition of ACL or the £4 million acquisition of Santia which have continued to scale our TIC activities, adding around £20 million of run-rate revenue in the year, as well as providing cost synergies.

We will continue to use M&A to both consolidate our fragmented markets and to compound our organic growth in GRC and TIC whilst executing this strategy in a disciplined way which creates value and delivers attractive returns for our shareholders.

Strengthening and Integrating

We have a well-designed organisational structure which is focused on divisional entrepreneurial autonomy and agility. This structure gives our operational managers the clear responsibility and necessary resources to deliver profitable

organic growth, whilst driving integration programmes at pace. Each of our six business lines has entrepreneurial leadership teams supported by dedicated integration resources, with a well-developed integration strategy.

This structure enables us to integrate acquired businesses simultaneously across business lines, with an integration programme for one acquisition being largely discrete from another. We can therefore integrate multiple businesses concurrently without straining management resources, whilst also delivering organic growth.

The integration programmes for all of our acquisitions, including the significant deals within Occupational Health and Employment Law, HR and Health & Safety, remain on-track, with synergies in line with expectations. The trading performance of each acquisition has been in-line with, or in some cases significantly ahead of, our pre-acquisition expectations.

Restructuring acquired businesses is an essential part of our integration programmes and ensures that synergies, returns and customer service are optimised. Restructuring costs as a percentage of capital deployed are reducing over time, and we are achieving attractive returns from this investment. The integration of acquired businesses is typically completed within a year of acquisition, and often in a significantly shorter timeframe for smaller acquisitions.

In line with our strategy and targets, divisional adjusted EBITDA margin has increased by 250bps to 18.7%. This is a clear indicator of our ability to integrate businesses and create value through unlocking synergies. Our operational efficiencies include merging back-office functions and physical locations, integrating service delivery and rolling out in-house technology and central IT platforms. There are also benefits from economies of scale, including route density, which allows us to improve efficiency and productivity across our field-based operations in our TIC division. As we continue to build scale, both organically and inorganically, we expect to further improve our margins.

The means by which we deliver improvements to acquired businesses are now well-rehearsed, with 74 acquisitions completed since 2016. WorkNest, is a clear example of our integration strategy in action. It is the result of the integration of 11 acquisitions, into what was originally Ellis Whittam, before being rebranded in October 2021. We are now leveraging WorkNest's sales and marketing expertise to accelerate organic growth across the operation, selling additional products such as eLearning, HR or safety software across the client base.

Environmental, Social and Governance

Marlowe is taking action on a number of sustainability fronts, both to support clients and employees and also to mitigate our own business risks. During FY22 we implemented our sustainability strategy:

- **Products:** all of Marlowe's businesses provide services that promote a safe and sustainable future. All are bound by the common purpose of protecting people, ensuring adherence to essential regulation and promoting environmental sustainability.

- **Planet:** We are committed to reducing the environmental impact of our own activities and that of our supply chain. As a result, we are developing a sustainability action plan to reach Net Zero carbon emissions by 2035, a new target set in the year.
- **People:** We are committed to being a responsible employer and creating a work environment where employees are actively engaged and part of our success. Our people strategy is driven by our belief that there is a direct correlation between engaged, motivated employees and a high-performance culture.

Through Marlowe's decentralised operating model, our businesses have considerable autonomy over their own operations within a well-defined framework. To reflect this, we will report on our Group level framework in future, as well as at the divisional level, to demonstrate how we are delivering effective and sustainable change.

We are committed to continuing to improve our contribution to a sustainable future. Group actions for FY23 include:

- Further develop a Group level multi-year sustainability action plan to reach Net Zero carbon emissions by 2035.
- Further develop our sustainability management and governance structure, including internal sustainability reporting capabilities and information capture.
- Set targets in line with selected UN SDGs.
- Assess how we can mitigate climate risks in line with the recommendations of the Task Force on Climate Related Financial Disclosures.
- Establish a Group-wide energy procurement strategy, so all sites can migrate to renewable energy use.

Outlook

As we announced at our recent Capital Markets Day, we expect to materially overachieve against the financial targets we set in February 2021 to reach Group run-rate revenue of c.£500 million and adjusted run-rate EBITDA of c.£100 million by the end of FY24.

We expect to maintain our high single digit organic revenue growth, which is underpinned by structural growth across our markets, and particularly fast growth in our digital markets. We intend to continue compounding this growth through fast-paced acquisition and effective integration programmes. Via effective operational improvements we plan to continue expanding our margins.

We have made a strong start to the new financial year, with good levels of organic growth, £26 million of capital deployed in completing six further acquisitions and continued successful integration programmes. Our acquisition pipeline is well-developed and we expect to report on further progress as the year develops.



Alex Dacre
Chief Executive

30 June 2022

Investment proposition

Marlowe's defensive qualities, alongside its well-established channels to market, growth characteristics and ability to accelerate growth through targeted M&A, position the Group strongly to continue to create sustainable shareholder value.

Operating in highly attractive and resilient markets

We operate in specialist, regulated markets and provide software and services that are largely non-discretionary for our customers and, therefore, largely insulated from the economic cycle. In addition, every one of our markets has structural growth characteristics, as regulations are not only complex, but also continuously evolving, with increasing enforcement action from regulators. Our clients' budgets continue to grow at attractive rates from the increasing focus on compliance, driven by environmental, social and governance issues. The risks and cost of not being in compliance significantly outweigh the cost of implementation.

Continuously improving our differentiated technology and operational systems

We invest in our people, systems and products to ensure that we have the correct training and tools to deliver our service, as technology and systems are key differentiators, and central to what we provide. Using our technical expertise we are able to bring enhanced software offerings to market as a result of organic investment. We utilise operational planning systems to deliver high standards of customer service and ensure that we are leveraging our scale to optimise staff utilisation and productivity.





Long customer relationships with high levels of recurring revenues, with good earnings visibility

85% of our revenues are recurring, with an average client relationship spanning 12+ years. Our software and services are vital to our clients and embedded in their routines, often being used daily or delivered on a regular basis. There are costs and inconvenience to switching embedded service providers in our sectors and, alongside our high standards of customer service and compliance levels, this supports high retention rates.

Growing barriers to entry from our scale and nationwide coverage

Our focus is on markets which are fragmented, permitting market share gains and industry consolidation. As we build market share, the comprehensive service which we can deliver, and the returns we can generate disadvantage smaller, local competitors.

In each of our business areas, we are one of only a small number of providers who can operate nationally with the

capabilities, scale and technology to effectively partner with clients. Our clients often consolidate their supplier base in favour of partners who, like them, possess scale, breadth of capability and nationwide reach. Enhanced standards of service are needed, in part to comply with increasing regulatory standards, which smaller competitors, without our technology, scale and capabilities struggle to deliver.

Well-practised in delivering growth from value-enhancing M&A

The combination of fast-paced acquisition activity and organic investment enables us to deliver impressive growth ahead of the market. We are positioned in fragmented markets and have a track record of completing complementary acquisitions at attractive multiples. We effectively integrate acquisitions, and this results in added shareholder value from efficiencies and cost-savings, as well as improved service and capability for customers. Another important advantage for us is our ability to deliver revenue growth from the cross-selling opportunities available from a database of c.50,000 clients.

Our software offering



eLearning

We provide engaging compliance tracking content to drive behavioural change and enhance compliance culture.



Health & Safety software

Our risk management solutions enhance H&S enabling customers to manage risk and compliance across their organisations.



Risk & Compliance

A platform that allows enterprise clients to collate and manage their entire risk and compliance data from one centralised portal.



MARLOWE

Our compliance software platforms are used by clients to implement governance frameworks and to manage, monitor, audit and control risk, compliance and performance throughout their organisations.

We find that clients who take both software and service from our group achieve much higher standards of compliance.



EHS intelligence

Providing regulatory data and information to industry professionals across six key areas: Health and Safety, Environment and Energy, Estates and Facilities Management, Fire and Security, Mental Health & Wellbeing.



Contractor compliance portal

A computer-aided contractor management platform allowing property managers to track activities of suppliers on-site and ensure they are meeting their KPIs.



Remote monitoring solutions

Smart building technology tracking environmental data to improve sustainability performance.



HR compliance software

We help clients unlock the potential of their people by capturing relevant information so HR managers and business owners can manage employee issues and maintain a compliant workforce.



Supply chain management

Providing an innovative cloud-based platform to assess suppliers and assure clients of supplier qualifications and compliance.



Q&As with our CTO



PETER BELL
CTO

“ The scale of the digital opportunity at Marlowe is huge. ”

Can you introduce yourself?

I am the Group CTO for Marlowe plc.

My background is in software development, having done a degree in Computer Science and a PhD in applying machine learning algorithms to computer vision. I have held a variety of different positions in software and product design companies. Most recently, I spent twelve years at Trapeze, a software provider specialising in public transport software. Trapeze is part of Volaris, a division within the Constellation Software Group, one of the world's largest software groups.

Why did you join Marlowe plc?

In many ways Constellation and Marlowe are very similar: both have a very clear vision of what market they are in, and why that market is suitable. Both stress the importance of encouraging entrepreneurial spirit by having a highly distributed management model with the centre only doing things that add true value, but otherwise leaving everything to individual divisions and companies. Both also stress the importance of recurring revenues. So, it felt a very natural move.

Beyond that, it felt like I was joining Marlowe at a very exciting time: the GRC market, the speed and breadth of the acquisitions, the clear recognition that digital would be a core strength moving forward, and the willingness to invest in the right digital products to support that. It was also about the people: all the members of the executive team I met at interview impressed me.

You mentioned acquisitions. How does Marlowe digitally integrate acquisitions?

We identify early what changes will bring genuine value. As part of this, we have a minimum set of IT standards acquired companies need to comply with. We introduce companies to each other, where collaboration will help. For example, we brought our Meridian and WorkNest teams together. Meridian have been developing an app that will make on-site H&S inspections more efficient. WorkNest are integrating this into their platform.

Beyond maintaining operational independence, what other advantages does an acquisition by Marlowe bring?

While we do not take operational independence away, we are keen to support our acquisitions in lots of practical ways. We will provide purchasing power and manage resources that small companies would otherwise struggle to access at a sensible price point. For example, we recently created a central Azure infrastructure that Marlowe companies can use. We also provide some specialised resource centrally, where a small company would struggle to justify that resource for themselves. Two good examples for this our cyber security and user experience design.

And this works both ways. We have acquired companies, Vinciworks and Core Stream to mention two recent examples, who have brought innovation into the group. We use the Core Stream product to manage risks around cyber security in a much more consistent way. Vinciworks has brought some interesting new eLearning technologies.



You mentioned the new Meridian app. That sounds a great example of innovation. How does Marlowe generally drive digital innovation?

Since I joined, we have introduced a standard digital innovation process into the group. It is a gated process, with two clear emphases: ensuring that new digital products are not just the remit of development, but involve all Marlowe stakeholders from the beginning. Likewise, we are keen to involve future customers in the process right from the start. We use a Special Interest Group to gain input from our customers throughout the development process. Using these approaches, we have successfully launched Prosure360, an innovative cloud-based supply chain management platform.

I assume pushing innovation-driven organic growth is a key part of acquisitions?

Very much so. Another way that we help our acquisitions is by providing them access to capital to finance innovation projects where in the past they might have been held back by the need to manage cash flow. This allows them to accelerate launch of new products. With our support Vinciworks are developing a new ESG platform.

I can see how being acquired by Marlowe is good for the company. What about software developers themselves?

We help our digital companies make Marlowe an interesting place to work as a software developer.

This takes a number of forms. We provide an internal communications channel through which developers can reach out to the wider community to find others who may have relevant experience in a particular topic. We organise company-wide hackathons about three times a year. These are very much designed to widen the horizons of our software developers. We recently did one, looking at how machine learning could add value in the business. The next one will focus on cyber security.

Sounds like Marlowe's digital strategy is exciting. Where will you be focusing your attention?

I have four key focuses for the 22/23 financial year. Alex has given me the very direct objective of ensuring we double our software revenues as a percentage of Marlowe's overall turnover. Given that Marlowe is doubling every 18 months to 2 years, that means over the same period I will need to grow our software turnover four-fold. We will need some good acquisitions to help with that. So, I will be supporting our M&A team. Secondly, we have several centrally funded new products in the pipeline to ensure organic growth. Ensuring they launch quickly and address a market need is important for me. Thirdly, we are working on a central sales repository so that we can better understand where we can cross-sell better, both to our clients' advantage, and also improving our revenues. Finally, we are undertaking a strategic review of what in future we should buy group-wide. In other words, plenty to keep me busy.

Building our leading eLearning platform

Compliance eLearning has become a crucial part of a firm's compliance requirements, with all sectors and industries required to keep their workforces up-to-date on the latest legislation and how it affects their roles. In an increasingly complex regulatory environment, the need for compliance eLearning is growing fast, and Marlowe's eLearning offering is well placed to capitalise on this c.£1bn market. Our holistic platform covers the full spectrum of regulatory issues, ranging from health & safety, anti-money laundering or anti-bribery to dealing with unconscious bias in the workplace and we continue to develop courses to address the latest compliance topics facing our customers' workforces.

Journey to Becoming a Leader

Marlowe entered the compliance eLearning space through the acquisition of Deltanet in December 2020. This acquisition was highly complementary to our existing HR & Employment Law business, representing a broadening of our product offering and deepening of our value proposition to customers. Soon after, we acquired a bolt-on, Cylix, specialising in compliance and diversity & inclusion eLearning. This deepened our eLearning content library, and an effective integration led to significant operational synergies and technological improvements. The acquisition of EssentialSkillz, a leader in SME compliance eLearning, and its subsequent integration into Deltanet, further scaled our eLearning offering, solidifying our position as a leader in SME compliance eLearning and bolstering the group's capabilities.

Further building on our deepen strategy, we acquired VinciWorks, a global leader in compliance eLearning, with an established presence servicing compliance eLearning needs of the professional services and broader corporate market. This represented the next stage in our journey to build a market leader, further cementing our ability to address the needs of all customers, ranging from SMEs to global blue-chip organisations, offering compliance content informed by deep subject-matter expertise, and delivered via best-in-class technology platforms.

The latest step in our eLearning acquisition strategy came in December 2021, through the acquisition of SkillBoosters, the leading UK provider of Diversity & Inclusion eLearning.

Through a successful integration between SkillBoosters and VinciWorks, Marlowe further established itself as an expert provider of compliance and business-critical eLearning, whilst generating significant operational and technological synergies.

eLearning is a core pillar of Marlowe compliance vision, and we expect to continue to capture market share in the UK and internationally in the years to come through a powerful mixture of double-digit organic growth complemented by value-enhancing acquisitions.

Marlowe Model Driving Value

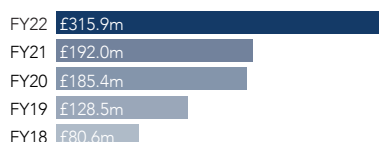
The acquisition approach has allowed Marlowe to gain scale at pace, building out a comprehensive proposition to customers of all sizes and in all sectors. This acquisitive growth has been enhanced by the highly successful integration programmes which have driven cost synergies and margin expansion, such as removing overlapping costs, optimising pricing structures and rationalising technology platforms. We have accelerated organic customer acquisition, with the comprehensive and expert-led content library being a core competitive advantage, and investment in sales and marketing driving high quality lead generation. There is an ongoing working party across our eLearning companies, as we look to continue to drive operational efficiencies and collaborate on content and product development going forward. Marlowe has a clear strategy in driving value creation amongst our eLearning businesses, and we continue on our journey to further grow market share and cement our position as a market leader.



KPIs

Revenue

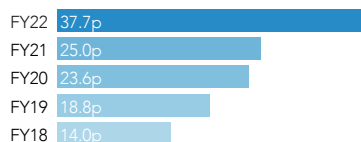
£315.9m
+65%



Marlowe revenue growth reflects how we have grown scale through acquisition and organic investment

Adjusted basic EPS

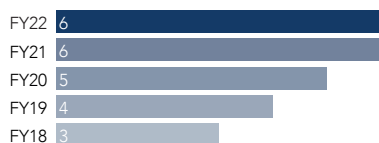
37.7p
+51%



Adjusted basic EPS has seen continued growth year-on-year despite the dilutive impact of share placings throughout the years

Number of compliance areas

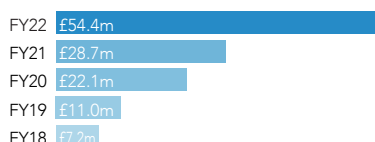
6



As we enter new attractive compliance areas the size of our addressable market increases and currently stands at an estimated £8.4bn in the UK

Adjusted EBITDA

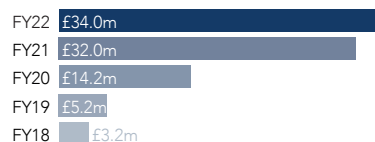
£54.4m
+90%



Adjusted EBITDA continues to outstrip revenue growth as we have entered attractive compliance markets

Net cash generated from operations

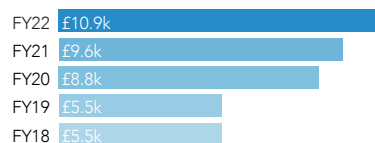
£34.0m
+6%



Net cash generated has continued to grow and we are now in a position where we are able to fund bolt-on acquisitions through the cash we generate

Adjusted EBITDA/employee

£10.9k
+14%



As we have built route density, leveraged operational efficiency and entered the attractive SaaS markets our adjusted EBITDA per employee has grown

Adjusted divisional EBITDA margin

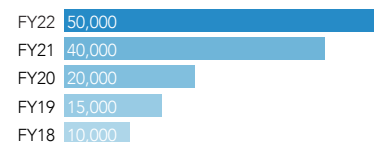
18.6%
+240bps



Adjusted EBITDA margin has improved significantly as we have successfully integrated acquisitions, improved operational efficiency and benefited from route density

Number of customers

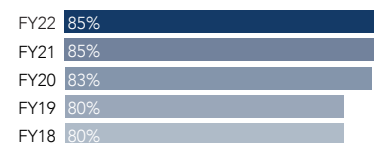
50,000
+25%



As we have built an end-to-end compliance provider the number of customers we serve has increased significantly

Recurring revenue

85%



We have increased the percentage of our total recurring revenue giving us significant visibility over future earnings

Marlowe's model for creating growth

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

ACQUIRE

We identify complementary business-critical areas, which have resilient growth drivers and operate in fragmented markets. We focus on sectors that exhibit strong recurring revenues and where margins are attractive and can be enhanced.



INTEGRATE

Our integration processes are well rehearsed and carried out by dedicated resource. We create opportunities for our management teams to bring about efficiencies and realise strategic synergies.

ENHANCE

Whilst we fundamentally believe in empowering our management teams, Marlowe is not a passive investor in the business we acquire. We invest in people, operational systems, and improvements in technology all with the aim of improving standards of service which in turn generates increased organic growth.



ACCELERATE

We inject pace into our businesses whilst providing a platform that allows our management team to focus on profitable growth. Through our dedicated head-office acquisitions team we maintain a strong pipeline of potential bolt-on acquisitions. We are adept at quickly identifying, negotiating, and executing these types of deals.

Governance, Risk and Compliance

GRC encompasses our intelligence, consulting and software solutions across governance, risk, compliance, Health & Safety, Employment Law & HR, Occupational Health and compliance software including eLearning.

We have made significant progress in adding scale to our compliance software offering in the year. We have completed six acquisitions, for a total consideration of £113 million.

GRC encompasses our consulting and software solutions across Compliance Software & eLearning, Health & Safety, Employment Law & HR and Occupational Health. Our software compliance platforms are used to implement governance frameworks and manage and monitor audit and control risk. The majority of the compliance services we deliver revolve around employees and organisational risks.

Financial review

Our GRC division performed strongly during FY22, with revenue increasing 172% to £94.2 million (FY21: £34.6 million). This reflected strong organic growth and the benefits from acquisitions completed in the year, together with the full year contribution from those completed in FY21. Underlying organic revenue¹ growth was 7%, driven by new business, increased customer retention rates, cross-selling and price increases across our business lines. Underlying organic revenue growth excludes the impact of COVID-19 testing work undertaken in the occupational health business in FY2021. The vast majority of our GRC revenues are recurring and are delivered as multiyear contracted consultancy or SaaS subscriptions.

Adjusted EBITDA increased by 151% to £28.4 million (FY21: £11.3 million), reflecting strong organic growth, operational improvements, and the benefit from integrating acquisitions. The adjusted EBITDA margin was 30.1% (FY21: 32.6%). This reflects the mix of business within the division following significant acquisition activity in occupational health which, as expected, which operates at a lower margin than some of our other consultancy and software business lines. There is attractive potential to increase the divisional margin over time from integration synergies and operational improvements, additional scale, operational gearing and an increasing proportion of revenue from higher-margin software subscriptions.

On a run-rate basis, GRC now accounts for c.40% of Group revenues and c.60% of adjusted EBITDA.

Operational review

Compliance software

Our Compliance Software business line encompasses compliance eLearning and SaaS products. Our platforms enable customers to comply with numerous regulations and also improve governance and control. One of our key value-adds is that our software is built by developers who are able to collaborate closely with industry-expert colleagues - it is developed by practitioners with deep end-market expertise.

We have made significant progress in adding scale to our compliance software offering in the year. We have completed six acquisitions, for a total initial consideration of £113 million, and we have built a UK market leading position in the highly attractive eLearning compliance market. This market is a vital part of modern-day learning, enabling clients to train their staff in essential regulatory and workplace standards including health & safety, company code of conduct and data protection. Key GRC acquisitions include:

- **Core Stream** has made pleasing progress since it was acquired in July 2021. It has broadened Marlowe's digital and ESG service offerings and has further deepened the Group's relationships with leading blue-chip organisations. Core Stream has presented a number of cross-selling opportunities across the Group's software and service portfolio. Since acquisition we have increased investment in the Core Stream software development team and businesses enterprise sales resources.
- **Barbour** has significantly enhanced Marlowe's digital strategy since it was acquired in July 2021. Barbour has been integrated into the division and is trading ahead of expectations. We are working on a number of organic initiatives to integrate Barbour's products into the Group's software environment. Once integrated, Barbour data and functionality will be accessible via other Marlowe software products. The recent acquisition of Cedrec for £2 million, which was completed in May 2022, adds further valuable scale and capability to the Barbour platform.

| | 2022 £m | 2021 £m | Change |
|--|------------|------------|----------|
| Revenue | 94.2 | 34.6 | +172% |
| Adjusted EBITDA ^{2,3} | 28.4 | 11.3 | +151% |
| Adjusted operating profit ³ | 25.4 | 10.3 | +147% |
| Adjusted EBITDA margin ^{2,3} | 30.1% | 32.6% | (250)bps |

¹ Underlying organic revenue growth excludes the impact of COVID-19 testing work undertaken in the occupational health business in FY2021. Including this work, organic growth was 6%.

² Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

³ Explanation of non-IFRS measures are contained within the Chief Financial Officer's review

The businesses now benefit from a single organisational structure and leadership, common technology platforms and integrated service delivery.

- **VinciWorks** has become a core pillar of our compliance software offering in the six months since acquisition in October 2021. We have invested in a number of organic initiatives including software development and course content creation, in areas like Anti Money Laundering (AML), where we are experiencing significant demand in the legal sector. Our AML capabilities have been significantly enhanced by the May 2022 acquisition of Compliance Office for £1 million. This provides consultancy and audit services to law firms looking to meet Solicitors Regulation Authority compliance, broadening VinciWorks' capabilities to provide consultancy alongside software. Following organic investment, we will imminently launch our ESG software product, which will help clients achieve their ESG strategies. We have added diversity and inclusion eLearning capability to VinciWorks to provide a more comprehensive approach to compliance culture and behavioural change. In support of these initiatives we have significantly increased investment in sales & marketing to further accelerate organic growth.

Compliance software will continue to be a key focus for the Group and our compliance software platforms are increasingly providing an end-to-end solution for clients' governance, risk and compliance strategies. Our software platforms deliver strong organic revenue growth and also benefit from highly attractive investment characteristics. We are able to add additional users with a low incremental cost to deliver, which benefits our margin. Revenue is delivered through multi-year subscriptions, with net retention rates comfortably over 100%.

Employment Law, HR & Health & Safety

Our Employment Law, HR and Health & Safety businesses delivers a range of subscription-based consultancy services. These ensure regulatory compliance and safety, and support clients' commercial objectives via the delivery of responsive, support and innovative digital solutions. Our Health & Safety consultants provide advice, conduct audits and risk assessments and our Meridian SaaS platform helps customers track safety and compliance. We extend this health & safety proposition into HR and Employment Law compliance, which we deliver alongside a range of digital products such as HR, safety and case management software as well as eLearning.

Within the year substantial new business has been won and we have been successful in further optimising client pricing. We have also experienced improved renewal levels, and cross-selling with our eLearning offering proving to be particularly successful.

Our continued growth is supported by favourable market conditions – notably increasing employee claims, a greater regulatory burden and increased interventions and rising insurance premiums which drive the need for advisory and digital support from UK employers. Bolt-on acquisitions like Cater Leydon Millard, which was acquired in June 2021, have helped to develop our Employment Law & HR offering to mid-market clients. Through the CQC acquisition in June 2021, we have entered the care quality compliance market – a growing and important area following recent regulatory changes.

The WorkNest brand, which makes up a significant proportion of our activities in this space, brings together 11 acquisitions and makes up just under half of overall GRC profits. The first major deal we completed in the space was the £60 million Ellis Whittam acquisition in late 2020. At the time of acquisition, Ellis Whittam was generating revenues of £16 million and adjusted EBITDA of £4 million, with around 98 employees. Through the integration of eleven bolt-on acquisitions and strong organic growth, the business has grown its revenue to over £50 million and now employs some 500 people.

The businesses now benefit from a single organisational structure and leadership, common technology platforms and integrated service delivery. We are seeing a reducing cost to acquire new customers and increasingly efficient service delivery. As a result of this ongoing success, and the investment made in building its infrastructure, which helps deliver high operational leverage, we expect its profitability to increase organically in the next three years by more than 70% before the impact of any further acquisitions.

Occupational Health

In 2019 we identified the occupational health market as highly complementary to our Employment Law, HR and Health & Safety business. This is because the occupational health decision maker at our clients are often also responsible for other related compliance disciplines, such as HR and health & safety. The need for these services is also often closely aligned, with HR absence management issues, frequently related to occupational health matters and, in turn, often linked to health & safety issues. We cross-sell a large amount of work across these business lines with some 550 client cross-referrals in the past year.

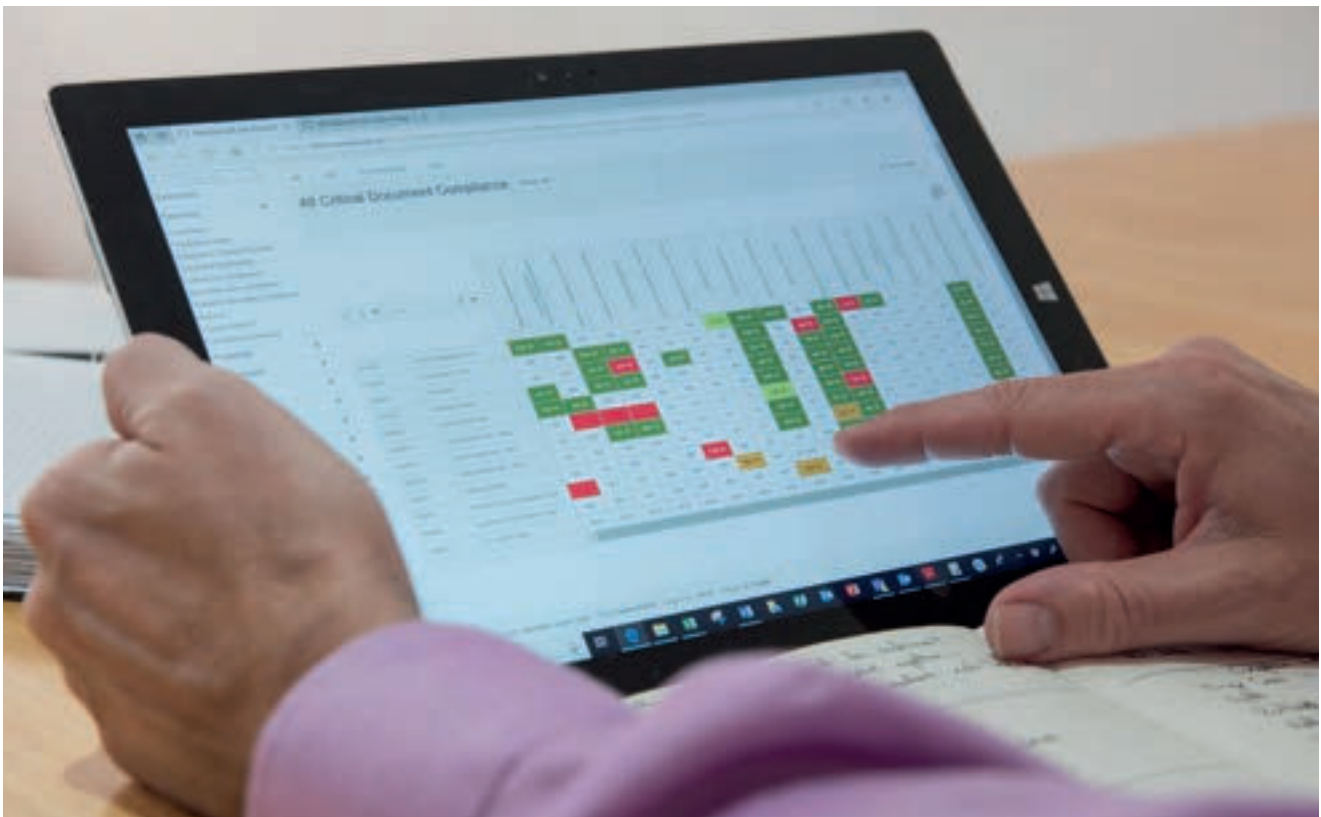
Within Occupational Health we assure regulatory compliance for our clients, improving the physical and mental health and wellbeing of employees, minimising workplace risk and maximising corporate productivity. In many cases the services are regulated by legislation like The Health & Safety at Work Act. The UK market is estimated to be worth close to £1 billion per annum, with annual growth of between 4%-5% and there is increasing pressure on corporates to invest in this critical compliance area.

The key event for this business during the year was the significant acquisition of Optima Health, the leading provider of technology-enabled Occupational Health services in the UK. The transaction completed in January

2022, transforming the the scale of our existing £23 million revenue business, and adding c.£70 million of revenue and £11 million of adjusted EBITDA per annum. We expect to add a further £2 million of integration-related efficiencies during our first year of ownership.

Prior to the Optima Health acquisition we completed two other acquisitions in the year: Integral OH for £2 million and Healthwork for £14 million. Additionally, since the year-end, we acquired TP Health for £10 million, a leading provider of technology-enabled occupational health services. Good progress has been made integrating our existing occupational health businesses and TP Health into Optima Health and we expect full integration to take around 12 months. We anticipate further significant synergies to arise from the removal of duplicated overhead cost, the efficiency benefits that we expect to arise from the use of the Optima technology and service efficiencies.

We are now the leader in the UK occupational health market. The scale and breadth of capability that we now have allows us to improve the efficiency with which we can manage each client and reduce the cost to acquire new clients and so enhance our margins. We also expect to see continued strong organic growth in this attractive market.



worknest

One of the UK's leading providers of outsourced Employment Law, HR and Health & Safety services for businesses.

WorkNest's unique blend of professional advice, powerful technology and hands-on consultancy enables our clients to manage their workforce, workplace and workflow effectively, efficiently and compliantly. We help our clients navigate the complexity of employment law, provide experienced, independent support with employee matters and ensure relevant compliance with health & safety obligations.



43,000

employment
tribunal claims
per year

250k

of SMEs
(10 to 249
employees)

£1bn

addressable
market
size

97%

client
retention
rating



“ Joining Marlowe was a highly attractive route for all the businesses that have now formed to create WorkNest; this is not only because the group has a very clear strategic focus on compliance which adds considerable value but because of the Group’s continued investment and support. ”

GAVIN SNELL
CEO at WorkNest

The power of partnership

The WorkNest group has been created over the last 16 months through 11 targeted acquisitions assembled by Marlowe, following the platform acquisition of Ellis Whittam back in 2020.

By bringing together highly complementary compliance focused service and software businesses we were able to create a market leading business, providing a cohesive and unified platform.

WorkNest is poised for further strong organic and acquisitions growth in the months and years ahead.

Marlowe’s compliance strategy

WorkNest is a very clear example of the Marlowe model in action – bringing together highly complementary compliance focused service and software businesses to create a market leading platform via effective integration, operational and technological improvements, investments in accelerated organic growth and expanding margins. It is now a central and high growth part of the Group’s Governance, Risk & Compliance division.

Our customers and market

Employee and workplace regulations affect everyone, WorkNest currently serves 40,000 clients across some 54 vertical sectors across the UK. Our clients range from small businesses with fewer than 50 staff at a single location, through to large household names employing thousands of people at multiple sites across the UK.

The market WorkNest is operating in is highly fragmented, there’s huge organic growth potential within core SME market and substantial opportunity in the underserved mid-market.

WorkNest and Marlowe as a whole benefit from strong tailwinds pushing more UK employers to seek advice & remote learning. Employers are facing growing employee claim levels, stricter enforcement, and more punitive fines.

How we integrate

Given our acquisitive history, we are now extremely well versed in integrating our acquisitions.

We invest significantly in our project resource. Our discovery phase allows us to gain a deep understanding of the business where we can identify synergies, the level of integration required and through our centralised CRM system, any cross-selling opportunities.

Testing, Inspection and Certification

TIC includes our Fire Safety & Security, Water Treatment & Air Hygiene and Contractor Compliance propositions.



We have made a positive start to FY23 as we continue the strong growth seen in FY22. We expect margins to continue to improve as we carry on building scale, improving route density and realising operational efficiencies.

The majority of our services in TIC revolve around our clients' business premises and include services such as testing and inspecting water and air systems to ensure efficiency, hygiene and compliance or testing, inspecting and certifying fire safety and security systems to assure standards. A large portion of the services we deliver are recurring and essential to our clients' operations and are also stipulated by regulation.

Financial Review

Our TIC division performed strongly in the year with revenue increasing 41% to £221.7 million (FY21: £157.4 million), reflecting strong organic growth and the benefit from acquisitions in the year, together with the full year contribution from those made in FY21. Underlying organic revenue growth was 9% reflecting new customer wins, additional work with existing customers and a focus on customer retention. Underlying organic revenue growth excludes the impact of an estimated COVID-19 recovery primarily relating to the catch-up of service visits. Including this work, organic growth was 14%.

Adjusted EBITDA was up 54% to £30.6 million (FY21: £19.9 million) as a result of organic revenue growth, productivity improvements and the benefit from integration synergies. The adjusted EBITDA margin also increased to 13.8% (FY 21: 12.6%), benefiting from efficiencies such as, including improved route density as we add scale from more customers, resulting in increased revenue per day per fee earner.

We also benefit from a well-invested and scalable back-office infrastructure, resulting in attractive operational gearing. As a result of back-office and operational integration, we have exited a number of properties during the year and removed further significant duplication of headcount in the overhead, supporting future profit and margin enhancement. We are confident that we can

expand margins further by continuing to drive integration synergies along with increasing our scale and efficiency.

Operational Review

Fire Safety & Security

The services we deliver across Fire Safety & Security are underpinned by ever-evolving regulations which apply to commercial premises in the UK. Typically, the burden and legal obligation is put on the employer or landlord to ensure premises are compliant with these complex regulations, with non-compliance leading to fines, difficulties with obtaining insurance cover and, in the worst-case, injury or loss of life. Our services provide clients with very high levels of compliance that are comfortably above the market average.

Marlowe is a UK market leader in fire, safety & security, albeit with a share of less than 10% in this fragmented market, which we estimate to be worth over £1.6 billion. We have delivered significant organic growth, well above the market rate estimated to be around 3% per annum, as well as growth from acquisition. As we build scale we deliver operational efficiencies, benefit from economies of scale and leverage route density. Our operational planning systems allow us to provide services more efficiently. The Fire Safety & Security business has performed strongly as a result of a number of new organic customer wins, and expanded customer contracts. The continued investment made in our cross-selling function team has proved beneficial, in particular in conjunction with our Water & Air Hygiene business with buyers of Fire Safety seeing Water & Air compliance services as a very complementary addition. In the region of 35% of our Fire Safety clients also procure Water and Air services from the Group. We continue to invest in our sales and marketing capability to help realise the incremental revenue available from offering complementary services via shared customer channels.

| | 2022 £m | 2021 £m | Change |
|--|------------|------------|--------|
| Revenue | 221.7 | 157.4 | 42% |
| Adjusted EBITDA ^{1,2} | 30.6 | 19.9 | 54% |
| Adjusted operating profit ² | 21.4 | 12.1 | 77% |
| Adjusted EBITDA margin ^{1,2} | 13.8% | 12.6% | 120bps |

¹ Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

² Explanation of non-IFRS measures are contained within the Chief Financial Officer's review

We completed four bolt-on acquisitions in the year for a total consideration of £8 million with a further two acquisitions completed so far this financial year. Integration of these businesses is on-track with each business trading in-line with expectations. Acquisitions included ACL for £6 million, which has enhanced the division by adding to the Group's customer base in and around the London region, offering attractive operational synergies with our existing London-focused operations whilst adding further valuable route density and adding additional capabilities in the passive fire safety arena.

In May 2022, we also completed the acquisition of MJ Fire and Ruthven Alarms for a combined consideration of £4 million. MJ Fire, based in Kent, provides a range of fire safety services across Greater London and elsewhere in the country.

We have also continued to invest in the business organically with further investments in sales & marketing, improvements to our operating systems and infrastructure and enhancements to our employee value proposition to ensure that we continue to be well placed to attract and retain the talent we require to support our growth. An example of this employee value proposition is the launch during the year of our new training academy, the "Marlowe Academy", allowing us to develop and train employees. In addition, we continue to make organic investments in broadening our fire safety capabilities with further investments in building our our passive fire solutions capabilities in response to new regulation and significant client demand in this area.

We have made a positive start to FY23 following the very strong growth seen in FY22 and expect margins to continue to improve as we carry on building scale, benefiting from our enhanced route density and realising operational improvements such as improving revenue per day per fee earner.

Water & Air Hygiene

Within Water & Air Hygiene we have continued to make good progress. Our Water business has the broadest service capabilities and coverage in the markets and performed well during the year. It now generates run-rate revenue of c.£150 million, at an increased margin. We have continued to invest significantly in operational technology and as a result we are seeing continuing improvements in service efficiency, control and productivity levels.

We have delivered good underlying organic revenue growth, driven by a mix of pricing, upselling & cross-selling and good new business levels. We are seeing some inflationary pressures from the cost of materials and fuel which we are successfully passing on to our customers via regular pricing reviews. As we build scale across our compliance markets, cross-selling becomes an ever more attractive tool for growth: for instance, this element of our strategy has delivered major contracts with a national UK pharmacy chain and a leading telecommunications provider during the year, amongst others.

The largest acquisition in the year was Hydro-X, a leading water and air hygiene business.

In line with the industry, we have experienced some recruitment challenges which we continue to manage proactively, continuing to actively look to recruit additional headcount to support our growth. For example, we are continuing our investment in training and graduate programmes, to build on our expertise in this area.


The largest acquisition in the year was Hydro-X, a leading water and air hygiene business, for £30 million. Hydro-X provides synergies with the existing business: a number of cost-efficiencies, including route density and the benefits from Marlowe's existing sales, operational and back-office platforms. Additionally, we made four bolt-on acquisitions during the year: Agritek, Musketeer Services, Santia and Sterling Hydrotech for a combined consideration of £9 million.

The integration of the acquisitions completed in the year remains on track and we expect to deliver synergies in line with pre-acquisition plans. In addition, taking advantage of our scale, we have closed eight office and warehouse locations during the year and merged into four new warehouses, consolidating the Group's property footprint and removing further duplicated cost.

FY23 has started well and we expect to see similar levels of underlying organic growth as in FY22, as we continue to build scale, benefit from route densities, and expand our cross-selling initiatives in this strategically important and attractive market. Integration and operational improvement plans are proceeding to plan.

Hydro-X – Our acquisition strategy in action

In October 2021 Marlowe plc completed the acquisition of Hydro-X, a leading provider of water & air hygiene services. The business employs 180 staff and serves thousands of customers across a variety of commercial sectors.



Acquisition Rationale

Hydro-X focuses on four service-lines: the group provides water & air hygiene, passive fire inspections, health & safety training, and water treatment services.

| | | | |
|---|---|--|--|
| <p>Hydro-X Water Hygiene enhances WCS Group by strengthening its service capabilities and deepening its scale and national route density, allowing technicians to optimise their route to site and improve revenue per fee-earner day, across its core water hygiene offering.</p> | <p>Hydro-X Air broadens WCS' air hygiene operations, with a focus on indoor air quality, inspection of fire dampers and ventilation hygiene.</p> | <p>Hydro-X Water Treatment is focused on bespoke water treatment engineering, dove-tailing WCS Group's existing business.</p> | <p>Hydro-X Engineering is focused on bespoke water treatment engineering, dove-tailing WCS Group's existing business.</p> |
|---|---|--|--|

Together the deal has deepened, strengthened, and broadened WCS Group's scale and capabilities to form a stronger platform able to service its customers

Integration

WCS Group's expert in-house integration team are focused on project managing and implementing the integration of our water & air acquisitions. They track both integration and synergy progress and compare these to our in-depth pre-acquisition completion plans, with regular updates passed onto senior and executive management.

WCS Group has focused on ensuring the continuity of Hydro-X's excellent service delivery to its customers and has sought to improve scheduling efficiency using specialist software tools and industry best-practice.

Significant savings have been made in moving the supply of water treatment chemicals in-house to our own specialist chemical blending business. Additionally, by moving Hydro-X onto groupwide supplier arrangements we can reduce the supply costs for laboratory testing, insurance and accreditations.

Chief Financial Officer's review

For the year ended 31 March 2022



ADAM COUNCELL
Chief Financial Officer

“ Through our underlying cash generation and increased scale, we are now able to deliver higher levels of self-funded M&A. ”

Revenue and profitability

Revenue in the year grew to £315.9 million (FY21: £192.0 million). The increase reflects continued strong underlying organic growth of 9% and the contribution from acquisitions completed in the year, together with the full year benefit of those completed in FY21. Organic growth is measured by comparing current year revenues to prior year revenues that are adjusted to include the pre-acquisition performance of acquired business as if they had been part of the Group for the same part of the prior year, so that a like-for-like comparison can be made. The benefit of this approach is that it provides insight as to how recently acquired businesses, along with our existing businesses, are performing organically.

Adjusted operating profit increased by 113% to £42.0 million (FY21: £19.7 million) and adjusted EBITDA increased by 90% to £54.4 million (FY21: £28.7 million). Adjusted EBITDA means operating profit before interest, tax, depreciation and amortisation and excludes separately disclosed acquisition and other costs. Group divisional adjusted EBITDA margin increased to 18.7% from 16.2% in FY21. The increase in margin demonstrates the successful execution of our Deepen, Broaden, Strengthen and Digitalise strategy which has seen organic margin improvement in our existing businesses, complemented by the increase in size of the higher margin GRC division. On a statutory basis operating profit increased to £10.5 million (FY21: £1.0 million).

Adjusted profit before tax was £38.1 million (FY21: £17.1 million). On a statutory basis, profit before tax for the year was £5.9 million (FY21: loss of £1.6 million).

Non-IFRS measures

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

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

To arrive at FY22 adjusted profit before tax the following adjustments have been made:

| Continuing operations | Profit before tax £'m | Operating profit £'m | EBITDA £'m |
|---|--------------------------|-------------------------|---------------|
| Reported | 5.9 | 10.5 | 37.8 |
| Acquisition costs | 6.0 | 6.0 | 6.0 |
| Restructuring costs | 10.5 | 10.5 | 10.5 |
| Amortisation of acquisition intangibles | 14.9 | 14.9 | - |
| Share based payments and legacy long-term incentives | 3.6 | 3.6 | 3.6 |
| Fair value (gains)/losses in contingent consideration | (3.5) | (3.5) | (3.5) |
| Exceptional finance costs | 0.7 | - | - |
| Adjusted results | 38.1 | 42.0 | 54.4 |

Acquisition and other costs

Acquisition and other costs totalled £32.2 million in the year (FY21: £18.7 million).

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

Restructuring costs, being the costs associated with the integration of acquisitions, remain a key component of delivering shareholder value by increasing returns made on acquired businesses. Restructuring costs for the year were £10.5 million (FY21: £5.6 million). The increase reflects the significant step up in both the scale and pace of acquisitions during the year. As a percentage of the capital we deployed during the year restructuring costs significantly reduced, which is a trend we expect to continue. The integration programmes for the acquired businesses are on track and typically take up to one year to complete, although this is often shorter for smaller bolt on businesses.

Restructuring costs primarily consist of:

- The cost of duplicated staff roles and other duplicated operational costs during the integration and restructuring period;
- The redundancy cost of implementing the post completion staff structures; and
- IT costs associated with the integration and transfer to Group IT systems, including costs of third party software used in the delivery of customer contracts where there is a programme to transition such software to one of the Group's existing platforms.

Amortisation of intangible assets for the year was £14.9 million (FY21: £6.5 million) with the increase attributable to the higher carrying value of intangible assets resulting from the continued execution of the Group's M&A strategy.

Certain legacy and share based long term incentive schemes have been established to incentivise key members of the Group's senior management to create shareholder value through the successful acquisition, restructuring and integration of businesses in their chosen service sectors. As such, we consider the charge associated with these schemes to be part of "Acquisition and other costs" as we continue to execute our stated strategy. Share based long term incentive costs decreased to £3.6 million (FY21: £4.2 million) during the year.

Movements in contingent consideration in the year of £3.5 million reflect adjustments to estimates of contingent consideration both receivable and payable.

Exceptional finance costs of £0.7m (FY21: £nil) relate to the write off of prepaid arrangement fees on Marlowe's previous debt facility upon its increase and extension in February 2022.

Further details on adjusting measure can be found in Note 5.

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)

| | FY22 | FY21 |
|-----------------------------------|-------|--------|
| Basic adjusted earnings per share | 37.7p | 25.0p |
| Basic earnings per share | 0.8p | (3.1)p |

* Refer to note 9

Interest

Finance costs, excluding exceptional finance costs, amounted to £3.9 million in the year (FY21: £2.6 million). The increase reflects the expansion and higher levels of utilisation of the Group's debt facilities as the strategic plan has been delivered.

Taxation

UK Corporation Tax is calculated at 19% (FY21: 19%) of the estimated assessable profit for the year. In addition, deferred taxes at the statement of financial position date have been remeasured to reflect the 25% tax rate from 1 April 2023.

Statement of financial position

The Group maintains a strong balance sheet with net assets as at 31 March 2022 of £446.0 million (31 March 2021: £263.4 million), the increase being primarily due to the placing of shares in the year. At the same date, property, plant and equipment totalled £12.1 million (2021: £7.3 million), comprising freehold and long leasehold property, leasehold improvements, operational equipment, vehicles and computer systems.

Cash flow

The Group benefits from a high proportion of recurring revenues which have beneficial underlying working capital characteristics which result in working capital as a % of revenue of 1%. In the prior year the group benefitted from a significant reduction in working capital as a result of COVID-19 related VAT and payroll tax deferrals and a temporary reduction in working capital levels in the TIC Division. These factors have normalised in current year. Combined underlying cash conversion for the 24-month period covering FY21 and FY22 was 91%, in line with our medium-term target.

Net cash inflow from operating activities before acquisition and restructuring costs was £25.1 million in the year (FY21: £28.3 million). Management of working capital remains a key focus across the Group with a strong emphasis on cash collection and overdue debt reduction.

Capital expenditure totalled £9.1 million (FY21: £4.5 million) following investment in our software systems and ongoing investment in our businesses.

In order to fund the acquisitions in the period and to provide the Group with significant additional resources with which to capitalise on future acquisition opportunities, the Group raised net proceeds of £176.7 million from two equity placings in the year.

Net debt and financing

Net debt as at 31 March 2022, including inter alia £22.6 million of IFRS 16 lease liabilities, was £133.3 million (2021: net cash £24.3 million). Net debt (excluding IFRS 16 lease liabilities) at the end of the year was £110.7 million (FY21: net cash £43.3 million).

During the year, the Group undertook a wider refinance exercise with a view implementing a lending solution to support the next stage of the growth agenda. In February 2022 the Group announced a new £180 million, 3-year, RCF facility which extended the lending syndicate to a total of six lenders. In addition, there is a further £60 million optional accordion facility.

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

Key Performance Indicators ('KPIs')

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

The strategic report on pages 4 to 55 has been approved by the Board and signed on its behalf by:



Alex Dacre
Chief Executive



Adam Councill
Chief Financial Officer

30 June 2022



MARLOWE
SECURITY GROUP

Products, Planet, People: Our Sustainability Plan

We are unified in providing services that promote a safe and sustainable future. We are committed to reducing the environmental impact of our own activities and that of our supply chain. We strive to create a working environment where our employees feel valued and engaged.

A word from our CEO



ALEX DACRE
Chief Executive

“Over the last year, the world has changed quicker than any of us could have predicted, with issues such as human resources, fuel scarcity and significant increases in associated costs, taking hold of our economy, affecting both business and households alike. The pressure for businesses like Marlowe to take action, to not only mitigate their own business risk, but importantly to support their customers and their people through these difficult times is growing.

In our reflection of the last financial year, we will focus on the 3 core elements of sustainable business: Products, Planet and People, as well as Governance of business and operations.

Through the decentralised operating model, our businesses have considerable autonomy in their own operations, albeit within a well-defined framework. To reflect this, we will be reporting at both a Group Level, demonstrating the framework, and at the divisional level, showing how autonomy is delivering effective change.

I am very excited to see what we can achieve this forthcoming year as we continue our journey to delivering our ESG strategy whilst continuing to deliver exceptional products and services to our clients.”



Protecting tomorrow

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

The Board has ultimate responsibility for ESG strategy and works with management and employees to focus on this critical area. We are working collaboratively through the ESG Committee to continue to improve our ESG strategy and action plan. This is demonstrated by our strategic alignment to the UN Sustainable Development Goals. Five goals have been identified as core to Marlowe’s sustainable ambitions and focus on where the Group can have the largest ESG impact to create a sustainable future for all.



Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all



Ensure availability and sustainable management of water and sanitation for all



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



Ensure healthy lives and promote well-being for all at all ages



Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Marlowe's ESG Committee

In 2021 we announced that our ESG committee had been established. We have group-wide representation to make sure we collaborate on ideas and developments.

This year's highlights

Our key Group level achievements this year have been:

In support of the United Nations Sustainability Goal 16, Peace, Justice and Strong Institutions, we have focused on the governance of ESG within our organisation, establishing an ESG Committee to identify best practice and help develop and implement a Group level ESG strategy across the businesses. Although the committee has only been active for a short time, we have already seen positive actions including:

- Launch of a Group wide Whistleblowing policy and hotline available for all employees, and
- Board approved Group Policies setting out our expectations for all the brands that operate within Marlowe plc. These Policies include Environmental Management, Responsible Procurement, Diversity/ Discrimination and Anti-Bribery and Corruption
- Establishing a Group level Code of Conduct
- Making publicly available our key Group policies and ESG commitments
- Launch of group-wide EAP service

Our plan for the forthcoming year

We are committed to continuing to improve the contribution that our businesses make to a sustainable future, and Group actions for 2022 include:

- Developing our Group level multi-year sustainability action plan to get to Net Zero by 2035
- Further developing our sustainability management and governance structure including our internal sustainability reporting capabilities and information capture across our businesses'
- Setting targets in line with selected UN SDGs
- Assessing how we are mitigating climate risks in line with the recommendations of the Task Force on Climate Related Financial Disclosures (TCFD)
- Establishing a Group wide energy procurement strategy to move all sites onto renewable energy
- Unify utilities to move to a single green energy tariff

Meet the team



Alex Dacre
CEO



Bea Shorrock
Managing Director, Software Risk & Compliance



Caspar Bullock
Director of Strategy



Benjamin Tucker
IR Manager



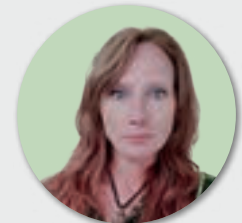
Nick Wilson
Head of H&S, WorkNest



Jennifer Hulme
HR Director, MFS



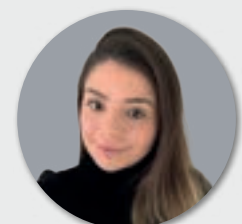
Jen McCarthy
Operations Director, Elogbooks



Rachel Jones
Head of SHEQ, WCS Group



Ruth Weanie
HR Director, HealthWork



Betina Afonso
Group Marketing Co-ordinator

Products

Marlowe's businesses are unified in providing services that promote a safe and sustainable future. All of our businesses are bound by the common purpose of protecting people, ensuring adherence to essential regulation and promoting environmental sustainability.



SIMON ARNOLD
Optima Health, CEO

“ Our mission is to empower our clients to bring out the best in their people, by actively managing their health and wellbeing. ”

Occupational Health

Organisations are in a strong position to be able to help people's mental health. Marlowe's occupational health offering has a very strong clinical governance base, meaning that what we put in place actually works for the employee.

There's still a strong stigma around mental health in the UK and we want to encourage people to step forward, making it vital that we at Optima Health are responsive and passionate on the issue. We offer 24/7 support for mild and moderate issues to critical incident support in response to traumatic events, ensuring that Optima Health is there for any issue an employee may encounter.



Smart Water Management

WCS Group uses technology to address not only its own environmental impacts, but those of its clients. WCS is the UK leader in assuring water systems are safe, efficient, sustainable and compliant, supporting more than 15,000 customers nationwide. By implementing practical and effective solutions such as steam boilers and cooling towers, which can be analysed for losses and leaks and, with the implementation of a pretreatment plan, we support customers in improving their water quality, maximising their water-use efficiency and reducing the proportion of untreated wastewater they create. The ultimate goal is to achieve net zero water usage where the amount of water used and returned to the original water source equals the buildings total water consumption.

Providing innovative solutions to environmental problems

The Group also works with customers to identify and control health hazards associated with water and air handling systems in buildings, protecting the health of employees in addition to providing environmental benefits. WCS Group is a member of the Legionella Control Association and publishes free publicly available advice on how to achieve water safety and efficiency.

Remote Building Monitoring

Elogbooks' 4D monitoring solution provides a real-time tool for optimising energy consumption of buildings, notification of non-performances and information on how to achieve further efficiency gains. This technology solution is reducing wastage and energy consumptions, as well as monitoring air quality, noise levels and waste in properties across the UK.

Environmental Consultancy

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

- Environmental impact audits (in accordance with ISO14001 environmental management)
- Energy Performance Certificates (EPC)
- Policy, Planning, Implementation & Monitoring of environmental strategies
- By scheduling software to optimise route efficiency, "miles travelled per customer" has fallen 26% p.a. since 2018 for WCS Group.



Health, Safety and Wellbeing

Marlowe's Occupational Health brands support the physical and mental health and wellbeing of three quarters of a million employees across the UK. By providing counselling services, health advice and routine medical clinics, we actively support health and well-being in the workplace and ensure safety risks are minimised.

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

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

4D^{Wi-Fi} monitoring

4D monitoring comprises several inter-related products designed to work in harmony – or independently – to maximise property energy efficiency, enhance the occupier experience through wellness and improved service quality, whilst delivering better value across your estate.

Up to
38%
average
energy savings
per site



Compliance and Regulation

Marlowe not only maintains robust internal governance, but our consulting and advisory services directly enable our customers to ensure compliance with rules and regulations. Our proprietary compliance risk management platform helps 50,000 users manage 12 billion sq. ft. With its core functionality in compliance management information, data management and action tracking across a suite of H&S and compliance risks. William Martin Compliance & Elogbooks and Prosure 360 assure the qualifications and credential for contractors and third parties working on our customer sites across the nation. Ensuring businesses across the UK have full visibility of the compliance of their properties to stringent regulations.

worknest

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

Innovation and Quality Management

We are committed to ensuring that our businesses achieve the highest standards of product quality, reliability and safety. We work in partnership with our customers, identifying, testing and introducing new ideas, technology, products and service opportunities which could support clients' changing business needs lead and deliver continued improvements in our product, service delivery and compliance. Our commitment to providing high quality services is formalised across many of our businesses where we operate ISO 9001 certified quality management systems. 100% of operations within the WCS Group and MFS Group have achieved ISO 9001 accreditation, plus 54% of Software Risk & Compliance and 55% of Healthwork. We support a preventative approach

to product and service safety, ensuring that everyone understands how to deliver quality excellence for our customers.

Customer Experience

Delivering great customer experience and satisfaction runs through the very DNA of our businesses and underpins everything we do. The longevity of our customer relationships relies on our deep understanding of the challenges our customers face, and how we can help solve them. Both the MFS and WCS groups are members of the Institute of Customer Service (ICS). The ICS is the UK's leading independent professional body for customer service, an organisation that works across all sectors to drive business performance through service excellence.

We are the first to admit we don't get everything right, and the ICS Business Benchmarking survey provides an independent assessment of customer satisfaction, which the businesses are using to drive improvements in the customer experience. Following the 2020 survey, MFSG implemented a new customer complaints resolution system that helps track and respond to complaints quickly as possible. The latest survey highlighted room for improvement in WCS's complaints handling process. As a result, a new process will be implemented in FY23 supported by training for all employees.

We are proud that the strong workplace culture that we foster and the benefits that this brings to both our employees and the communities has resulted in external recognition, with multiple industry awards received for excellence in technology and services such as Elogbooks awarded the Build Real Estate & Property Award for the Most Innovative CAFM & Service Desk Solution 2021; and Optima was awarded a Director Commendation in recognition of its "outstanding continued support to large Govt Agency during the Covid-19 pandemic, delivering essential health, wellbeing and psychological services and ensuring that the operational effectiveness of our front line officers has been maintained".

Planet

We are committed to reducing the environmental impact of our own activities and that of our supply chain. We firmly believe that every business needs to take ownership and be responsible in ensuring the sustainability of how we use our planet's precious resources.



BEATRIZ SHORROCK
Managing Director, Software Risk & Compliance,
Head of ESG Committee

“ Our businesses and employees already actively participate in measures to tackle climate change by reducing our CO₂ emissions and use of raw materials to mitigate our impact on the environment. ”

Tackling climate change

In recognition of the increasingly urgent need to address climate change and the requirement to develop a cohesive plan across the businesses, the Marlowe ESG Committee was created in late 2021 with senior representatives from across the business units. The first action was to implement a new Group level Environmental Management policy. The policy, which covers all our employees and contractors, outlines our approach to climate change action, with responsibility for adherence to the policy sitting with the board. The policy is being rolled out across all our businesses and is provided to employees along with an online ESG training course created by VinciWorks. All employees will be expected to comply with the policy and complete the training course to assist with us achieving our sustainability goals. The training will also be included as part of the induction process for new recruits.

Process of informing the board

Below is a high-level overview of how sustainability and climate related risk is incorporated into our governance and decision-making structure



GHG emissions

We are committed to reducing the environmental footprint of our own operations, and have set a Group target of achieving net zero carbon emissions (Scope 1 and 2) by 2035. Our businesses and employees already actively participate in measures to tackle climate change by reducing our CO2 emissions, energy use and use of raw materials. A number of businesses also have individual targets in place with action plans to achieve these:

Marlowe Fire & Security Group (MFSG) - has committed to reducing its direct (scope 1) greenhouse gas emissions by 10% per annum, and fuel consumption by 7% per annum between 2021 and 2025. Furthermore, by 2030, MFSG hopes to achieve the Climate Group EV100 commitment of reaching 100% of vehicles being electrically powered and from 2023 ensuring that 50% of new vehicles are fully electric or hybrid.

In 2021 MFSG committed to procuring all its energy from renewable providers for all premises. In addition, energy audits are completed at regular intervals and the company is fully comply with the Energy Savings Opportunities Regulations (ESOS) 2014. The Group is constantly looking for energy saving initiatives and ways to further reduce energy usage at all operational locations. The company has a long policy of replacing failed lights with low energy LED equivalents. During 2021 any remaining incandescent or fluorescent lights were changed to LED. In addition, all lights are operated through room occupancy sensors to reduce wasted electricity.

WCS Group – is taking decisive actions to ensure it is mitigating its impact on climate change and was the first division of Marlowe to be committed to being carbon neutral (net zero emissions) by 2035, and to achieve this target a pathway to success has been established with key activities and milestones planned.

WCS Group is working to increase the proportion of its fleet that is either electric or hybrid, whilst the traditional fleet's fuel consumption as well as the driving behaviour or staff is monitored, with the aim of reducing fuel consumption and emissions.

The business also actively manages the energy consumption within its offices, constantly looking for improvements and efficiencies. Certified renewable electricity is used across all sites which are under WCS control.

Healthworks – operates a cycle to work scheme in all regions, and company cars are either fully electric or hybrid. The company uses energy-saving lighting and equipment, and further reduces its carbon footprint by using local suppliers where possible.

Optima – has retrofitted energy efficient lighting in the Sheffield and Redditch office, and in Glasgow, the air conditioning has been placed on a timer to stop 24/7 running.

Environmental management and certification

Our businesses are committed to continually improving and promoting sound environmental practice. As well as committing to the company's compliance obligations, our platform businesses Marlowe Fire & Security Group, WCS Group, Ellis Whittam and William Martin Compliance Solutions all have Environmental Management Systems (EMS) accredited to ISO14001 international standard

The EMS identifies environmental responsibilities and the means for reporting environmental issues. The CEO has ultimate responsibility for the EMS and environmental policy.

No material environmental fines were received in FY2022 (FY2021: zero, FY2020: zero, FY2019: zero).

Emissions and energy use

We report our Scope 1 and 2 carbon dioxide emissions following the Greenhouse Gas protocol. Scope 1 and 2 emissions from Marlowe's activities are dominated by premises and transport.

The emissions and energy usage presented covers the operations of Marlowe Fire & Security Limited, which represents 60% of Marlowe Fire & Security Group (14% of Marlowe plc in FY22 by run-rate revenue). None of the wider Group's other UK subsidiaries are large companies and, therefore, are not obliged to report under SECR regulations. Accordingly, the Group has excluded data from these companies in its report. The parent company consumes less than 40 MWh of energy per year and is, therefore, exempt from providing full disclosure in this director's report.

In FY22, the reported emissions have decreased substantially following the implementation of several initiatives. In July 2020, an electric vehicle (EV) policy was launched with the delivery and replacement of diesel cars with EVs from that point on. In September 2020, the business moved to a new head office building which now only uses electric heating (no gas), in addition headcount attendance at the sites remained very low due to the ongoing impact of the COVID-19 pandemic.

GHG emissions^{1,2} (tonnes CO₂e unless stated)²

| | Year ended 31 March 2022 | Year ended 31 March 2021 |
|---|-----------------------------|-----------------------------|
| Scope 1 (tCO ₂ e) ³ | 964 | 2,617 |
| Scope 2 – market based (tCO ₂ e) ⁴ | 121 | 129 |
| Total scope 1 & 2 (market based) | 1,085 | 2,746 |
| Intensity ratio⁵ | 2.04 | 6.75 |
| Total scope 1 & 2 CO₂e per FTE (Tonnes) | | |
| Total Energy Consumption (KWh)⁶ | 4,786,554 | 8,061,485 |

1. The carbon reporting year for our GHG emissions is the 12 months to 31 March. The carbon reporting year is fully aligned to the financial reporting year covered by the Directors' report.
2. Reported emissions come from consumption of grid supplied electricity, self generated electricity, grid supplied natural gas, company owned and operated transport, privately owned transport for business use, LPG, light and heavy goods vehicles
3. Scope 1 (direct emissions): Emissions are those from activities owned or controlled by the organisation. Examples of Scope 1 emissions include emissions from combustion in owned or controlled boilers, furnaces and vehicles; and emissions from chemical production in owned or controlled process equipment.
4. Scope 2 (energy indirect): Emissions are those released into the atmosphere that are associated with your consumption of purchased electricity, heat, steam and cooling. These indirect emissions are a consequence of your organisation's energy use, but occur at sources you do not own or control
5. Intensity ratio calculations have been calculated based on the average number of employees in the year (FY22: 532, FY21: 407)
6. Energy consumption data is captured through utility billing metre reads or estimates.

We have set a Group target of being net zero carbon emissions* by 2035.

Water consumption

Although Marlowe is generally not a high water consumer, we understand the importance of water conservation and work to reduce consumption of water and improving our water management processes.

| | 2022 | 2021 |
|---|--------|--------|
| Freshwater usage (m ³) ¹ | 10,000 | 10,000 |
| Intensity ratio m ³ per £m revenue | 114 | 124 |

¹ Data for WCS Group which represents 33% on a run-rate revenue basis. Estimated based on annual water bills.

Recycling and waste management

We are committed to reducing the creation of unnecessary waste across our operations through the training and education of our workforce as well as the application of stringent approaches to avoiding creating waste where possible. We will reuse and recycle as much as we are able, and where waste is generated, we aim for zero waste to landfill.

In FY22, a number of businesses started to accurately measure waste data for the first time. Once the baseline is calculated, we aim to expand data collection over the next year, and will establish improvement targets over the next 3 years and develop our strategies to achieve these reductions.

2022 Waste management

| | Waste (tonnes) |
|--|----------------|
| Total non-recycled waste | 2.3 |
| Total recycled waste | 236.0 |
| Total Tonnes | 239.3 |
| Intensity ratio (tonnes per £m revenue) | 2.7 |

Data covers 100% of WCS Group's operations only, which represents 33% on a run-rate revenue basis.

Marlowe Fire & Security Group (MFSG) - recycles over 200,000 fire extinguishers and over 1,000,000 batteries annually. In addition more than 90% of its security system components are reused and recycled at the end of their life. Replacing components with energy efficient and sustainable products (for example where possible 240v are replaced with 24v to reduce energy consumption) is also a key activity in both MFSG operations and those of its customers.

In accordance with the WEEE directive MFSG embraces its responsibility for the management of electrical and electronic equipment waste created by its commercial activities. All electronic waste is collected, returned and recycled accordingly in partnership with its manufacturing partners.

WCS Group - is committed to the management of the chemicals produced throughout the product life cycle, including the provision of suitable information to customers, to minimize their adverse impacts on human health and the environment. WCS was one of the first UK specialist chemical manufacturers to achieve ISO 9001 and all its divisions are now certified to this standard.

The Group has recycling facilities at all its sites and minimises waste packaging where possible, and it has committed to sending zero non-hazardous waste to landfill by 2025, and to support this goal has already shifted the contract for office waste provisions to a provider that sends zero waste to landfill.

*Scope 1 and 2 GHG emissions

People

Talent attraction and retention have been one of the biggest challenges across a number of our businesses. “The Great Resignation” has caused an increase in employee turnover in certain divisions, whilst wage inflation and an increasingly competitive market impact recruitment. COVID continues to impact operations with increased employee absences through the requirement to isolate. Remote working has impacted the ability to hire and train staff as well as maintain motivation. That is why we have doubled our efforts to support our people, creating a working environment where our employees are actively engaged and part of our businesses’ success.



JENNIFER HULME
HR Director, MFS

“ We are committed to being a responsible employer and strive to create a working environment where our employees are actively engaged and part of our businesses’ success ”

A great place to work

We are committed to being a responsible employer and strive to create a working environment where our employees are actively engaged and part of our businesses’ success. We understand that there is a direct correlation between engaged employees and a high-performance culture. Those that feel valued and understand how they contribute to the success of the business will continue to deliver excellent results.

Across our businesses we appreciate that some of the best ideas can come from any level of the organisation. Regular employee engagement surveys and employee forums are just two of the ways that we encourage effective two-way communication and ensure employee views are listened to when shaping the future of our businesses.

We require all our businesses to safeguard the contractual and statutory employment rights of their respective employees. Our employees are entitled to freedom of association, and all doctors within the Occupational Health business are part of the British Medical Association (BMA).

WCS Group achieved IIP Silver status in FY22.

Reward and recognition

Our businesses offer comprehensive benefits packages and flexible working arrangements as appropriate to ensure we attract and retain the right talent. Marlowe PLC and each of its businesses pay 100% of UK employees at least the national living wage and offer all employees within the UK the opportunity to work at least 15 hours per week. Our approach to people management has always ensured that the company enjoys a high rate of staff retention. Voluntary employee turnover to year end 31 March 2022 was 19% (2021: 20%).

Opportunities exist across our businesses for employees to discuss career development with their direct managers, and each business encourages internal applications for open positions.

Save as You Earn - Marlowe operates a Save As You Earn ("SAYE") scheme to fulfil our desire for employees to be able to share in the future performance and success of the Group. The scheme is open to all employees with more than three months of continuous service. This is an approved HMRC scheme and was established in September 2020, with an uptake of more than 600 employees in 2021 (at a price of £7.25).

Healthcare benefits – Annual Health Checks are available to some employees, as are annual flu jabs. Depending on the company, staff also have the option to join private healthcare schemes.

Diversity and inclusion

Marlowe PLC is committed both as an employer and as a provider of services to businesses and the wider community, to promoting diversity, equal opportunities and non-discrimination. We recognise that equal opportunities will help staff develop to their best potential which is in the best interests of the company, staff and customers. We ensure that entry into, and progression within the Group is based solely on aptitude and provide a working environment where everyone is treated with equality, dignity and respect, free from harassment, bullying and discrimination.

In Q1 2022, a new Group level Diversity and Inclusion policy was approved by the Board of Directors. The policy, which will be reviewed and approved on an annual basis by the Nomination Committee, can be found on our website. The policy outlines our approach to ensuring that none of our staff, job applicants or customers are discriminated

against on the grounds of race, ethnicity, sex, gender, sexual orientation, disability, gender reassignment, religion, political opinion, marital status, pregnancy or maternity, age, trade union membership, nationality or sensitive medical condition. Allegations of discrimination are taken very seriously and will be rigorously investigated, where appropriate these will be escalated for further action and formal disciplinary practices will be followed, up to and including dismissal.

Ways we champion diversity

We want to be recognised as a company of choice, as both employer and provider, to increase talent attraction, retention and promotion. Marlowe PLC leads the businesses by example, starting at Board level. Board appointments are made by the nominations committee, with decisions made based on the value, experience and relevance an individual can bring to the business. Key to this is ensuring diversity in all its forms including views, background and gender. During FY2022, we added two new non-executive directors to the Board, both of which were female. As at 31 March 2022, there was 29% female representation on the board; and the Chair of the Audit Committee, one of the most important positions on the Board, is female.

Gender diversity at Board level

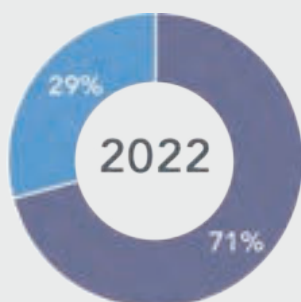
| | Male | Female |
|------------------|-------------|------------|
| At 31 March 2022 | 5 (71%) | 2 (29%) |
| At 31 March 2021 | 5 (100%) | 0 (0%) |
| At 31 March 2020 | 5 (100%) | 0 (0%) |

A range of initiatives are in place to ensure we fully embrace equality in all of its forms:

Training - Diversity, Inclusivity and Equality e-learning: Marlowe provides its 3,000 staff access to in-house e-learning courses. Through effective education we endeavour to remove social stigmatisms or stereotypes that effect the way we respond to others, allowing our workforce to operate free from discrimination. We also share our proprietary developed content to 1 million+ users internationally. Raising awareness and educating people around the world of key issues affecting people today.

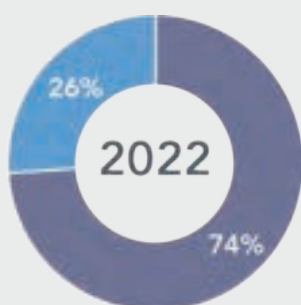
GENDER DIVERSITY

At board level



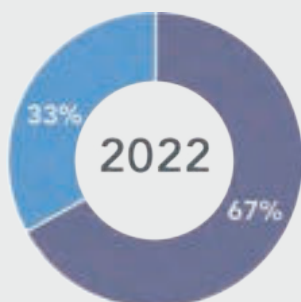
● Female (2) ● Male (5)

Executive management



● Female (17) ● Male (48)

Senior management



● Female (99) ● Male (202)

All data as at 31 March 2022

Employee led committees - Equity, Diversity & Inclusion and LGBTQ+ committees have been established by our employees. The committees focus on cultivating Marlowe as an inclusive, transparent and welcoming environment that encourages diversity of thought and where everyone feels a sense of belonging and is supported by their colleagues.

Certification - MFSG will aim, by 2025, to have achieved BS 76005, Valuing People through Diversity and Inclusion, a British Standard accreditation which recognises the importance of creating a business that has more inclusive policies, procedures, practices and behaviours. We believe that taking steps to create a fairer and more dignified place to work is in the best interest of not just our employees, but for our customers and suppliers.

MFSG will also seek accreditation with Investors in People in 2022, with the aspiration to achieve Group level accreditation by 2025.

Flexible working - To promote a quality work-life balance, many of the Marlowe businesses have implemented a flexible approach to accommodate employee's personal circumstances and help employees achieve a greater work-life balance. Applications for career breaks, job sharing and flexible working patterns such as shortened working days and flexible hours to encourage parents to return to the workplace are all considered. Enhanced maternity and paternity pay have also been introduced by Software Risk & Compliance.

Cultural sensitivity - We strive to ensure diversity and inclusion is at the forefront of how we run our businesses, celebrating significant religious festivals such as Eid, Ramadan and Diwali with our colleagues.

Targets - A number of businesses are defining targets to achieve greater diversity in the workplace. WCS Group has already set a target to recruit at least 10% of its workforce from diverse backgrounds. During FY22 it achieved 35%.

Example table: Gender diversity statistics at 31 March 2022

| | | | FY22 |
|----------------------|----------------|----------------|-------|
| | Male | Female | Total |
| Executive Management | 48 (73.98%) | 17 (26.02%) | 65 |
| Senior Management | 202 (67.2%) | 99 (32.8%) | 301 |

Gender pay gap reporting

The gender pay gap indicates the percentage difference in the mean and median base and bonus pay between all men and women in the workforce. Gender pay gap reporting legislation in the UK requires employers with 250 or more employees to publish information every year indicating the pay gap between their male and female employees.



Talent and Career Management

Skills development

Our businesses are proactive in anticipating short and long-term employment needs and skill requirements to ensure their continued success. We invest in our people and systems to ensure that we have the correct training, tools and expertise to enhance our services and to promote career development. The DeltaNet Astute Platform is used to provide training across our businesses. All new employees are required to complete mandatory training and certain staff must complete mandatory training annually in areas such as Health & Safety, Diversity & Inclusion, GDPR, and IT Security. Throughout FY2022, 74% of our employees received training

Marlowe prides itself on developing great leaders of the future, our people managers are appointed because of their demonstrable traits of Energy, Integrity, Empathy and Execution. Those new to management are enrolled in a management training package on the Deltanet platform. In addition, a number of Leadership programmes are in place. All MFSG business leaders complete its Leadership Excellence training; WCS Group launched its Management Development programme in FY22; and also in FY22, 40 Optima employees completed Line Manager Training and a further 89 people completed its Leadership Development Programme.

Employees across all our businesses complete an annual or biannual performance appraisal process. The businesses aim for 100% compliance with the appraisal process, and this is monitored by the senior leadership teams. The percentage of employees who received an annual performance evaluation in FY22 was 77% (FY21: 79%).

Marlowe supports the internal promotion of our employees to facilitate and acknowledge their ongoing career development. MFSG measures and sets annual targets to ensure its loyal staff are rewarded with a robust career path, It is proud to state that 6.5% of its staff were promoted from within in 2020. The number did drop to 2.7% in 2021 – a reflection of recruitment challenges and increased headcount due to new contract wins. . Corestream recently restructured its roles to give staff the opportunity to shape their career path, and also to help identify training needs. And within Software Risk & Compliance, all vacancies are advertised internally allowing all employees the opportunity to apply for an internal promotion. This has resulted in 11 internal promotions within the last six months.

Apprenticeships and graduate programmes

Attracting and developing talent is a critical for our business success and supporting apprenticeships and graduate placements is core to this. As with the decentralised business model, there is no central graduate or apprenticeship programme, rather each business builds a programme most relevant to its requirements. Marlowe Plc for example has an annual summer internship programme; Healthwork currently has four apprentices in finance, HR and Customer Services. The apprenticeship programme has been run over the past ten years with 50% still working in the company and two now in senior leadership roles. Software Risk & Compliance aims to have eight apprentices in place by the end of 2022 and is currently sponsoring an intern through a Masters degree.

Community partnerships

Marlowe aims to act as a good corporate citizen wherever it operates, and we will support local, regional, and national communities in appropriate ways. Marlowe, both as a company, and alongside our staff, has for a long time supported a number of charities and raised funds for a number of good causes, and shall continue to do so.

Most businesses have a principal charity that they support on an ongoing basis. For example Melrose head office has supported TrailBlazers charity - a charity aimed at reducing re-offender rates through mentoring efforts for a number of years; the WCS Group supports SARA (Severn Area Rescue Association), a volunteer lifeboat and inland search and rescue charity, with 7 lifeboat and rescue stations along the length of the River Severn; and Core Stream donates to the World Land Trust every month, to plant trees in deforested areas.

MFSG established the Marlowe Charitable Fund (MarFund) in 2018. During the two years 2018 to 2020 the Marlowe team raised almost £18,000 for our nominated charity Cancer Research UK. During 2021 it was decided to shift focus to support charities that are closely linked to our team members or reside in the locality of our offices. During 2021/11, MarFund donations totalled £6,300. The budget for charitable donations will gradually increase to £25,000 per year by 2026, with the charities or community projects benefiting from the scheme voted for by MFSG team members.

We recognise that many employees have commitments outside of the workplace that help make the communities they live in a better place. Those communities rely on businesses to support volunteering work. Marlowe favourably considers all requests for time off to support community events, charitable activity and other volunteering work. This policy will continue indefinitely. We actively budget for a number of paid volunteer hours every year and promote this internally.

Health, safety and wellbeing

Safety first

Marlowe PLC is committed to providing our people with a safe and healthy work environment. We work continuously to improve health, safety and wellbeing for all employees and persons that that may be affected by our operations.

We strive to minimise the risk from any hazards that could cause accidents or impair the health and well-being of our employees. The Group has well established and robust processes to identify and minimise the risk of death or injury including training, detailed risk assessments and accident reporting procedures. Where required, we issue all employees with adequate personal protective equipment to further ensure their safety. Applying this preventative approach, we are committed to reducing the number and severity of work accidents that occur at Marlowe.

Health and Safety management framework

The decentralised business model means that each business is responsible for creating and maintaining their own safe and healthy workplaces, implementing best practice and maintaining a robust culture of health and safety awareness, training and performance. Employees are encouraged to report all accidents and incidents whether injury or damage is caused or not, and to report any unsafe or potentially unsafe conditions.

During FY22, WCS Group achieved ISO 45001 certification for all of its operations. It also received the Royal Society for the Prevention of Accidents (ROSPA) Gold award for its commitments to the health and safety of its people, customers and sub-contractors, and achieved CHAS Elite status for all the Group. Optima also achieved recertification of its operations in ISO 45001 and ISO 14001 in FY22. Across the Group, 45.6% of our businesses have achieved ISO 45001 accreditation.

MSFG is a member of the ROSPA and the business regularly monitors its safety performance including monitoring incidents and near misses.

Safety performance

We are committed to a culture of continuous improvement, adapting procedures and processes to protect staff and

customers. Our goal is to have zero significant lost time accidents. There have been no work-related fatalities for employees or contractors since the Group was incorporated in 2015.

Health and wellbeing

Marlowe is committed to promoting the mental health and wellbeing of our employees by reducing stress and promoting a positive working environment. Mental health awareness is a fundamental priority at every level of the organisation, and we recognise our growing responsibility in supporting our employees through challenges in their lives. Marlowe aspires to encourage a positive culture enabling people to open up about their health and wellbeing. A number of initiatives are in place across our businesses:

Employee Assistance Programmes (EAP) are available to employees across multiple businesses. These provide support to employees on a range of health issues including mental health, with assistance provided through a range of mediums ranging from online support to more traditional counselling services and GP advice.

Mental health first aiders are also on hand for confidential support and advice within a number of companies.

Mental Health and Wellbeing committees are also in place within a number of businesses such as WCS Group.

And MSFG and Software Risk & Compliance have implemented a proprietary **lone working communications system** "Connect Me" which tracks the location of all lone workers and their current activity status in recognition of the risks to those employees that work remotely and alone.

Driving is regarded as one of the highest risk areas for MSFG's mobile workforce. In 2020 the business implemented a **safe driving assessment** and training tool for all company vehicle drivers. In addition, a driver management system called "Lightfoot" has been installed in all company vans. This vehicle software enables us to encourage positive driving behaviour, which in turn saves fuel, reduces emissions, helps mitigate the risks associated with driving and continuously improve employee and other road user safety.

Response to COVID-19 (2021)

The COVID-19 pandemic has demonstrated that our people can often work just as effectively from home as they can from the office. Our employees are critical to the continued success of the Group, and our entire team has displayed exemplary dedication and resolve during these challenging circumstances. Many of those who were required to work from home have expressed an interest in being able to continue to do so, either permanently or with some flexibility. In this changed environment this may be the "new normal" and as such, Marlowe is embracing this cultural shift.

MFSG Group Health & Safety Pillars

We follow our safety processes, rules and procedures

We promote health and wellbeing, in and outside of work

We only undertake the work which we are competent and qualified to do

We look out for each other and work as a team

We think before we act - Assess and control the risks

Governance

At Marlowe, we exercise a robust internal governance, risk management and compliance framework that is supported by regular internal audit, public disclosure, and external audits in conformance with the Quoted Company Alliance (“QCA”) Corporate Governance Code.

The Code of Ethics and Group compliance policies, which can be found on our website have been approved by the Board of Directors. Business ethics form a mandatory topic at each of Marlowe’s operational board meetings.

Anti-bribery and corruption

We take a zero-tolerance approach to bribery, corruption and other unethical or illegal practices. We are committed to acting professionally, fairly and with integrity in all business dealings and relationships, within all jurisdictions in which we and our businesses operate. Marlowe requires its businesses to adopt high governance standards, conducting business responsibly, sustainably, and in the pursuit of long-term success for the collective benefit of stakeholders. This is outlined in our anti-bribery and corruption policy, which is implemented and administered throughout the Group, and available on our website (<include link>). During FY2022, no employees were disciplined or dismissed due to non-compliance with the anti-bribery and corruption policy (FY2021: zero, FY2020: zero).

Marlowe prohibits lobbying involvement and political involvement of any kind (including the making of political donations) across the Group.

Whistleblowing

Marlowe PLC encourages a “speak-up” culture amongst its staff and commits that any employee who raises concerns about illegal or unethical organisational behaviour will be treated with respect, confidentiality and will experience no detriment as a result. In May 2022, Marlowe PLC launched a Group-wide whistleblowing platform, available to all employees which can be accessed via a multi-lingual online portal, together with local hotline numbers that are available 24/7. Issues concerning possible wrong-doing in any aspect of their business, including financial and non-financial matters can be raised confidentially and anonymously. The whistleblowing platform and policy is overseen by the Audit Committee and supported by the Marlowe senior management team, and ultimately reported to the Board. Any whistleblowing cases will be regularly reported to the Audit Committee and ultimately, to the Board.

The business undertakes several measures to bring awareness to employees of the whistleblowing platform, including providing training to workers at all levels within the organisation in relation to whistleblowing law and the company’s policy on disclosures.

Modern slavery and human trafficking

Marlowe PLC does not believe there is any place in today’s world for slavery or human trafficking. We are committed to continually improving our practices to combat slavery and human trafficking and to encourage the same high standards from our supply chain and other business partners.

As set out in the Marlowe Modern Slavery Policy Statement, the Group has a zero-tolerance position on violations of anti-human trafficking and anti-modern slavery laws in accordance with the UK Modern Slavery Act 2015. The Statement is approved by the Board annually and can be found on our website.

Human rights

We are committed to acting in an ethical manner with integrity and transparency in all business dealings, and to create effective systems and controls across the Group to safeguard against adverse human rights impacts. The Group has a strong culture of ethics, which encompasses key human rights considerations. The Group supports the principles set out in the UN Declaration of Human Rights.

Our businesses also implement effective and proportionate measures to identify, assess and mitigate potential labour and human rights abuses across their operations or supply chains. These include training, modern slavery policies, employee handbooks and business-specific policies. All business-specific policies are reviewed locally within each business in order to ensure compliance with local laws and standards as a minimum.

There have been no violations reported on human rights by our businesses in FY22 and for the previous two years.

Information security and cyber protection

Marlowe strongly respects privacy and seeks to minimise the amount of personal data that it collects, as well as ensuring the robust and sufficiently segregated storage of any data that is held.

In line with other businesses, the Group is subject to increased frequency and sophistication of security and cyber threats, and we recognise that the Group must be protected from potential exposure. Any loss of systems and/or data could cause a disruption to service delivery, impacting on reputation, involving significant rectification costs and potential regulatory action or legal liability. The Group benefits from well-established operating processes and procedures including systems and data security and disaster recovery. A number of our businesses are certified to ISO 27001 (representing 49% of the Groups operations).

The Group CTO has overall responsibility for the Groups policies, controls and procedures which are kept under constant review. All employees receive regular training including a cyber awareness programme.

Responsible procurement

We are committed to ensuring that our businesses source raw materials and manufacture products in a responsible, ethical and sustainable manner. This applies to our businesses’ global supply chains and is important in mitigating the risk of supply chain shocks.

In line with our decentralised model, while the Board retains oversight of supplier-related Group policies that

have applicability across the Group, responsibility for the implementation and management of all supplier-related policies rests with divisional management. The Group supports its businesses in implementing and managing such policies across their respective supply chains, in line with the nature and geographical representation of their supplier base.

Our Group level Responsible Procurement policy can be found on our website.

Tax Transparency

Marlowe PLC is committed to paying taxes that are due, complying with all applicable laws, and engaging with all applicable tax authorities in an open and cooperative manner. The Group does not engage in aggressive tax planning. The Group’s Tax Strategy is reviewed, discussed and approved by the Board annually. The Audit Committee periodically reviews the Group’s tax affairs and risks.

The Group has adopted a policy in respect of the prevention of the facilitation of tax evasion which has been implemented by the businesses, with guidance on undertaking risk assessments and training to employees in relevant roles.

The Group does not reside in countries considered as partially compliant or non-compliant according to the OECD tax transparency report, or in any countries blacklisted or grey listed by the EU, for the purposes of tax avoidance and harmful tax practices, per the latest lists released as at 24 February 2022.

Directors' duties

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

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

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

Risk management

The Group recognises the importance of identification, evaluation and management of risk. The nature of our services in assuring regulatory compliance for our customers ensures that risk management is embedded within the culture of the Group. All our businesses maintain risk registers which are reviewed by divisional management and the Group's Executive Director's at least once a year. Details of the principal risks and uncertainties of the Group are set out on pages 54 to 55. The Group's statement on going concern is included in the Directors' Report on page 58.

Employees

The Group is committed to being a responsible employer and strives to create a working environment where its employees are actively engaged and part of its success. Diversity, inclusivity and equality e-learning initiatives coupled with employee questionnaires and surveys ensure our staff are rewarded for excellent performance and their views are listened to when shaping the future of our businesses.

Further details of the Group's commitment to employees is included on page 21 of the Group's Environmental, Social and Governance Strategy and in the Directors' Report on page 58.

Business relationships

The Group understands the value of maintaining and developing relationships with its customers and suppliers, as it is these strong relationships which underpin its current and future growth. The Group's investment proposition on pages 12 and 13, and Environmental, Social and Governance Strategy on pages 36 to 51 provide further information on how the Group's strategy seeks to solidify these relationships.

Community and environment

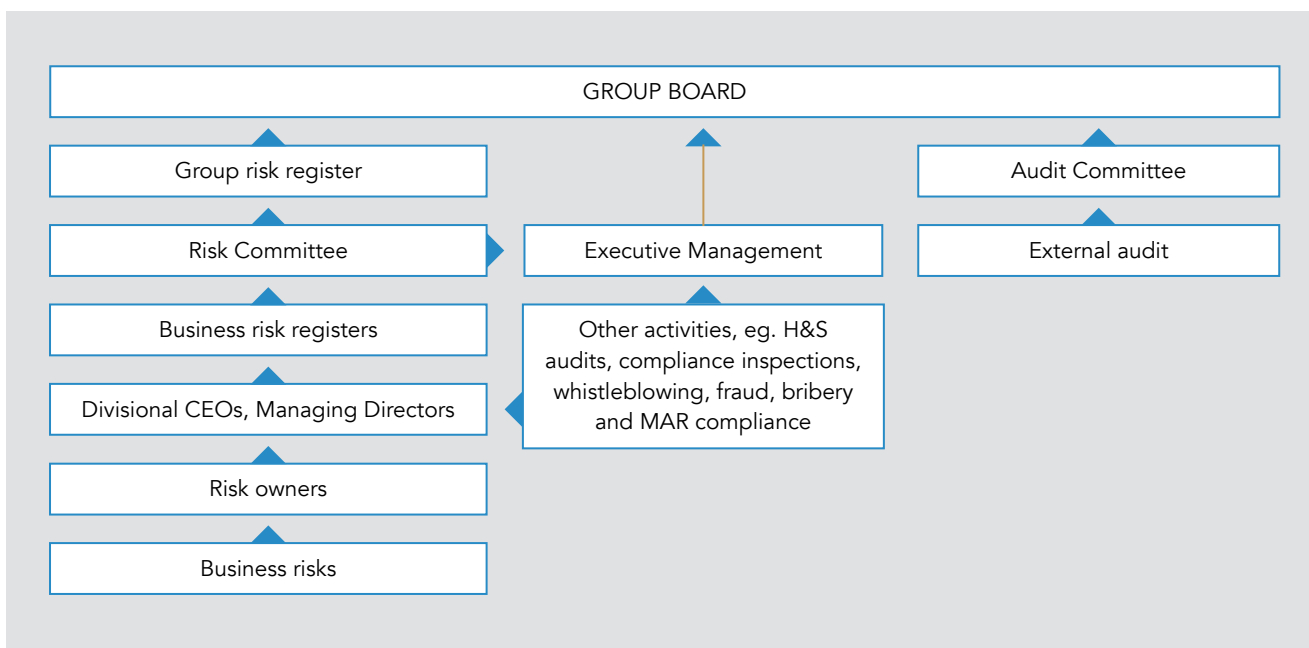
The Group acknowledges the significance of maintaining and improving the quality of the environment in which we live and work in. Further information on how the Group interacts with its community and its environment can be found in the Group's Environmental, Social and Governance Strategy on pages 36 to 51.

Shareholders

The Board is committed to openly engaging with its shareholders to understand their needs and expectations. It is vital our shareholders understand the Group's strategy and objectives and that the Board are able to receive feedback on a regular basis. By understanding the requirements of the shareholder base the Group is able to refine its business strategy to ensure maximum value is delivered. Further details on how shareholder engagement is maintained is outlined in the Corporate Governance Statement on page 60.

Risk management

Marlowe's Board has overall responsibility for the evaluation of the Group's risk management process which is combined with an active responsibility from all levels of leadership across the Group.



Risk management framework

The Risk Committee is responsible for reviewing the effectiveness of the Group's risk management processes and for reviewing and maintaining the Group's risk register.

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

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

Progress made during the year

Having demonstrated a swift and effective response to the COVID-19 pandemic the Group has seen any risks associated with the virus reduce during the year. At an operational level the war in Ukraine has had no impact on the business or its supply chain except for the increased cost of utilities and fuel which are not a significant part of the Group's cost structure. The Group has continued to access the Capital markets to fund the execution of its growth strategy and the significantly increased scale and underlying cash generation of the Group today goes a long way to mitigating the limited risk that any market uncertainty may reduce or slow down the execution of the growth strategy. Another example of the benefits of scale can also be seen in the impact of the Group CTO role which commenced in the last quarter of the prior year and brought greater collaboration and adoption of best practice in our IT services and software development. The Risk Committee has reviewed the principal risks and uncertainties affecting the Group and these are highlighted on the following pages.

Principal risks and uncertainties

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

| Risk | Potential impact | Risk mitigation |
|--|--|--|
| Natural disaster, pandemic or major incident | A pandemic, war or other natural disaster, resulting in a national lockdown or other factors impacting on the ability of the Group to deliver service. | The Group has full and detailed disaster recovery plans in place, including technology to support remote working and revised operating procedures to minimise the impact on its ability to continue to the provision of services. |
| Acquisition strategy | As the Group continues to pursue acquisitions as part of its overall growth strategy, overpaying for an acquisition, underestimating the time and resources to integrate an acquired business or the failure to properly integrate or to realise the anticipated benefits from acquisitions could have a negative impact on performance. | All transactions are subject to strict investment criteria and require Board approval. Extensive due diligence is carried out prior to any acquisition. The Group has a strong track record of successful acquisitions and integration of acquired businesses. The Group's integration processes are well defined and are carried out by experienced and dedicated resources and management teams. |
| Dependence on key personnel, retention of operational staff | The Group's ability to deliver against its strategy is dependent on the skills, experience and performance of its key personnel. Failure to attract, retain and motivate technical and managerial personnel could impact on performance. | Remuneration and benefits, including long-term incentives are regularly reviewed and designed to be competitive and attract, motivate and incentivise key personnel. Succession planning for key roles in undertaken across the Group. As the group has increased in scale the risk associated with loss of key personnel has reduced. |
| Damage to reputation | A major incident, inadequate service delivery or major system failure could expose the Group to reputational damage resulting in a loss of business or impacting on the ability to attract new customers. | The Group has well established processes and procedures to ensure service standards are maintained. These include full compliance reporting processes and auditing of service delivery standards. |
| Health and safety incident | Some of the Group's operations involve physical labour, use of machinery and take place in locations where there is potential for harm. Death or injury to an employees, customer or member of the public could result in reputational damage, bad publicity, an insurance claim and potential financial impact. | The Group has well established and robust processes to identify and minimise the risk of death or injury including training, detailed risk assessments and accident reporting procedures. The Group also maintains insurance to mitigate any financial risk. |

| Risk | Potential impact | Risk mitigation |
|---|---|--|
| Compliance with regulations and changes in legislation | The markets in which the Group operates are subject to a range of environmental, health and safety and other regulatory requirements. Failure to comply with these requirements could result in the suspension of certain activities or lead to fines or otherwise impact on the business. | The Group is very aware of its regulatory requirements and this is given the highest importance across the organisation. The Group employs regulatory specialists and compliance teams to maintain standards. |
| Information security and cyber protection | In line with other businesses, the Group is subject to the increased frequency and sophistication of cyber-attacks. Inadequate internal controls and procedures could lead to a data breach or loss. Any loss of systems and/or data could cause a disruption to service delivery, impacting on reputation, involving significant rectification costs and potential regulatory action or legal liability. | There is excellent awareness across the Group of this risk and focus on ensuring systems and processes are in place to ensure any risk is minimised. The Group CTO has been in post for over one year and has overall responsibility for the Group's policies, controls and procedures which are kept under constant review. All employees receive regular training including a cyber awareness programme. |
| Software systems and digital technology | Software and digital technology are key differentiators and are central to our product offering, customer interaction, service planning and delivery. Failure to invest or maintain software and systems, the loss of systems and/or data or poor system performance could cause a disruption to service delivery, impacting on performance with a potential financial impact. | The Group has a clear digital and software strategy and has significant resources focused on the continuous development and maintenance of all software solutions and operational systems. The Group CTO has overall responsibility for the implementation of the Group's digital strategy. The Group benefits from well-established operating processes and procedures including systems and data security and disaster recovery. |
| Competition | Increased competition, failure to meet changing customer demands or failure to innovate could result in lower customer retention and impact on growth leading to lower revenue and profitability. | The Group has low customer concentration and high service standards leading to low customer attrition. It has clear focus on developing and maintaining relationships with key customers. |
| Liquidity | Poor financial performance resulting in failure to meet banking covenants, reduced appetite from banks to lend or the inability to raise equity could result in insufficient funding to meet the needs of the business and to enable the continuation of the strategy. | All of the Group's businesses benefit from high levels of recurring revenue and good revenue visibility. The Group maintains strong financial controls, a conservative approach to leverage and a proactive approach to investor relations. |

Board of Directors

As at 31 March 2022

The Company is led by an established Board of Directors with strong track records in value creation and years of experience in running large quoted and private businesses across B2B service sectors.



ALEX DACRE
Chief Executive

Alex Dacre has a background in the quoted B2B services sector and an expertise in executing buy-and-build growth strategies. Prior to founding Marlowe, he directed Impellam plc's corporate development activities.

During an 18-month period of acquisitions, Impellam saw its market capitalisation more than double to over £400 million and it became the UK's second largest temporary staffing business.

Prior to this, he worked with Charles Skinner to turn around AIM-listed Restore plc into one of the UK's leading office services companies and the leading consolidator in the document management and commercial relocation sectors.



ADAM COUNCELL
Chief Financial Officer

Adam Councill has extensive experience in B2B services and acquisition-led growth strategies.

He was CFO of Fuller, Smith & Turner plc, the pub and hotels business, and he was also CFO at Restore plc from 2012-2019, where he played a leading role in the development of the group into a leading office services provider.

Prior to this, Adam spent nine years at Rentokil Initial plc.



KEVIN QUINN
Non-Executive Chairman

Kevin Quinn joined the Board on 4 December 2018 as a Non-Executive Director and Chairman Designate and assumed the role of Chairman on 1 April 2019.

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

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



CHARLES SKINNER
Non-Executive
Director

Charles Skinner was until his retirement on 31 March 2019 Chief Executive of Restore plc, the AIM-listed UK leader in document management and business relocation services. Under his leadership its market capitalisation grew from £1 million to in the region of £600 million in 2018.

He was previously Chief Executive of Johnson Services Group plc and Brandon Hire plc, prior to which he was at SG Warburg, 3i plc and was Editor of Management Today.

Charles has 20 years' experience as Chief Executive of quoted companies, all operating in the business-to-business services sector.



GILLIAN KENT
Non-Executive
Director

Gillian Kent has an executive career of over 25 years in digital businesses with functional experience in building markets and brands for products and services.

She was previously Chief Executive of Propertyfinder, the real estate portal and spent 15 years with Microsoft, including three years as Managing Director of MSN UK.

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



PETER GAZE
Non-Executive
Director

Peter Gaze was the Chief Financial Officer and a Director of BCB Holdings Limited and of Waterloo Investment Holdings Limited.

Peter was an executive at ADT Group plc during its expansion in the UK and US, in the period leading up to its acquisition by Tyco International for £3.7 billion in 1997.



RACHEL ADDISON
Non-Executive
Director

Rachel Addison was recently the Chief Financial Officer at Future plc, and before that at TI Media Limited. She also held a number of senior financial, operational and board level roles at Trinity Mirror (now Reach) Regionals, Local World Limited and Northcliffe Media Limited, as well as a variety of other businesses.

Rachel is a Chartered Accountant and chairs the Audit Committee.

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

Directors' report

For the year ended 31 March 2022



MATTHEW ALLEN
Company Secretary

The Directors submit their report and the financial statements of Marlowe plc for the year ended 31 March 2022

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 8 to 11 includes a review of the business, the Group's trading for the year ended 31 March 2022 and an overview of future developments.

Principal activities

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

Results and dividend

The Group's results for the year ended 31 March 2022 are set out in the consolidated statement of comprehensive income on page 78. The profit before tax for the year was £5.9 million (2021: loss of £1.6 million).

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

Directors

The following Directors have held office during the year:

Alex Dacre (Chief Executive)
Adam Councill (Chief Financial Officer – Appointed 5 October 2021)
Mark Adams (Group Finance Director – Resigned 5 November 2021)
Kevin Quinn (Chairman)
Charles Skinner (Non-Executive Director)
Peter Gaze (Non-Executive Director)
Rachel Addison (Non-Executive Director – Appointed 1 November 2021)
Gillian Kent (Non-Executive Director – Appointed 17 February 2022)

The biographical details of the Directors are given on pages 56 to 57.

Directors' remuneration, long-term incentive plans, pension contributions and benefits are set out in the Directors' Remuneration Report on pages 65 to 68.

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

Share capital

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

Substantial shareholdings

At 31 March 2022, the Company had been notified of the following interests amounting to 3% or more of the Company's issued share capital:

| | Number of 50p ordinary shares | Percentage of issued share capital |
|--|-------------------------------------|--|
| Lord Ashcroft | 11,877,361 | 12.40% |
| Canaccord Genuity Wealth Management | 7,436,375 | 7.76% |
| Capital Research Global Investors | 6,904,878 | 7.21% |
| Slater Investments | 6,034,759 | 6.30% |
| Alexander Dacre | 4,680,502 | 4.88% |
| Standard Life | 4,384,500 | 4.58% |
| Columbia Threadneedle Investments | 3,242,447 | 3.38% |
| AEGON Asset Management | 2,977,429 | 3.11% |

Employees

The Directors believe that the Group's people are its most important asset. Our policy is to employ the best people irrespective of race, gender, nationality, disability or sexual orientation. Consultation with employees or their representatives occurs at all levels, with the aim of ensuring their views are taken into account when decisions are made that are likely to affect their interests. Further information on how directors have engaged with employees is given in our Environmental, Social and Governance Strategy on pages 36 to 51 and Directors' duties on page 52.

Business relationships

Information on how the Company has engaged with suppliers, customers and business relationships is detailed in the Directors' duties on page 52.

Emissions and energy use

The Company's Streamlined Energy and Carbon Report for the financial year is included in our Environmental, Social and Governance Strategy on page 43.

Disabled employees

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

Health and safety

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

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the reporting period and these remain in force at the date of this report.

Qualifying third party indemnity provisions

The Company has made qualifying third party indemnity provisions for the benefit of its Directors during the reporting period and these remain in force at the date of this report.

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 £33,000 were made by the Group for charitable purposes during the year (2021: £9,000). The Group does not make political donations.

Statement as to disclosure of information to auditors

The Directors in office on 21 June 2022 have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware. Each of the Directors have confirmed that they have taken all steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor.

Post balance sheet events

Details of post balance sheet events are given in note 35 to the financial statements.

Annual General Meeting

The notice of the Annual General Meeting, scheduled to be held on 14 September 2022, will be communicated separately to the Annual Report.

Going concern

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the next twelve months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements. Further detail on the basis of our going concern assessment is set out on in note 2 to the financial statements.

Approval

This Directors' Report was approved on behalf of the Board on 21 June 2022.



Matthew Allen

Company Secretary
30 June 2022

Corporate governance statement

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

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

The Board of Directors

The role of the Board is to establish and develop the corporate strategy in order to deliver long-term shareholder value and it is responsible for the overall management and control of the Group. The Board currently comprises of two Executive Directors and five Non-Executive Directors (including the Chairman). The roles of the Chairman and the Chief Executive are separated, and their responsibilities are clearly defined. The Chairman is responsible for leadership of the Board and ensuring its effectiveness while the Chief Executive is responsible for the day to day running of the Group’s activities. The Board retains a range of commercial and financial experience and there is a good balance of skills and knowledge of both the Group and the sectors in which it operates.

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





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

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

Board Committees

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

The Audit Committee comprises of the Chairman and Non-Executive Directors and is chaired by Rachel Addison (Peter Gaze prior to Rachel's appointment in November 2021). The Committee is responsible for monitoring the integrity of the financial statements of the Company, advising on appropriate accounting policies and reviewing management judgements, reviewing effectiveness of internal control and approving the external audit plan and reviewing the effectiveness of the external auditor.

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

The Remuneration Committee comprises of the Chairman and Non-Executive Directors and is chaired by Gillian Kent (Charles Skinner prior to Gillian's appointment in February 2022). Its report is set out on pages 65 to 68.

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



Number of meetings attended during the year ended 31 March 2022

| | Board Total: 8 | Audit Committee Total: 2 | Risk Committee Total: 1 | Remuneration Committee Total: 5 | Nomination Committee Total: 2 |
|--|-------------------|--------------------------------|-------------------------------|---------------------------------------|-------------------------------------|
| Executive Directors | | | | | |
| Alex Dacre | 8 | 2 | 1 | - | - |
| Adam Councill (appointed 5 October 2021) | 4 | 1 | - | - | - |
| Mark Adams (resigned 5 November 2021) | 5 | 1 | 1 | - | - |
| Non-Executive Directors | | | | | |
| Kevin Quinn | 8 | 2 | 1 | 5 | 2 |
| Charles Skinner | 8 | 2 | 1 | 5 | 2 |
| Peter Gaze | 8 | 2 | 1 | 4 | 2 |
| Rachel Addison (appointed 1 November 2021) | 2 | 1 | - | - | 1 |
| Gillian Kent (appointed 17 February 2022) | 1 | - | - | - | - |

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

**Relations with shareholders**

The Chief Executive and Chief Financial Officer 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.

Letter from the Remuneration Committee Chair



GILLIAN KENT
Chairman of the Remuneration Committee

Dear Shareholder

On behalf of my colleagues on the Remuneration Committee and the Board, I am pleased to present the Directors' Remuneration Report for the period ending 31 March 2022, my first since being appointed Chair on 19 January 2022. I would also like to thank Charles Skinner the previous Remuneration Committee Chair for his work.

The Directors' Remuneration report provides details of the amounts earned in respect of the year ended 31 March 2021, the composition and responsibilities of the Committee and the decisions taken that will apply to the year commencing 1 April 2022.

Review of the 2022 financial year

The Group has had another successful year, continuing to execute its growth strategy, making significant strides towards delivering its medium term strategic and financial targets as set out at the capital markets day in February 2021. This has resulted in revenue growth of 66%, adjusted profit before tax growth of 123% and adjusted EPS growth of 51%.

Remuneration decisions in respect of 2022

We are committed to ensuring that rewards received by our executives focus on long-term outcomes and are aligned to our strategic priorities and shareholders interests. The Board presented the Executive Incentive Plan which was approved by 77.2% votes at the General Meeting on the 25 May 2021 and the committee operated in accordance with this during the year.

Board Changes

Adam Councill was appointed CFO on 26 February 2021 succeeding Mark Adams following his retirement. Adam's base salary was set at £320,00 pa and he has been allocated 18% of the EIP pool.

Rachel Addison was appointed to the board as an Independent Non-Executive director and Chair of the Audit Committee on 13 October 2021.

Gillian Kent was appointed to the board as an Independent Non-Executive director and Chair of the Remuneration Committee on 19 January 2022.

Salary/fees

In 2021 our remuneration advisors PwC benchmarked Executive Director salaries and independent Non-Executive director fees against a comparative set of similar sized companies.

In light of this data, and as part of the EIP it was agreed that the CEO base salary was to be below market average levels, the CEO salary was set at £320,000, while the independent Non-Executive Directors fees were reset at £45,000. The Chairman's fee was set at £95,000.

Annual Bonus

In line with the EIP, no annual bonus plan will be operated for executive directors for its duration until 31 March 2026.

Long Term Incentives

On 19 June 2019 Alex Dacre and Mark Adams were granted nominal cost share options of 92,975 shares and 41,322 shares respectively which would vest subject to a TSR threshold performance target of 15% for the year ended 31 March 2022. TSR for the 3 months to vesting was 34% (share price of 370p to 887p) and the options vested in full for Alex Dacre and at 33 of 36 months for Mark Adams pro-rated to his point of retirement.

The EIP plan came into effect on the 25 May 2021 and replaced the previous annual LTIP policy . The plan has a 5 year performance period and a performance indicator of an increase in TSR to £11.11 from an initial placing price of £6.90. With regards to progress in the year the plan was on track with an average share price for the 30 days to the 31 March 2022 of £8.05.

Key remuneration decisions for FY23

Salary/Fees

The Executive Directors were awarded a 3% increase in salary with effect from 1 July 2022 in line with the average salary increase awarded to the wider workforce.

There was no change in NED fees and the Chairman's fee.

Annual Bonus

No annual bonus will be awarded in 2023 in line with the EIP.

Long Term Incentives

The EIP forms the long-term incentive for Executive Directors from the 25 May 2021 to 31 March 2026.

Conclusion

We are committed to a responsible and transparent approach in respect of executive pay. We continue to welcome any feedback from shareholders and hope to receive your support at the 2022 AGM.



Gillian Kent

Chair of the Remuneration Committee

Directors' remuneration report

For the year ended 31 March 2022



GILLIAN KENT

Chairman of the Remuneration Committee

Remuneration Committee

The Company has an established Remuneration Committee consisting of the Chairman and the Non-Executive Directors. The Committee meets at least once a year and at other times as appropriate. The Committee is responsible for the consideration and approval of the terms of service, remuneration, bonuses, share based incentives and other benefits of the Executive Directors and other senior executives. All decisions made are after giving due consideration to the size and nature of the business and the importance of retaining and motivating management.

Remuneration Policy

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

Following the conclusion of The Marlowe 2016 incentive scheme the Remuneration Committee undertook a review of the remuneration of the Executive Directors with the objective of establishing appropriate arrangements for incentivising the Company's senior executive team in the next phase of the Group's growth. After careful consideration, the Committee proposed the adoption of the Marlowe plc Executive Incentive Plan (the "EIP"). In structuring the EIP, the Committee considered the findings of the Executive Remuneration Working Group and the latest Principles of Remuneration published by the Investment Association and the QCA, whilst also ensuring that the EIP takes the most appropriate form for the Company's strategy and business needs. The EIP (together with other share plans) operates within a 10% in 10 years dilution limit in line with corporate governance best practice.

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

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

As part of the implementation of the EIP, the Chief Executive has agreed he will receive below market salary. Both the Chief Executive and Chief Finance Officer will forgo an annual bonus, and will not receive further incentives for the duration of the EIP.

Directors' Contracts and Letters of Appointment

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

| | Date of contract | Notice period |
|----------------------------|------------------|---------------|
| Executive Directors | | |
| Alex Dacre | 29 February 2016 | 6 months |
| Adam Councill | 25 February 2021 | 6 months |

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

| | Date of contract/letter | Notice period |
|--------------------------------|-------------------------|---------------|
| Non-Executive Directors | | |
| Kevin Quinn | 3 December 2018 | 1 month |
| Charles Skinner | 29 February 2016 | 1 month |
| Peter Gaze | 29 February 2016 | 1 month |
| Rachel Addison | 1 November 2021 | 1 month |
| Gillian Kent | 1 February 2022 | 1 month |

Directors' Emoluments

The aggregate emoluments of the Directors of the Company were:

| | Salary & fees | | Bonus | | Benefits | | Pension costs | | Total | |
|--------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 | 2022 £'000 | 2021 £'000 |
| Executive Directors | | | | | | | | | | |
| Alex Dacre | 320 | 174 | - | 175 | 20 | - | 29 | - | 369 | 349 |
| Adam Councill | 160 | - | - | - | 10 | - | 15 | - | 185 | - |
| Mark Adams* | 170 | 169 | 150 | 75 | - | - | - | - | 320 | 244 |
| Non-Executive Directors | | | | | | | | | | |
| Kevin Quinn | 83 | 49 | - | - | - | - | - | - | 83 | 49 |
| Charles Skinner | 40 | 19 | - | - | - | - | - | - | 40 | 19 |
| Peter Gaze | 42 | 26 | - | - | - | - | - | - | 42 | 26 |
| Rachel Addison | 21 | - | - | - | - | - | - | - | 21 | - |
| Gillian Kent | 6 | - | - | - | - | - | - | - | 6 | - |
| Total | 842 | 437 | 150 | 250 | 30 | - | 44 | - | 1,066 | 687 |

* Mark Adams resigned as a director on 5 November 2021

The Executive Directors have exercised an option to receive all or part of their benefits and pension contributions as a cash alternative.

The remuneration for Alex Dacre and was composed of the following elements: annual salary £320,000 (FY 2021: £225,000); car allowance £20,000 (FY 2021: £nil); and pension £29,000 (FY 2021: £nil). Alex Dacre elected to take a cash alternative for his car allowance and pension during the year.

The remuneration for Adam Councill and was composed of the following elements: annual salary £320,000 (FY 2021: £nil); car allowance £20,000 (FY 2021: £nil); and pension £30,000 (FY 2021: £nil). Adam Councill elected to take a cash alternative for his car allowance and £26,000 of his annual pension during the year.

During the year Mark Adams also received £0.4m (FY 2021: £0.2m) in respect of a vesting Phantom Award Scheme.

The £42,000 (FY 2021: £26,250) paid regarding Peter Gaze is paid directly to Deacon Street Partners Limited for the provision of his services as a Non-Executive Director.

For the financial year ending 31 March 2023 the emoluments of the Directors of the Company are expected to be:

| | Salary & fees | Bonus | Benefits | Pension costs | Total |
|--------------------------------|---------------|----------|-----------|---------------|--------------|
| | 2023 | 2023 | 2023 | 2023 | 2023 |
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Executive Directors | | | | | |
| Alex Dacre | 327 | - | 20 | 29 | 376 |
| Adam Councill | 327 | - | 20 | 30 | 377 |
| Non-Executive Directors | | | | | |
| Kevin Quinn | 95 | - | - | - | 95 |
| Charles Skinner | 45 | - | - | - | 45 |
| Peter Gaze | 45 | - | - | - | 45 |
| Rachel Addison | 50 | - | - | - | 50 |
| Gillian Kent | 50 | - | - | - | 50 |
| Total | 939 | - | 40 | 59 | 1,038 |

Incentive Plans

The Company has in place a number of Incentive Plans, details which are given in note 30.

Long Term Incentive Plan 2019

The Long Term Incentive Plan 2019 was established in 2019 as a renewing three year scheme to drive and reward the achievement of the Group's longer term objectives and to support retention.

The final award was awarded pursuant to the Plan on 11 August 2021 as follows:

| | Number of options | Date from which vest | Expiry date |
|------------|-------------------|----------------------|---------------|
| Alex Dacre | 44,321 | 1 April 2024 | 31 March 2031 |

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

| | Number of options | Date from which vest | Expiry date |
|------------|-------------------|----------------------|---------------|
| Alex Dacre | 63,380 | 1 April 2023 | 31 March 2030 |

Following Mark Adams' resignation as a director his rights to the 26,400 options previously granted to him were waived.

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

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

Following Mark Adams retirement on 31 December 2021, in recognition of his contribution to the growth of the Group, the Board permitted 37,879 New Share Options to remain granted, being the entitlement to reflect his retirement date, to vest under the original scheme rules on 1 April 2022.

Marlowe 2021 Executive Incentive Plan (the "EIP")

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

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

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

| Participant | Allocation of pool |
|---------------|--------------------|
| Alex Dacre | 56.5% |
| Adam Councill | 18.0% |
| Others | 25.5% |

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

As part of the implementation of the EIP, the Chief Executive and Chief Financial Officer have agreed they will receive below market salaries and will forgo an annual bonus and will not receive further incentives for the duration of the EIP. Further details on the EIP are set out in the shareholder circular published on 10 May 2021.

Directors' Interest in Shares

The beneficial interests of the Directors who were in office at 31 March 2022 in the shares of the Company (including family interests) were as follows:

| Number of ordinary shares of 50p each | 31 March 2022 | 31 March 2021 |
|---------------------------------------|---------------|---------------|
| Alex Dacre | 4,680,502 | 4,654,352 |
| Peter Gaze | 600,925 | 600,925 |
| Charles Skinner | 505,084 | 505,084 |
| Kevin Quinn | 11,200 | 11,200 |
| Adam Councill | 22,138 | - |
| Rachel Addison | - | - |
| Gillian Kent | - | - |

By order of the Board



Gillian Kent

Chairman of the
Remuneration Committee

Statement of Directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations. Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have to prepare the group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice and applicable law including FRS 101 "Reduced Disclosure Framework".

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 and profit or loss of the company and group for that period. In preparing these 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company 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 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 company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent Auditor's report

to the Members of Marlowe plc

Opinion

Our opinion on the financial statements is unmodified. We have audited the financial statements of Marlowe plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2022, which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the 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 UK-adopted International Accounting Standards. 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

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

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

- Obtaining management's base-case cashflow forecast and covenant calculations covering the period to 30 June 2023. We assessed how these forecasts were compiled and evaluated supporting information, such as divisional budgets.
- Assessing the accuracy of management's historical forecasting by comparing management's forecasts for the years ended 31 March 2022 and 31 March 2021 to the actual results for the periods and considering the impact on the base-case cashflow forecast.
- Performing analysis on the base case forecasts, assessing the impact of changes in key assumptions on the cash flow forecasts and the headroom on debt covenants, including management's reasonable worst-case scenario. We considered whether the assumptions are consistent with our understanding of the business derived from other detailed audit work undertaken.
- Evaluating management's reverse stress test to identify the scenario which would result in a breach in covenants in the assessment period and assessing the probability of such a scenario. We also considered the reasonableness of mitigating actions identified by management, which included an assessment of the feasibility and quantification of such mitigative measures available to management.
- Assessing whether there are indicators of events and circumstances which may cast doubt on the group's and the parent company's ability to continue as a going concern beyond management's period of assessment.
- Evaluating the group's disclosures on going concern for compliance with the requirements of IAS 1 'Presentation of financial statements' (IAS 1).

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

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

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

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

Our approach to the audit
Overview of our audit approach



Overall materiality:

Group audit: £1.5 million, which equates after rounding to 0.5% of the group's revenues.

Parent company statutory audit: £6.4 million, which represents circa 1% of the parent company's total assets. Key audit matters applicable solely to the group were identified as:

- Valuation of acquired intangible assets (change in scope).
- Valuation of goodwill (same as previous year).

Our current year's audit report includes one key audit matter that is different in scope to that reported in the prior year:

- In the prior year, we included as a key audit matter a financial statement-level risk concerning the accounting for business combinations, whereas in the current year we have included an assertion-level risk relating to the valuation of acquired intangible assets.

Our auditor's report for the year ended 31 March 2021 included one key audit matter which has not been reported as key audit matter in our current year's report:

- In the prior year, we included the classification, presentation and disclosure of acquisition and other costs as a key audit matter. For the year ended 31 March 2022, the relative auditor attention required in performing the audit was such that this was not considered to be one of the most significant areas in our audit of the financial statements.

The group engagement team have performed an audit of the parent company financial statements and specified audit procedures relating to four components.

Component audit teams have performed full-scope audit procedures on the financial information of two components and specified procedures on a further 19 components.

The group engagement team performed analytical procedures on the financial information of the remaining 86 components.

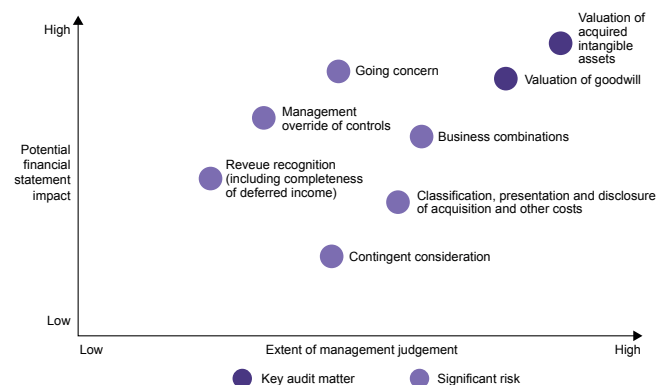
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks



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

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



| Key Audit Matter - Group | How our scope addressed the matter – Group |
|---|---|
| <p>Valuation of acquired intangible assets</p> <p>The group has undertaken 20 business combinations in the year resulting in the initial recognition of £136.6 million of separately identifiable intangible assets.</p> <p>We applied a risk-based approach (using both quantitative and qualitative indicators) to pinpoint the significant risk of material misstatement to the valuation of separately identifiable intangible assets acquired through five of these 20 transactions.</p> <p>Under International Financial Reporting Standard ('IFRS') 3, 'Business combinations' management is required to recognise, separately from goodwill, the assets acquired, and liabilities assumed in a business combination. Management is required to make significant judgements in identifying the separately identifiable intangible assets acquired and then uses estimates to value these assets. The valuation is complex, and management have engaged their own expert to assist in their determination and valuation of the intangible assets acquired in the year.</p> <p>Due to the level of judgement and complexity involved in valuing intangible assets acquired as part of a business combination, this has been assessed as one of the most significant assessed risks of material misstatement due to fraud and error.</p> | <p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Assessing whether the group's accounting policy for the identification and valuation of intangible assets acquired in a business combination is in accordance with UK-adopted international accounting standards and determining whether fair value measurements are accounted for in accordance with the accounting framework. • Updating our understanding of, and evaluating the design of the group's internal controls related to the identification and valuation of acquired intangible assets and corroborating this understanding through the performance of a walk-through. • Evaluating the competence, capability and objectivity of management's expert engaged to assist in the determination and valuation of intangible assets acquired in the year. • Obtaining management's purchase price allocation used to value separately identifiable acquired intangible assets and evaluating the appropriateness and reasonableness of key assumptions made in the calculations, such as growth rates, customer attrition rates and discount rates. • Engaging our internal valuation specialists as auditor's experts to assess the appropriateness of management's purchase price allocation models used to value the intangible assets identified, including the valuation techniques adopted. • Challenging management's assessment of the identifiable intangible assets acquired and whether any further intangible assets, such as brands or trademarks (where not already recognised), should be identified. • Reconciling the outputs from the purchase price allocations to the financial statements and disclosures therein and considering the adequacy of these disclosures. |
| <p>Relevant disclosures in the Annual Report and Financial Statements: The group's accounting policy on intangible assets and disclosure of key judgements and estimates are shown in note 2 to the group financial statements and related disclosures are included in notes 11 and 12.</p> | |
| <p>Our results: Our audit work did not identify any material misstatements in the valuation of intangible assets acquired through business combinations.</p> | |

| Key Audit Matter - Group | How our scope addressed the matter – Group |
|--|---|
| <p>Valuation of goodwill</p> <p>As at 31 March 2022, the group has goodwill of £398.7 million (2021: £158.2 million).</p> <p>We identified the valuation of goodwill as one of the most significant assessed risks of material misstatement due to fraud and error. We have pinpointed the significant risk to the goodwill balances associated with certain cash generating units (“CGUs”).</p> <p>Under International Accounting Standard (‘IAS’) 36 ‘<i>Impairment of Assets</i>’, management is required to test goodwill annually for impairment.</p> <p>Determining whether the carrying value of goodwill is recoverable is a significant judgement relying on several key assumptions including medium-term growth rates, long-term growth rates and appropriate discount rates for each CGU.</p> | <p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> • Assessing the accounting policy and disclosure to ensure it is in accordance with the financial reporting framework, including IAS 36. • Updating our understanding of, and evaluating the design of the processes and controls over the year-end impairment process and corroborating our understanding by performing a walkthrough. • Obtaining management’s impairment assessment, including the underlying discounted cash flow forecasts used to determine value in use and confirming the arithmetical accuracy of those calculations including the associated sensitivity analyses. • Assessing the accuracy of management’s historical forecasting through a comparison of budget to actual data and historical variance trends. • Evaluating the key assumptions applied in management’s impairment model, through our knowledge of the business, discussions with management and by using industry data and other external information to assess the reasonableness of management’s assumptions. This included engaging our internal valuations specialists to review the discount rate applied by management. • Evaluating the sensitivity analysis performed by management on key assumptions made in the calculations to determine whether a reasonably possible change in assumptions would trigger an impairment. • Performing our own sensitivity analysis to understand the impact of any reasonably possible changes in assumptions, and evaluating the headroom available from different outcomes to assess whether goodwill could be impaired. |
| <p>Relevant disclosures in the Annual Report and Financial Statements: The group’s accounting policy on goodwill is shown in note 2 to the group financial statements and related disclosures are included in note 12.</p> | |
| <p>Our results: Our audit work did not identify any material misstatements in the valuation of goodwill.</p> | |

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

Our application of materiality

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

Materiality was determined as follows:

| Materiality measure | Group | Parent company |
|--|--|--|
| Materiality for financial statements as a whole | We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work. | |
| <i>Materiality threshold</i> | £1.5 million for the group audit determined by reference to several measures. | £6.4 million for the parent company statutory audit determined using 1% of total assets. |
| <i>Significant judgements made by auditor in determining the materiality</i> | Determining materiality involves the exercise of professional judgement. The group engagement team compared the determined amount against the range of materialities that would have been calculated had a number of benchmarks (revenue, adjusted EBITDA and adjusted PBT) been used, recognising that a number of measures are relevant to users of the financial statements. The determined materiality equates, after rounding, to 0.5% of the group's revenue (2021: 0.4%), 2.8% of adjusted EBITDA (2021: 2.6%) and 3.9% of adjusted PBT (2021: 5.7%). | In determining materiality, we made the following significant judgements: <ul style="list-style-type: none"> Total assets is considered the most appropriate benchmark for the parent company because the parent company's principal activity is that of a holding company that does not trade. Materiality for the current year is higher than the level that we determined for the year ended 31 March 2021 to reflect the increase in the parent company's total assets. |
| Performance materiality used to drive the extent of our testing | We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole. | |
| <i>Performance materiality threshold</i> | £1.1 million, which is 70% of financial statement materiality. | £4.5 million, which is 70% of financial statement materiality. |
| <i>Significant judgements made by auditor in determining the materiality</i> | In determining performance materiality, we made the following significant judgements: <ul style="list-style-type: none"> The number and magnitude of unadjusted misstatements made to the Group's financial statements in prior years; and The nature and impact of significant control deficiencies identified in prior years. | In determining performance materiality, we made the following significant judgements: <ul style="list-style-type: none"> The number and magnitude of unadjusted misstatements made to the parent company's financial statements in prior years; and The nature and impact of significant control deficiencies identified in prior years. |
| Specific materiality | We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. | |
| <i>Specific materiality</i> | We determined a lower level of specific materiality for directors' remuneration. | We determined a lower level of specific materiality for directors' remuneration. |
| Communication of misstatements to the audit committee | We determine a threshold for reporting unadjusted differences to the audit committee. | |
| <i>Threshold for communication</i> | £0.1 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. | £0.3 million and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds. |

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the group's and the parent company's business and in particular matters related to:

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

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

Identifying significant components

- The group's components vary significantly in size and nature of operations. The group engagement team identified those components as significant based on a variety of both qualitative and quantitative factors. The quantitative factors used in determining significance were based on a combination of the group's total revenues and profit before taxation.
- For those components which were scoped as significant, full-scope audit procedures were performed based on component materiality.
- Significant components identified were Marlowe Fire & Security Limited, WCS Environmental Limited and the parent company. The significant components (excluding the parent company) were audited by component team members based on instructions issued by the group engagement team. The parent company was audited by the group engagement team.
- Furthermore, there were 23 components which were not deemed to be significant, on which specified procedures were performed either by the group engagement team or by component engagement teams.
- For the remaining components, analytical procedures were performed by the group engagement team at the group level commensurate with their significance to the group's results and financial position.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the group financial statements as a whole. This involved issuing instructions to component auditors and having regular communications throughout the audit.

| Audit approach | Number of components | % coverage total assets | % coverage revenue |
|----------------------------|----------------------|-------------------------|--------------------|
| Full-scope audit | 3 | 75% | 20% |
| Specified audit procedures | 23 | 13% | 54% |
| Analytical procedures | 86 | 12% | 26% |

Communications with component auditors

- During the planning stages of the group audit the group engagement team sent detailed instructions to the component engagement teams that detailed the scope of the work, component materiality and planned audit approach on significant risk areas. The group team also had a planning meeting with the component teams to discuss these instructions and provide direction to the component teams. During the fieldwork stage, the group team was in communication with the component teams and performed detail reviews of a selection of working papers that cover the significant risks at a group level as well as working papers to ensure that the group team have sufficient appropriate audit evidence to support the group opinion.

Changes in approach from previous period

- The current year audit entailed an audit of the financial information of three components and specified audit procedures on 23 components which is different to that in the prior year which entailed an audit of the financial information of four components and specified audit procedures on 12 components. This change in approach is reflective of the acquisitive nature of the entity and the restructuring of its components resulting in changes to their respective financial significance in the context of the group as a whole.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and financial statements, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

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

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

Matters on which we are required to report by exception

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

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

Responsibilities of directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

- The group is subject to many laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements. We identified the following laws and regulations as the most likely to have a material effect if non-compliance were to occur:
 - UK-adopted international accounting standards;
 - Financial Reporting Standard 101 'Reduced Disclosure Framework' applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice);
 - The Companies Act 2006; and
 - UK corporate tax legislation.
- We enquired of management and the audit committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud. We corroborated the results of our enquiries through our review of board minutes.

- We assessed the susceptibility of the group's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to:
 - Journal entries that increased revenues or that reclassified costs to alternate performance measures disclosed on the face of the consolidated statement of comprehensive income.
 - Potential management bias in determining accounting estimates, especially in relation to the calculation of intangible assets acquired on acquisition and impairment of intangible assets.
 - Our audit procedures involved:
 - Journal entry testing, with a focus on those journal entries identified, by the group or component audit teams as posing a higher risk of material misstatement, based on an assessment of quantitative and qualitative risk factors.
 - Challenging assumptions and judgements made by management in its significant accounting estimates as discussed earlier in relation to our key audit matters.
 - These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
 - Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
 - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation; and
 - knowledge of the industry in which the client operates.
 - For components at which audit procedures were performed, we requested component auditors to report to us instances of non-compliance with laws and regulations that gave rise to a risk of material misstatement of the group financial statements. No such matters were identified by the component auditors.
- Use of our report**
- This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.
- Joanne Love**
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
London
30 June 2022

Consolidated statement of comprehensive income

For the year ended 31 March 2022

| | Notes | Year ended 31 March 2022 £'m | Year ended 31 March 2021 £'m |
|---|-------|---------------------------------------|---------------------------------------|
| Revenue | 4 | 315.9 | 192.0 |
| Cost of sales | | (176.7) | (108.7) |
| Gross profit | | 139.2 | 83.3 |
| Administrative expenses excluding acquisition and other costs | | (97.2) | (63.6) |
| Acquisition costs | | (6.0) | (2.2) |
| Restructuring costs | 5 | (10.5) | (5.6) |
| Amortisation of acquisition intangibles | 12 | (14.9) | (6.5) |
| Share based payments (excluding SAYE schemes) and legacy long-term incentives | 30 | (3.6) | (4.2) |
| Fair value gains/(losses) in contingent consideration | | 3.5 | (0.2) |
| Total administrative expenses | | (128.7) | (82.3) |
| Operating profit | 6 | 10.5 | 1.0 |
| Exceptional finance costs | 7 | (0.7) | - |
| Finance costs | 7 | (3.9) | (2.6) |
| Total finance costs | | (4.6) | (2.6) |
| Profit/(loss) before tax | | 5.9 | (1.6) |
| Income tax charge | 8 | (5.2) | (0.1) |
| Profit/(loss) for the year | | 0.7 | (1.7) |
| Other comprehensive income | | - | - |
| Income/(expense) and total comprehensive profit/(loss) for the year from continuing operations | | 0.7 | (1.7) |
| Attributable to owners of the parent | | 0.7 | (1.7) |
| Earnings per share attributable to owners of the parent (pence) | 9 | | |
| Total and continuing operations | | | |
| Basic | | 0.8p | (3.1)p |
| Diluted | | 0.8p | (3.1)p |

Consolidated statement of changes in equity

For the year ended 31 March 2022

| | Notes | Attributable to owners of the parent | | | | | Total equity £'m |
|--|-------|--------------------------------------|----------------------|------------------------------|-----------------------|--------------------------|---------------------|
| | | Share capital £'m | Share premium £'m | Merger relief reserve £'m | Other reserves £'m | Retained earnings £'m | |
| Balance at 1 April 2020 | | 22.9 | 66.5 | 5.4 | 1.0 | 0.9 | 96.7 |
| Loss for the year | | - | - | - | - | (1.7) | (1.7) |
| Total comprehensive loss for the year | | - | - | - | - | (1.7) | (1.7) |
| Transactions with owners | | | | | | | |
| Issue of shares during the year | | 15.4 | 155.8 | - | (1.1) | - | 170.1 |
| Issue costs | | - | (4.9) | - | - | - | (4.9) |
| Acquisition | | 0.2 | 1.7 | 0.8 | - | - | 2.7 |
| Share-based payments | | - | - | - | 0.5 | - | 0.5 |
| | | 15.6 | 152.6 | 0.8 | (0.6) | (1.7) | 166.7 |
| Balance at 31 March 2021 | | 38.5 | 219.1 | 6.2 | 0.4 | (0.8) | 263.4 |
| Prior year reclassification | | - | (1.7) | 1.7 | - | - | - |
| Balance at 1 April 2021 (restated)* | | 38.5 | 217.4 | 7.9 | 0.4 | (0.8) | 263.4 |
| Profit 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 | 24/25 | 9.4 | 171.7 | - | - | - | 181.1 |
| Issue costs | 25 | - | (4.3) | - | - | - | (4.3) |
| Acquisition | | - | - | 2.0 | - | - | 2.0 |
| Share-based payments | 30 | - | - | - | 1.7 | - | 1.7 |
| Deferred tax on share-based payments | | - | - | - | 1.4 | - | 1.4 |
| | | 9.4 | 167.4 | 2.0 | 3.1 | - | 181.9 |
| Balance at 31 March 2022 | | 47.9 | 384.8 | 9.9 | 3.5 | (0.1) | 446.0 |

* See note 1 for details of a prior year restatement

Consolidated statement of financial position

As at 31 March 2022

Company registered no. 09952391

| | Notes | 2022 £'m | 2021* £'m |
|--|-------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Intangible assets | 12 | 609.5 | 246.1 |
| Trade and other receivables | 17 | 4.7 | 3.8 |
| Right of use assets | 14 | 24.1 | 18.8 |
| Property, plant and equipment | 13 | 12.1 | 7.3 |
| Deferred tax asset | 22 | 3.9 | 1.5 |
| | | 654.3 | 277.5 |
| Current assets | | | |
| Inventories | 15 | 7.6 | 4.6 |
| Trade and other receivables | 17 | 98.1 | 56.0 |
| Held for sale property | | - | 1.3 |
| Cash and cash equivalents | 21 | 31.2 | 44.2 |
| | | 136.9 | 106.1 |
| Total assets | | 791.2 | 383.6 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 18 | (111.5) | (73.4) |
| Financial liabilities – lease liabilities | 20 | (8.0) | (6.3) |
| Current tax liabilities | | (1.2) | (1.5) |
| Provisions | 23 | (0.9) | (0.4) |
| | | (121.6) | (81.6) |
| Non-current liabilities | | | |
| Trade and other payables | 18 | (14.7) | (7.7) |
| Financial liabilities – borrowings | 19 | (140.0) | - |
| Financial liabilities – lease liabilities | 20 | (16.5) | (13.6) |
| Deferred tax liability | 22 | (50.5) | (16.5) |
| Provisions | 23 | (1.9) | (0.8) |
| | | (223.6) | (38.6) |
| Total liabilities | | (345.2) | (120.2) |
| Net assets | | 446.0 | 263.4 |
| EQUITY | | | |
| Share capital | 24 | 47.9 | 38.5 |
| Share premium account | 25 | 384.8 | 217.4 |
| Merger relief reserve | 26 | 9.9 | 7.9 |
| Other reserves | 26 | 3.5 | 0.4 |
| Retained earnings | 27 | (0.1) | (0.8) |
| Equity attributable to the owners of the parent | | 446.0 | 263.4 |

* See note 1 for details of a prior year restatement

These financial statements were approved by the Board of Directors and authorised for issue on 30 June 2022 and were signed on its behalf by:

 **Kevin Quinn**
Chairman

 **Alex Dacre**
Chief Executive

Consolidated statement of cash flows

For the year ended 31 March 2022

| | Note | Year ended 31 March 2022 £'m | Year ended 31 March 2021 £'m |
|--|------|---------------------------------------|---------------------------------------|
| Net cash generated from operations | 28 | 34.0 | 32.0 |
| Interest paid | | (2.6) | (1.2) |
| Income taxes paid | | (6.3) | (2.5) |
| Net cash generated from operating activities before acquisition and restructuring costs | | 25.1 | 28.3 |
| Acquisition and restructuring costs | 5 | (16.5) | (7.9) |
| Net cash generated from operating activities | | 8.6 | 20.4 |
| Cash flows used in investing activities | | | |
| Purchase of property, plant and intangible assets | | (9.1) | (4.5) |
| Disposal of property, plant and equipment | | 1.1 | 0.6 |
| Purchase of subsidiary undertakings, net of cash acquired | 11 | (316.0) | (68.0) |
| Cash flows used in investing activities | | (324.0) | (71.9) |
| Cash flows from financing activities | | | |
| Proceeds from share issues | | 181.0 | 169.8 |
| Repayment of bank borrowings | | (146.5) | (118.5) |
| Repayment of debt upon purchase of subsidiary undertaking | | (5.4) | (30.6) |
| New bank loans raised | | 286.5 | 80.0 |
| Cost of share issues | | (4.3) | (4.9) |
| Lease repayments | | (8.9) | (7.3) |
| Net cash generated from financing activities | | 302.4 | 88.5 |
| Net (decrease)/increase in cash and cash equivalents | | (13.0) | 37.0 |
| Cash and cash equivalents at start of year | | 44.2 | 7.2 |
| Cash and cash equivalents at end of year | 21 | 31.2 | 44.2 |
| Cash and cash equivalents shown above comprise: | | | |
| Cash and cash equivalents | | 31.2 | 44.2 |

Notes to the Group financial statements

For the year ended 31 March 2022

1. GENERAL INFORMATION

Marlowe plc (the "Company") and its subsidiaries (together referred to as the "Group") is focused on developing companies which assure safety and regulatory compliance. The Group primarily operates in the United Kingdom.

The Company is a public limited company incorporated on 14 January 2016 and domiciled in the United Kingdom. The address of its registered office is 20 Grosvenor Place, London, SW1X 7HN.

The Company is listed on the AIM market.

These Group consolidated financial statements were authorised for issue by the Board of Directors on 30 June 2022.

Exemption from audit

For the year ended 31 March 2022 Marlowe plc has provided a guarantee in respect of all liabilities due by its following subsidiaries: Advance Environmental Limited, Agriteck Solutions Limited, Alarm Communication Limited, Aquatreat Chemical Products Limited, Aquatreat Group Limited, Atana Ltd, Barbour EHS Limited, B.B.C. Fire Protection Limited, Black & Banton Occupational and Physical Health Limited, Caritas Group Limited, Caritas Limited, Cater Leydon Millard Limited, Cirrus Holdco Limited, Clearwater Group Limited, Clearwater Technology Ltd, Clouds Ultimate Manager Limited, Connect Monitoring Ltd, Core Stream Ltd, CQC Compliance Limited, Cylix Limited, DeltaNet International Limited, Deminos Consulting Ltd, Ellis Whittam (Holdings) Limited, Ellis Whittam Limited, Elogbooks Facilities Management Limited, Elogbooks Facilities Services Ltd, Elogbooks Holdings Ltd, ESP Law Limited, ESP Safeguard Limited, EssentialSkillz Limited, Eurosafe Plus Limited, Eurosafe UK (CDM Services) Limited, Eurosafe UK Group Limited, Eurosafe UK Ltd, Fire & Security (Group) Limited, Fire Alarm Fabrication Services (South) Limited, Fire Alarm Fabrication Services Limited, FSE Fire & Security Limited, FSE Security Systems Ltd, FSE Sprinklers & Risers Limited, Griffin and General Fire Services Limited, G.P.C.S Limited, Guardian Water Treatment Ltd, Hadrian Technology Limited, Healthwork Group Limited, Healthy Performance Limited, Hentland Limited, Hydro-X Group Limited, Hydro-X Water Treatment Limited, Hydro-X Air Limited, Hydro-X Training Limited, Hydro-X Engineering Limited, Inclusive Learning Limited, Integral Occupational Health Ltd., Island Fire Protection Limited, Kingfisher Environmental Services Limited, Law at Work (Holdings) Limited, Law at Work (IS) Ltd, Law at Work Empire Limited, Law at Work Limited, Managed Occupational Health Limited, Marlowe 2016 Limited, Marlowe Fire & Security Group Limited, Marlowe Fire & Security Limited, Marlowe Kitchen Fire Suppression Limited, Marlowe Occupational Health Group Ltd, MOH Limited, Morgan Fire Protection Limited, Nestor Business Consulting Limited, Network of Staff Supporters Limited, Nile Holdco Limited, N-ov 8 Group Limited, Optima Health Group Limited, OH Assist Intermediate Limited, OH Assist Finance Limited, OH Assist Limited, Optima Health Ltd, Quantum Risk Management Ltd., Santia Limited, Santia Access Solutions Limited, Santia Holdings Limited, Santia Asbestos Management Limited, Santia Construction Management Limited, S F Fire Limited, Skill Boosters Limited, Skillfix Limited, Solve HR Limited, Sterling Hydrotech Holdings Limited, Sterling Hydrotech Limited, Tersus Consultancy Limited, Tersus Training Services Ltd, The Employment Services Partnership Limited, The HR Services Partnership Limited, Vinci Legal Limited, WCS Environmental Engineering Ltd, WCS Environmental Limited, WCS Environmental South East Ltd, WCS Services Limited, WCS Services Invicta Limited, William Martin 2018 Limited, William Martin Compliance Limited, Working on Wellbeing Ltd, Wrightway Health Limited, Youmanage HR Ltd. This entitles them to exemption from audit under 479A of the Companies Act 2006 relating to subsidiary companies.

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

Under s612 of the Companies Act, the Company has an exemption from recognising share premium arising on ordinary shares issued as consideration for an acquisition of shares in another company. Instead, the difference between the fair value of the shares issued and the nominal value is recorded in the merger relief reserve. For the year ending 31 March 2021, the Company had in error classified £1.7m of premium on shares issued as consideration through share premium. As a result, the prior year financial statements have reclassified £1.7m of share premium to merger relief reserve. A third balance sheet has not been presented as this is not considered to provide a user of the financial statements with any additional information.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

The financial statements have been prepared on a historical cost basis. 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 55.

The Group meets its day-to-day working capital requirements through cash generated from operations and its financing facility which is due to expire in February 2025. Details of the Group's borrowing facility is given in note 21 of the financial statements.

The Directors have considered the Group's forecast cash flows and net debt, as well as the Group's liquidity requirements and borrowing facilities, including downside scenarios reflecting the full financial impact of a sustained material event reducing revenues by 19% over the next twelve months. The cash flow forecasts are based on the current group structure. At the time of approving the financial statements the Group had an undrawn committed borrowing facility of £8.0m (excluding a £60m accordion facility) and to the extent to which further acquisitions require more than the committed facility they will only be done so following agreement of the lenders to the use of the accordion facility or once additional funding has been obtained. Whilst the Group saw some disruption from COVID-19 during the previous financial year, the impact was manageable and, given the regulations that govern the requirement for its essential services, the business model has demonstrated resilience. To mitigate against the additional risks and uncertainties that arose the Group used the government furlough scheme throughout the prior year. In the event of further disruption to the business in the future as a result of COVID-19 or an escalation of the Ukrainian crisis the Directors are confident that additional cost reduction and cash preservation measures could be utilised in conjunction with the Group's existing debt facility to reduce costs and preserve cash. In addition, successful placings of 18,612,679 shares during the financial year have raised gross proceeds of £181m. Following this review and a discussion of the sensitivities the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Basis of consolidation

The Group's financial statements 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 is exposed, or has rights, to variable returns from its investment with the investee and has the ability to affect those returns through its power over the investee.

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.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Basis of consolidation continued

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.

Control and ownership of acquired companies

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

Where a combined written put and call option exists over a non-controlling interest, and the conditions of the agreement provide the Group with present access to the benefits of the ownership of the non-controlling interest and stipulate the Group will obtain full ownership if the option were to lapse, then the acquisition is deemed to reflect 100% ownership and no non-controlling interest is recognised.

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

Contingent consideration

Contingent consideration is recognised at fair value at the acquisition date and is based on the actual and/or expected performance of the entity in which the contingent consideration relates. Contingent consideration is subject to performance targets of the business and is not contingent on the employee remaining with the Group. Subsequent changes to the fair value of contingent consideration are based on the actual and/or expected performance of the entity in which the contingent consideration relates. These changes which are deemed to be a liability are recognised in accordance with IFRS 9 in the statement of comprehensive income.

Segmental reporting

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

In the opinion of the Directors, the chief operating decision makers are the Chief Executive and Chief Financial Officer who review and scrutinise the performance of each of the Group's businesses on a regular basis. The Company presents two reportable segments, Governance, Risk & Compliance ("GRC"); and Testing, Inspection & Certification ("TIC").

In accordance with IFRS 8, aggregation criteria has been applied to six operating segments where similar economic characteristics are shared when aggregating operating segments into the two reportable segments judgement has been applied over the similarities of the services provided, the customer base and the mid-to-long term structural and economic characteristics, with the key metrics considered by the Directors being adjusted EBITDA and adjusted profit before tax margins. The Directors consider the operating segments to have similar economic characteristics as the mid-long term margins are within a range of 10% in the case of adjusted profit before tax margins; and 12% for adjusted EBITDA margins. Employment Law & HR, Occupational Health, Health & Safety Compliance Software operating segments have been aggregated into GRC. Fire Safety & Security, Water & Air Hygiene and Elogbooks Contractor Management Software have been aggregated into TIC.

Segment revenue comprises sales to external customers most of whom are located in the UK. Services are provided primarily from the UK.

Approach to revenue recognition

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

- Identifying the contract with a customer;
- Identifying the performance obligations;
- Determining the transaction price;

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

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

The transaction price takes into account trade discounts, settlement discounts and volume rebates.

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

For contracts with multiple components to be delivered, management applies judgement to consider whether those promised goods and services are:

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

Once the transaction price allocation is determined, the timings of when the identified performance obligations are satisfied is assessed. Where revenue is recognised over time, it does so for either the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs or the entity's performance creates; or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or on the grounds that it has an enforceable right to payment and no alternative use for the asset.

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

Installation & Refurbishment, Maintenance and support service contracts:

The Group fulfils installation and refurbishment of specialised equipment at customer sites. As the Group's performance creates or enhances an asset that the customer controls and the Group has an enforceable right to payment for performance completed to date, revenue is recognised by reference to the stage of completion. The stage of completion is measured using an output-based method, based upon standardised milestones that faithfully depict the entity's performance towards complete satisfaction of the performance obligation.

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

These agreements provide customers with regularly scheduled maintenance visits and support services. The contracts consist of a single performance obligation consisting of a series of services that are substantially the same. As the benefit of each service is received and consumed immediately by the customer, the revenue is recognised once the contracted services are completed.

Employment Law and Health & Safety Services

Revenue is recognised over time by reference to the stage of completion, when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is measured using an input-based method, assessing the entity's efforts or inputs to the satisfaction of a performance obligation (for example labour hours expended as well as resources consumed in producing tangible employee handbooks, policy and procedure and other legal documents) relative to the total expected inputs to the satisfaction of that performance obligation. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

Occupational Health & Wellbeing Services:

Revenue from contracts for the provision of professional services is recognised over time by reference to the stage of completion, when the stage of completion, costs incurred and costs to complete can be estimated reliably. The stage of completion is measured using an input-based method, comparing costs incurred, mainly in relation to contractual hourly staff rates and materials, as a proportion of total costs. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that it is probable will be recovered.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Approach to revenue recognition continued

Software solutions:

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

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

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

In addition to licences and subscription-based services, the Group also supplies bespoke software solutions. Revenue from such projects is recognised over time by reference to the stage of completion. Revenue is recognised only when the contract revenue, stage of completion, incurred costs and costs to complete can be reliably measured and it is probable that the consideration due under the contract will be received. The stage of completion is measured using an output-based method, in line with standardised key milestones (for example configuration completion, user acceptance testing completion and go-live status).

Interest income:

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

Contract assets and liabilities

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

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

Profit measures

Due to the one-off nature of acquisition and other costs in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted operating profit, adjusted EBITDA and adjusted measures of profit before tax and earnings per share provide shareholders with a more appropriate representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group. The items adjusted for in arriving at these are acquisition costs, restructuring costs, amortisation of acquisition intangibles, fair value gains/losses in contingent consideration, share based payments (excluding SAYE schemes) and legacy long term incentives, and a standard tax charge.

Intangible assets

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

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

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

Other intangible assets

Other intangible assets are recognised when they are controlled through contractual or other legal rights, or are separable from the rest of the business, and it is probable that the expected future economic benefits that are attributable to the asset will flow to the Group; and the cost of the asset can be reliably measured.

Customer relationships, content databases and trade names

Acquired customer relationships, content databases and trade names 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 asset. The life of the asset is assessed annually and is determined on a company by company basis. All customer relationships, content databases and trade names are amortised on a straight-line basis between one and fifteen years. The customer lists are considered annually to ensure that this classification is still appropriate.

Application software

Acquired unique computer software products are identified as a separate intangible asset as they are separable and can be reliably measured by valuation of future cash flows. These costs are amortised on a straight-line basis over their estimated useful lives (up to ten years).

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

Property, plant and equipment

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

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

Leased assets

The Group as a lessee

The Group makes the use of leasing arrangements principally for the provision of office space, production plants, warehousing, plant and equipment and motor vehicles. Rental contracts are typically made for fixed periods and some of these may have extension terms. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes. The Group does not enter into sale and leaseback arrangements. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

2. SIGNIFICANT ACCOUNTING POLICIES continued

Leased assets continued

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

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

Measurement and recognition of leases as a lessee

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

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

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

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

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

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

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

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

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

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

On the statement of cash flows interest payments on lease liabilities have been presented as financing costs.

Lease payments not recognised as a liability

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

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

| | 2022 £'m | 2021 £'m |
|----------------------------|-------------|-------------|
| Short term leases | 0.5 | 0.2 |
| Leases of low value assets | 0.1 | 0.1 |

Investments

Investments are valued at cost less allowances for impairment. Where applicable, acquisition costs incurred in acquiring the subsidiary are capitalised as part of the investment cost. In addition, the company has elected to record any fair value gains/losses on contingent consideration to profit or loss rather than to increase/reduce the cost of the investment to which the contingent consideration relates.

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

The cash and cash equivalents in the parent company financial statements is disclosed exclusive of group cash pooling arrangements, on the basis that the individual subsidiaries continue to control the cash (2022: £30.2m; 2021: £28.0m).

Assets held for sale

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

Trade payables

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

2. SIGNIFICANT ACCOUNTING POLICIES *continued*

Borrowings

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

Taxation

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

Current tax

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

Deferred tax

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

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

Provisions

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

Equity instruments

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

Long term incentive plans

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

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

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

Pensions

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

Financial instruments

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

Government grants

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

Critical accounting judgements and estimates

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

Judgements

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

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, application software, content databases and trade names 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.

Adjusting items

Due to the nature of adjusting items in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted operating profit, adjusted EBITDA and adjusted measures of profit before tax and earnings per share provide shareholders with a more appropriate representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group. Further details of the key judgements taken by the directors are documented in note 5.

Control and ownership of acquired companies

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

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.

i) Estimates not subject to annual update - Valuation of separable intangibles on acquisition

When valuing the customer relationships, application software, content databases and trade names 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 £95.8m (2021: £56.9m) in respect of customer relationships, £27.2m (2021: £8.5m) in respect of application software, £7.5m (2021: £nil) in respect of content databases and £6.1m (2021: £nil) in respect of trade names as defined further in note 12.

ii) Estimates subject to annual update - 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.

2. SIGNIFICANT ACCOUNTING POLICIES continued

Critical accounting judgements and estimates continued

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 54.

Valuation of contingent consideration payable

When acquiring a business, consideration may become payable subject to the achievement of certain performance targets by the acquired business in the future. The fair value of this contingent consideration is determined by assessing the projected performance forecasts of the business and discounting the estimated consideration that would become payable if these forecasts were achieved. The discount rate used is based on the weighted average cost of capital of the operating segment in which it operates in. See note 21 for details of the sensitivity of such amounts to changes in estimates.

Valuation of contingent consideration receivable

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

Adoption of new and revised standards

"The following new standards and amendments to standards were effective for the first time during the financial year:

Covid-19-related Rent Concessions – Amendments to IFRS 16; and Interest Rate Benchmark Reform Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16. These new standards and amendments to standards did not have a material effect on the financial statements."

New standards and interpretations not yet adopted

As at 31 March 2022, the following standards and interpretations had been issued but were not mandatory for annual reporting periods ending on 31 March 2022: IFRS 17 Insurance Contracts; Property, Plant and Equipment: Proceeds before intended use – Amendments to IAS 16; Reference to the Conceptual Framework – Amendments to IFRS 3; Onerous Contracts – Cost of Fulfilling a Contract Amendments to IAS 37; Annual Improvements to IFRS Standards 2018–2020; Classification of Liabilities as Current or Non-current – Amendments to IAS 1; Disclosure of Accounting Policies – Amendments to IAS 1 and IFRS Practice Statement 2; Definition of Accounting Estimates – Amendments to IAS 8; Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12; and Sale or contribution of assets between an investor and its associate or joint venture – Amendments to IFRS 10 and IAS 28.

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 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 2022 and 2021 the Group's borrowings at variable rates were denominated in pounds sterling. The Group analyses its interest rate exposure using financial modelling on a periodic basis. Based on the various scenarios, the Group does not currently consider any hedging to be appropriate.

Credit risk

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

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

Liquidity risk

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

Capital risk

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

The Group manages its capital with regard to the risks inherent in the business and the sector within which it operates by monitoring its gearing ratio on a regular basis. The Group considers its capital to include share capital, share premium, merger relief reserve, other reserves, retained earnings, borrowings 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 2022 and prior year ended 31 March 2021.

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

| | 2022 £'m | 2021 £'m |
|-------------------------------|----------------|-------------|
| Cash at bank | 31.2 | 44.2 |
| Bank loans due after one year | (140.0) | - |
| Leases due within one year | (8.0) | (6.7) |
| Leases due after one year | (16.5) | (13.2) |
| Net (debt)/(cash) | (133.3) | 24.3 |

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

4. SEGMENTAL ANALYSIS

The Group is organised into two main reporting segments, Governance, Risk & Compliance ("GRC") and Testing, Inspection & Certification ("TIC"). Services per segment operate as described in the Strategic report and the judgments taken in aggregating the operating segments are disclosed in note 2. The key profit measures are adjusted operating profit, adjusted EBITDA and adjusted profit before tax and are shown before acquisition and restructuring costs, amortisation of acquisition intangibles, fair value gains/losses in contingent consideration, share based payments (excluding SAYE schemes) and legacy long term incentives and loss on disposal of non-core business. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and 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 application software, property, plant and equipment. Segment assets and liabilities are allocated between segments on an actual basis.

4. SEGMENTAL ANALYSIS continued

| | 2022 | | | | 2021 | | | |
|---|------------|------------|-----------------------|--------------|------------|------------|-----------------------|--------------|
| | GRC £'m | TIC £'m | Head Office £'m | Total £'m | GRC £'m | TIC £'m | Head Office £'m | Total £'m |
| Continuing operations | | | | | | | | |
| Revenue | 94.6 | 228.5 | - | 323.1 | 34.7 | 165.0 | - | 199.7 |
| Inter-segment elimination | (0.4) | (6.8) | - | (7.2) | (0.1) | (7.6) | - | (7.7) |
| Revenue from external customers | 94.2 | 221.7 | - | 315.9 | 34.6 | 157.4 | - | 192.0 |
| Segment adjusted operating profit/(loss) | 25.4 | 21.4 | (4.8) | 42.0 | 10.3 | 12.1 | (2.7) | 19.7 |
| Acquisition costs | | | | (6.0) | | | | (2.2) |
| Restructuring costs | | | | (10.5) | | | | (5.6) |
| Amortisation of acquisition intangibles | | | | (14.9) | | | | (6.5) |
| Fair value gains/(losses) in contingent consideration | | | | 3.5 | | | | (0.2) |
| Share based payments (excluding SAYE schemes) and legacy long-term incentives | | | | (3.6) | | | | (4.2) |
| Operating profit | | | | 10.5 | | | | 1.0 |
| Exceptional finance costs | | | | (0.7) | | | | - |
| Finance costs | | | | (3.9) | | | | (2.6) |
| Profit/(loss) before tax | | | | 5.9 | | | | (1.6) |
| Tax charge | | | | (5.2) | | | | (0.1) |
| Profit/(loss) after tax | | | | 0.7 | | | | (1.7) |
| Segment assets | 116.0 | 151.1 | 524.1 | 791.2 | 32.9 | 76.0 | 274.7 | 383.6 |
| Segment liabilities | (48.8) | (72.0) | (224.4) | (345.2) | (19.6) | (60.5) | (40.1) | (120.2) |
| Capital expenditure | (4.9) | (4.1) | (0.1) | (9.1) | (1.2) | (3.1) | (0.3) | (4.6) |
| Depreciation and amortisation | (3.0) | (9.2) | (15.1) | (27.3) | (1.0) | (7.8) | (8.7) | (15.5) |

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

| | 2022 | | | | 2021 | | | |
|--|-------------|-------------|-----------------------|--------------|-------------|-------------|-----------------------|--------------|
| | GRC £'m | TIC £'m | Head Office £'m | Total £'m | GRC £'m | TIC £'m | Head Office £'m | Total £'m |
| Continuing operations | | | | | | | | |
| Segment adjusted operating profit/(loss) | 25.4 | 21.4 | (4.8) | 42.0 | 10.3 | 12.1 | (2.7) | 19.7 |
| Depreciation and amortisation of non-acquisition intangibles | 3.0 | 9.2 | 0.2 | 12.4 | 1.0 | 7.8 | 0.2 | 9.0 |
| Adjusted EBITDA | 28.4 | 30.6 | (4.6) | 54.4 | 11.3 | 19.9 | (2.5) | 28.7 |

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

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

Major customers

For the year ended 31 March 2022, no customers (2021: nil) individually accounted for more than 10% of the Group's total revenue.

5. ADJUSTING ITEMS

Due to the nature of acquisition and other costs in relation to each acquisition and the non-cash element of certain charges, the Directors believe that adjusted operating profit, adjusted EBITDA and adjusted measures of profit before tax and earnings per share provide shareholders with a more appropriate representation of the underlying earnings derived from the Group's business and a more comparable view of the year-on-year underlying financial performance of the Group. The adjusting items shown on the consolidated statement of comprehensive income and the rationale behind the Director's view that these should be included as adjusting items are detailed below:

| Adjusting item | Rationale |
|---|--|
| Acquisition costs | Acquisition costs include professional fees, transaction costs and staff costs associated with completing acquisitions. These costs are non-recurring to the extent that if the Group were to cease further M&A activity these costs would not continue. |
| Restructuring costs | Restructuring costs include the costs associated with the integration of acquisitions, include: <ul style="list-style-type: none"> • The cost of duplicated staff roles and other duplicated operational costs during the integration and restructuring period; • The redundancy cost of implementing the post completion staff structures; and • IT costs associated with the integration and transfer to Group IT systems, including costs of third party software used in the delivery of customer contracts where there is a programme to transition such software to one of the Group's existing platforms. Each integration programme is distinct and one-off in nature such that when complete the costs associated that that programme would cease. |
| Amortisation of acquired intangibles | The amortisation charge for those intangible assets recognised on business combinations is excluded from the adjusted results of the Group since they are non-cash charges arising from investment activities. As such, they are not considered to be reflective of the underlying trading performance of the Group. |
| Share based payments (excluding SAYE schemes) and legacy long-term incentives | Charges associated with share-based payment schemes (excluding SAYE schemes which remain are classed as administrative expenses) and legacy long-term incentives have been included as adjusting items. Although share-based compensation is an important aspect of the compensation of our employees and executives, management believes it is useful to exclude share-based compensation expenses from adjusted profit measures to better understand the long-term performance of our underlying business. Share-based compensation expenses are non-cash charges and are determined using several factors, including expectations surrounding future performance, employee forfeiture rates and, for employee payroll-related tax items, the share price. These factors are beyond the Group's direct control and generally unrelated to operational decisions and performance in any particular period. Further, share based compensation expenses are not reflective of the value ultimately received by the recipients of the awards. In addition, certain legacy long terms incentives are considered to be part of the investing activities of the Group and non-recurring in nature. Further details of which incentives are considered part of the underlying trading of the Group and which are considered to be adjusting items can be found in note 30. |
| Fair value gains/ (losses) in contingent consideration | Movements in contingent consideration are considered to be part of the investing activities of the Group and are therefore not considered to be reflective of the underlying trading performance. |
| Exceptional finance costs | Exceptional finance costs relate to the write down of deferred finance costs associated with the debt facilities which were replaced in FY22. The requirement to restructure and replace the debt facilities was a direct result of the acquisitions completed during the year and is therefore not considered part of the underlying trading of the Group. |

6. OPERATING PROFIT

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| The following items have been included in arriving at operating profit: | | |
| Amortisation of acquisition intangibles | 14.9 | 6.5 |
| Amortisation of non-acquisition intangibles | 1.6 | 0.4 |
| Depreciation of property, plant and equipment | 2.5 | 2.1 |
| Depreciation of right of use assets | 8.3 | 6.6 |
| Share based payments (excluding SAYE schemes) and legacy long term incentives | 3.6 | 4.2 |
| Staff costs | 139.6 | 100.5 |
| Auditors' remuneration*: | | |
| – Parent and consolidated financial statements | 0.9 | 0.2 |
| – Audit of Company's subsidiaries pursuant to legislation | - | 0.2 |
| – Review of half yearly financial report | - | - |
| – Non-audit fees | - | 0.1 |

* Audit fees of £850k (2021: £197k) in respect of the parent and consolidated financial statements and £nil (2021: £241k) in respect of the audit of the Company's subsidiaries were incurred during the year. £nil (2021: £15k) was incurred by the Group in respect of the review of the half yearly financial reports. Non-audit fees of £20k (2021: £102k) were incurred relating to due diligence work.

7. FINANCE COSTS

| | 2022 £'m | 2021 £'m |
|--|-------------|-------------|
| Interest on bank loans and overdrafts | 2.5 | 1.6 |
| Amortisation of deferred finance costs | 0.5 | 0.4 |
| Interest costs from lease liabilities | 0.9 | 0.6 |
| Exceptional finance costs | 0.7 | - |
| Total | 4.6 | 2.6 |

Exceptional finance costs of £0.7m (2021: £nil) relate to writing off prepaid arrangement fees on Marlowe's debt facility upon its increase and extension in February 2022

8. TAXATION

| | 2022 £'m | 2021 £'m |
|--|-------------|-------------|
| Current tax: | | |
| UK corporation tax on profit/loss for the year | 3.9 | 2.0 |
| Foreign tax | 0.2 | 0.1 |
| Adjustment in respect of previous periods | (0.1) | 0.1 |
| Total current tax | 4.0 | 2.2 |
| Deferred tax: (note 22) | | |
| Current year | (3.3) | (1.9) |
| Adjustment in respect of previous periods | 0.3 | (0.2) |
| Effects of change in tax rate | 4.2 | - |
| Total deferred tax | 1.2 | (2.1) |
| Total tax charge | 5.2 | 0.1 |

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

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Profit/(loss) before tax | 5.9 | (1.6) |
| Profit/(loss) before tax multiplied by the rate of corporation tax of 19% | 1.1 | (0.3) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 0.3 | 0.5 |
| Prior year adjustments | 0.2 | (0.1) |
| Change in tax rates | 3.6 | - |
| Tax charge | 5.2 | 0.1 |

In the Spring Budget 2021, the UK Government announced that the corporation tax rate would increase to 25% with effect from 1 April 2023. Deferred taxes at the statement of financial position date have been remeasured at 25% as the announced change has been enacted.

9. EARNINGS PER ORDINARY SHARE

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

| | 2022 | 2021 |
|--|------------|------------|
| Weighted average number of shares in issue | 81,994,955 | 55,601,787 |
| Total profit/(loss) for the year | £0.7m | £(1.7)m |
| Total basic earnings per ordinary share (pence) | 0.8p | (3.1)p |
| Weighted average number of shares in issue | 81,994,955 | 55,601,787 |
| Share options | 1,304,678 | 888,604 |
| Weighted average fully diluted number of shares in issue | 83,299,633 | 56,490,391 |
| Total fully diluted earnings per share (pence) | 0.8p | (3.1)p |

Adjusted earnings per share

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

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Profit/(loss) before tax | 5.9 | (1.6) |
| Adjustments: | | |
| Acquisition costs | 6.0 | 2.2 |
| Restructuring costs | 10.5 | 5.6 |
| Amortisation of acquisition intangibles | 14.9 | 6.5 |
| Fair value gains/(losses) in contingent consideration | (3.5) | 0.2 |
| Share based payments (excluding SAYE schemes) and legacy long term incentives | 3.6 | 4.2 |
| Exceptional finance costs | 0.7 | - |
| Adjusted continuing profit for the year | 38.1 | 17.1 |

9. EARNINGS PER ORDINARY SHARE continued

Adjusted earnings per share continued

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

| | 2022 | 2021 |
|---|-------|-------|
| Adjusted profit before tax (£'m) | 38.1 | 17.1 |
| Tax at 19% (£'m) | (7.2) | (3.3) |
| Adjusted profit after tax (£'m) | 30.9 | 13.8 |
| Adjusted basic earnings per share (pence) | 37.7 | 25.0 |
| Adjusted fully diluted earnings per share (pence) | 37.1 | 24.6 |

10. DIVIDENDS

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

11. BUSINESS COMBINATIONS

During the year the Group completed 20 acquisitions to create shareholder value by adding depth and breadth to the Group's compliance based platforms.

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £412.0m and Group profit before tax would have been £8.9m. Post completion, acquisitions made during the year contributed £71.5m revenue and £9.7m profit before tax. As explained in note 5, following acquisition a number of restructuring costs are incurred, and after this post acquisition restructuring the acquisitions have a positive impact on Group profit before tax.

Goodwill acquired in the business combinations represent a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. Goodwill is not deductible for tax purposes. Acquisition balance sheets are deemed provisional when the post-acquisition integration period, typically up to 12 months post acquisition, has yet to complete.

During the year the Group made the following acquisitions which individually represent 5 per cent or more of the total Enterprise Value of all acquisitions made during the year.

Finalisation of fair values for acquisitions acquired in the current year

Acquisition of Healthwork Limited

On 9 June 2021 the Group acquired Healthwork Limited ("Healthwork"), a provider of occupational health services for a total consideration of £20.6m, satisfied by the payment of £15.8m in cash on completion and £4.8m payable subject to the achievement of certain performance targets by the acquired business 24 months post acquisition. The £4.8m payable has been discounted to its present value £3.7m by applying the weighted average cost of capital used in the purchase price allocation. The final fair values are shown to the right.

One hundred percent of the equity of Healthwork 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 £0.3m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Healthwork would have generated £10.8m revenue and £1.1m profit before tax.

| | Fair value at acquisition £'m |
|--|----------------------------------|
| Intangible assets – customer relationships | 8.2 |
| Trade and other receivables | 4.0 |
| Right of use assets | 0.3 |
| Property, plant and equipment | 0.1 |
| Trade and other payables | (1.6) |
| Deferred tax liabilities | (1.9) |
| Leases | (0.3) |
| Tax liabilities | (0.2) |
| Net assets acquired | 8.6 |
| Goodwill | 10.9 |
| Consideration | 19.5 |
| Satisfied by: | |
| Cash to vendors | 15.8 |
| Contingent cash consideration to vendors | 3.7 |

Provisional fair values for acquisitions acquired in the current year

Acquisition of Core Stream Ltd

On 16 July 2021 the Group acquired Core Stream Ltd ("Core Stream"), a provider of a GRC cloud based software platform for a total consideration of £18.8m, satisfied by the payment of £10.1m in cash on completion and £8.7m payable subject to the achievement of certain performance targets by the acquired business 12, 24, 36 and 48 months post acquisition. The £8.7m payable has been discounted to its present value £6.0m by applying the weighted average cost of capital used in the purchase price allocation.

The provisional fair values are shown to the right.

One hundred percent of the equity of Core Stream 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 £0.4m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Core Stream would have generated £4.0m revenue and £1.6m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – application software | 3.0 |
| Intangible assets – customer relationships | 4.4 |
| Cash | 1.9 |
| Trade and other receivables | 0.6 |
| Trade and other payables | (1.6) |
| Deferred tax liabilities | (1.7) |
| Tax liabilities | (0.1) |
| Net assets acquired | 6.5 |
| Goodwill | 9.6 |
| Consideration | 16.1 |
| Satisfied by: | |
| Cash to vendors | 10.1 |
| Contingent cash consideration to vendors | 6.0 |

Acquisition of Acquisition of Barbour EHS Limited

On 30 July 2021 the Group acquired Barbour EHS Limited ("Barbour"), a provider of specialist information services for a total consideration of £32.2m, satisfied by the payment of £32.2m in cash on completion.

The provisional fair values are shown to the right.

One hundred percent of the equity of Barbour 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 £0.2m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Barbour would have generated £4.0m revenue and £1.7m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – customer relationships | 7.7 |
| Intangible assets - content database | 3.3 |
| Intangible assets - trade name | 1.0 |
| Trade and other receivables | 1.6 |
| Trade and other payables | (3.3) |
| Deferred tax liabilities | (2.9) |
| Net assets acquired | 7.4 |
| Goodwill | 24.8 |
| Consideration | 32.2 |
| Satisfied by: | |
| Cash to vendors | 32.2 |

11. BUSINESS COMBINATIONS continued

Provisional fair values for acquisitions acquired in the current year continued

Acquisition of Hydro-X Group Limited

On 1 October 2021 the Group acquired Hydro-X Group Limited ("Hydro-X"), a provider of water and air hygiene services for a total consideration of £32.1m, satisfied by the payment of £32.1m in cash on completion.

The provisional fair values are shown to the right.

One hundred percent of the equity of Hydro-X 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 £0.4m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Hydro-X would have generated £21.4m revenue and £2.3m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – customer relationships | 9.2 |
| Cash | 2.0 |
| Inventories | 0.1 |
| Trade and other receivables | 4.9 |
| Right of use assets | 1.8 |
| Property, plant and equipment | 0.6 |
| Trade and other payables | (4.0) |
| Provisions | (0.2) |
| Deferred tax liabilities | (2.2) |
| Leases | (1.7) |
| Tax liabilities | (0.6) |
| Net assets acquired | 9.9 |
| Goodwill | 22.2 |
| Consideration | 32.1 |
| Satisfied by: | |
| Cash to vendors | 32.1 |

Acquisition of VinciWorks Holdings Limited

On 4 October 2021 the Group acquired VinciWorks Holdings Limited ("Vinciworks"), a provider of an international eLearning platform for a total consideration of £57.5m, satisfied by the payment of £42.1m in cash on completion and £15.4m payable subject to the achievement of certain performance targets by the acquired business 12 and 24 months post acquisition. The £15.4m payable has been discounted to its present value (£13.0m) by applying the weighted average cost of capital used in the purchase price allocation.

The provisional fair values are shown to the right.

One hundred percent of the equity of Vinciworks was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £1.1m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Vinciworks would have generated £6.1m revenue and £2.8m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – application software | 4.0 |
| Intangible assets – customer relationships | 9.8 |
| Intangible assets - content database | 2.5 |
| Cash | 3.7 |
| Trade and other receivables | 1.5 |
| Property, plant and equipment | 0.1 |
| Trade and other payables | (3.4) |
| Deferred tax liabilities | (4.0) |
| Tax liabilities | (0.1) |
| Net assets acquired | 14.1 |
| Goodwill | 41.0 |
| Consideration | 55.1 |
| Satisfied by: | |
| Cash to vendors | 42.1 |
| Contingent cash consideration to vendors | 13.0 |

Acquisition of Riskwize Limited

On 20 October 2021 the Group acquired Riskwize Limited ("Essentialskillz"), a provider of a Health and Safety eLearning platform for a total consideration of £29.9m, satisfied by the payment of £29.9m 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 Essentialskillz 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 £0.5m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Essentialskillz would have generated £4.7m revenue and £2.4m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – application software | 2.5 |
| Intangible assets – customer relationships | 6.7 |
| Intangible assets - content database | 0.7 |
| Cash | 5.8 |
| Trade and other receivables | 0.6 |
| Trade and other payables | (3.1) |
| Deferred tax liabilities | (2.4) |
| Net assets acquired | 10.8 |
| Goodwill | 19.1 |
| Consideration | 29.9 |
| Satisfied by: | |
| Cash to vendors | 29.9 |

Acquisition of Optima Health Group Limited

On 24 January 2022 the Group acquired Optima Health Group Limited ("Optima"), a provider of occupational health services for a total consideration of £138.4m, satisfied by the payment of £138.4m in cash on completion. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are shown to the right.

One hundred percent of the equity of Optima 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 £2.6m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Optima would have generated £73.5m revenue and £0.9m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – application software | 17.0 |
| Intangible assets – customer relationships | 37.5 |
| Intangible assets - trade name | 5.1 |
| Cash | 8.6 |
| Trade and other receivables | 10.9 |
| Right of use assets | 2.3 |
| Property, plant and equipment | 1.8 |
| Trade and other payables | (14.0) |
| Provisions | (0.5) |
| Deferred tax liabilities | (13.3) |
| Leases | (2.1) |
| Borrowings | (2.1) |
| Tax liabilities | (0.1) |
| Net assets acquired | 51.1 |
| Goodwill | 87.3 |
| Consideration | 138.4 |
| Satisfied by: | |
| Cash to vendors | 138.4 |

Further to the above the Group has made the following acquisitions which individually form less than 5% of the total Enterprise Value of all acquisitions made during the year.

11. BUSINESS COMBINATIONS continued

Provisional fair values for acquisitions acquired in the current year continued

"TIC" Acquisitions

The Group has made the following acquisitions in the TIC division:

On 1 April 2021 the Group acquired Agri Teck Solutions Limited ("Agriteck"), a supplier of water treatment chemicals for a total consideration of £0.5m, satisfied by the payment of £0.25m in cash on completion and £0.25m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 26 May 2021 the Group acquired Musketeer Services Limited ("Musketeer"), a provider of water hygiene & treatment services for a total consideration of £4.6m, satisfied by the payment of £4.3m in cash on completion and £0.3m payable subject to the achievement of certain performance targets by the acquired business 6 months post acquisition.

On 1 June 2021 the Group acquired Alarm Communication Limited ("Alarm Communication"), a provider of fire alarm maintenance services for a total consideration of £8.3m, satisfied by the payment of £7m in cash on completion and £1.3m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 7 September 2021 the Group acquired Santia Limited ("Santia"), a provider of asbestos removal and management services for a total consideration of £1.8m, satisfied by the payment of £1.5m in cash on completion and £0.3m payable subject to the achievement of certain performance targets by the acquired business 6 months post acquisition.

On 6 October 2021 the Group acquired Sterling Hydrotech Holdings Limited ("Sterling Hydrotech"), a provider of water treatment services for a total consideration of £1.6m, satisfied by the payment of £1.3m in cash on completion and £0.3m payable subject to the achievement of certain performance targets by the acquired business 4 months post acquisition.

On 10 February 2022 the Group acquired S F Fire Limited ("S F Fire"), a provider of fire alarms and extinguishers for a total consideration of £1.5m, satisfied by the payment of £1.4m in cash on completion and £0.1m payable subject to the achievement of certain performance targets by the acquired business 3 months post acquisition.

On 21 March 2022 the Group acquired Griffin and General Fire Services Limited ("Griffin Fire"), a provider of active fire safety services for a total consideration of £0.9m, satisfied by the payment of £0.9m in cash on completion.

The total provisional fair values are shown to the right.

One hundred percent of the equity was acquired in the transactions. 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 £0.2m have been charged to profit or loss.

If the acquisitions had been completed on the first day of the financial year they would have generated £30.6m revenue and £2.6m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – customer relationships | 7.5 |
| Cash | 2.8 |
| Inventories | 0.7 |
| Trade and other receivables | 6.2 |
| Right of use assets | 1.6 |
| Property, plant and equipment | 0.7 |
| Trade and other payables | (5.4) |
| Provisions | (0.6) |
| Borrowings | (3.3) |
| Deferred tax liabilities | (2.0) |
| Interest payable | (0.1) |
| Leases | (1.6) |
| Tax liabilities | (0.3) |
| Net assets acquired | 6.2 |
| Goodwill | 13.0 |
| Consideration | 19.2 |
| Satisfied by: | |
| Cash to vendors | 16.7 |
| Contingent cash consideration to vendors | 2.5 |

"GRC" Acquisitions

The Group has made the following acquisitions in the GRC division:

On 10 May 2021 the Group acquired Integral Occupational Health Limited ("Integral"), a provider of occupational health services for a total consideration of £2.9m, satisfied by the payment of £2.7m in cash on completion and £0.2m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 21 May 2021 the Group acquired Cylix Limited ("Cylix"), a provider of eLearning courses for a total consideration of £1.3m, satisfied by the payment of £1.1m in cash on completion and £0.2m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 15 June 2021 the Group acquired Cater Leydon Millard Limited ("Cater Leydon"), a provider of employment law services for a total consideration of £2.5m, satisfied by the payment of £2.0m in cash on completion and £0.5m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 30 June 2021 the Group acquired CQC Compliance Limited ("CQC"), a provider of healthcare compliance support services for a total consideration of £0.6m, satisfied by the payment of £0.6m in cash on completion.

On 17 December 2021 the Group acquired Inclusive Learning Limited ("Skill Boosters"), a provider of eLearning services for a total consideration of £8.9m, satisfied by the payment of £6.2m in cash on completion and £2.7m payable subject to the achievement of certain performance targets by the acquired business 12 and 24 months post acquisition. The £2.7m payable has been discounted to its present value (£2.2m) by applying the weighted cost of capital used in the purchase price allocation.

The total provisional fair values are shown to the right.

One hundred percent of the equity was acquired in the transactions. 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 £0.3m have been charged to profit or loss.

If the acquisitions had been completed on the first day of the financial year they would have generated £5.8m revenue and £1.2m profit before tax.

| | Provisional fair value at acquisition £'m |
|--|--|
| Intangible assets – application software | 0.7 |
| Intangible assets – customer relationships | 5.3 |
| Intangible assets - content database | 1.0 |
| Cash | 2.3 |
| Trade and other receivables | 1.2 |
| Right of use assets | 0.5 |
| Trade and other payables | (2.0) |
| Deferred tax liabilities | (1.7) |
| Leases | (0.5) |
| Tax liabilities | (0.5) |
| Net assets acquired | 6.3 |
| Goodwill | 9.4 |
| Consideration | 15.7 |
| Satisfied by: | |
| Cash to vendors | 12.6 |
| Contingent cash consideration to vendors | 3.1 |

12. INTANGIBLE ASSETS

| | Goodwill £'m | Customer relationships £'m | Application software £'m | Content database £'m | Trade name £'m | Total £'m |
|---|-----------------|----------------------------------|--------------------------------|----------------------------|----------------------|--------------|
| Cost | | | | | | |
| 1 April 2020 | 96.2 | 31.8 | 3.4 | - | - | 131.4 |
| Arising on acquisition of subsidiaries | 62.0 | 56.9 | 7.1 | - | - | 126.0 |
| Additions | - | - | 2.3 | - | - | 2.3 |
| 31 March 2021 | 158.2 | 88.7 | 12.7 | - | - | 259.6 |
| Arising on acquisition of subsidiaries | 237.3 | 96.3 | 27.2 | 7.5 | 6.1 | 374.4 |
| Additions | - | - | 5.6 | - | - | 5.6 |
| Disposals | - | - | (0.1) | - | - | - |
| 31 March 2022 | 395.5 | 185.0 | 45.4 | 7.5 | 6.1 | 639.5 |
| Accumulated amortisation and impairment | | | | | | |
| 1 April 2020 | - | 6.3 | 0.3 | - | - | 6.6 |
| Charge for the year | - | 5.8 | 1.1 | - | - | 6.9 |
| 31 March 2021 | - | 12.1 | 1.4 | - | - | 13.5 |
| 1 April 2021 | - | 12.1 | 1.4 | - | - | 13.5 |
| Charge for the year | - | 12.2 | 3.5 | 0.6 | 0.2 | 16.5 |
| 31 March 2022 | - | 24.4 | 4.9 | 0.6 | 0.2 | 30.1 |
| Carrying amount | | | | | | |
| 31 March 2022 | 395.5 | 160.7 | 40.5 | 6.9 | 5.9 | 609.5 |
| 31 March 2021 | 158.2 | 76.6 | 11.3 | - | - | 246.1 |

The customer relationships, application software, content databases and trade names have a remaining life of between 1 and 15 years.

Amortisation of £1.6m (2021: £0.4m) is included within application software relating to internally developed software.

Over 50 per cent of the carrying amount of customers relationships has a remaining life of 10-15 years.

Over 50 per cent of the carrying amount of application software has a remaining life of 7-10 years.

Over 50 per cent of the carrying amount of content database has a remaining life of 5-10 years.

Over 50 per cent of the carrying amount of trade names has a remaining life of 10 years.

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

| | £'m |
|-------------------------------|--------------|
| Cost | |
| 31 March 2021 | 158.2 |
| Acquired - Agriteck | 0.3 |
| Acquired - Integral | 1.3 |
| Acquired - Cylix | 1.2 |
| Acquired - Musketeer | 2.1 |
| Acquired - ACL | 5.1 |
| Acquired - Healthwork | 10.9 |
| Acquired - Barbour | 24.8 |
| Acquired - Cater Leydon | 1.0 |
| Acquired - CQC | 0.2 |
| Acquired - Core Stream | 9.6 |
| Acquired - Santia | 3.8 |
| Acquired - Hydro-X | 22.2 |
| Acquired - VinciWorks | 41.0 |
| Acquired - Sterling Hydrotech | 0.9 |
| Acquired - Essential Skillz | 19.1 |
| Acquired - Skill Boosters | 5.7 |
| Acquired - Optima Health | 87.3 |
| Acquired - SF Fire | 0.6 |
| Acquired - Griffin Fire | 0.2 |
| 31 March 2022 | 395.5 |
| Accumulated impairment | |
| 1 April 2021 and March 2022 | - |
| 31 March 2022 | - |
| Net book value | |
| 31 March 2022 | 395.5 |
| 31 March 2021 | 158.2 |

Allocation to cash-generating units

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

| GRC | 2022 £'m | 2021 £'m |
|-------------------------------------|--------------|-------------|
| Employment Law & HR | 70.9 | 48.9 |
| Occupational Health | 106.0 | 6.5 |
| Health & Safety Compliance Software | 108.4 | 27.3 |
| Total | 285.3 | 82.7 |

| TIC | 2022 £'m | 2021 £'m |
|--|--------------|-------------|
| Fire Safety & Security | 34.9 | 29.5 |
| Water & Air Hygiene | 66.8 | 37.5 |
| Elogbooks Contractor Management Software | 8.5 | 8.5 |
| Total | 110.2 | 75.5 |

12. INTANGIBLE ASSETS continued

Allocation to cash-generating units continued

In the prior year, Occupational Health, Employment Law & HR were presented as one cash generating unit. Following the acquisitions of Optima Health and Healthwork in the financial year, the Occupational Health business has grown materially and become a distinct group of assets generating cash flows. As a result Occupational Health and Employment Law & HR have been presented as two different cash generating units in the financial year. For determining the re-allocation of the goodwill to these CGUs, rather than using the relative value approach as set out in IAS 36 management have used the goodwill arising on the acquisition of each of the entities forming the respective CGUs due to the fact that the acquisitions were relatively recent and they believe that this better reflects the goodwill associated with the reorganised units.

Initial recognition

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

Goodwill is calculated as the residual measure of the excess of the fair value of consideration paid and payable over the fair value of assets and liabilities acquired. The income methods used employ cash flow projections for appropriate periods, depending on the estimated life of the asset concerned, using growth rates that are considered to be in line with the general trends in which each cash-generating unit operates. Terminal cash flows are assumed to grow perpetually at 2% per annum.

The growth rates for beyond the forecasted five years do not exceed the long-term average growth rate for the industry. The forecasts have been discounted at an average rate of 16.32% (2021: 21.92%). The key assumptions forming inputs to cash flows are in revenues and margins. Revenues for the first year have been assessed by reference to existing contracts and market volumes. Margins have been assumed to grow in line with historical performance of the acquired business and reflect management's view of the post-acquisition performance following integration into the Marlowe Group.

Annual impairment review

For the purpose of impairment testing, goodwill and other intangibles are allocated to groups of CGUs which align with the Group's operating segments and represent the lowest level at which those assets are monitored for internal management purposes. The recoverable amount of each cash-generating unit is determined from value-in-use calculations. The calculations use pre-tax cash flow projections based on financial budgets approved by the Directors for year one and cash flow projections for years two to five using growth rates that are considered to be in line with the general trends in which each cash-generating unit operates. Terminal cash flows are based on these five year projections, assumed to grow perpetually at 2%. The key assumptions forming inputs to the cash flows are in revenues, margins and discount rates applied. Budgeted revenues for FY23 which form year one of the value in use calculation have been assessed by reference to existing contracts and market volumes. Having begun moving out of the restructuring and integration phase, budgeted margins in FY23 reflect the impact of implemented restructuring and post-integration performance improvement measures. Although these performance improvements are yet to be fully realised, management consider the FY23 budgets to contain reasonable and supportable assumptions.

The forecasts have been discounted using a pre-tax rate of 11.13% (2021: 11.29%) for cash generating units in the GRC division and 10.41% (2021: 11.29%) for cash generating units in the TIC division. These discount rates were calculated using a pre-tax rate based on the weighted average cost of capital for each operating segment. The key assumptions used for the value in use calculations are as follows:

| | GRC % | TIC % |
|---|----------|----------|
| Revenue growth – years 2 - 5 | 8-15 | 4.0 |
| Revenue growth – remainder | 2.0 | 2.0 |
| Cost growth – employee/overheads, years 2 - 5 | 5-10 | 3.0 |
| Cost growth – employee/overheads, remainder | 2.0 | 2.0 |

Employment Law & HR and Health & Safety Compliance Software are the cash generative units with the least headroom, with headroom of £46.8m and £62.7m respectively. A reduction in the revenue growth assumption by 3 and 5 percentage points respectively with no reduction in cost in the above projections would lead to an impairment. If all other assumptions are maintained at the levels quoted above but the discount rate increases by 1% it reduces the headroom by £16.6m and £22.0m respectively.

13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold and long leasehold land & buildings £'m | Leasehold improvements £'m | Plant & machinery £'m | Office equipment fixtures & fittings £'m | Motor vehicles £'m | Total £'m |
|--|---|-------------------------------|--------------------------|---|-----------------------|--------------|
| Cost | | | | | | |
| 1 April 2020 | 0.6 | 1.3 | 1.5 | 1.8 | 3.0 | 8.2 |
| Additions | - | 1.2 | 0.4 | 0.7 | 0.1 | 2.4 |
| Disposals | - | - | (0.6) | (0.2) | (0.9) | (1.7) |
| Acquisitions | 0.1 | 0.1 | 0.5 | 0.2 | 0.5 | 1.4 |
| 31 March 2021 | 0.7 | 2.6 | 1.8 | 2.5 | 2.7 | 10.3 |
| 1 April 2021 | 0.7 | 2.6 | 1.8 | 2.5 | 2.7 | 10.3 |
| Transfer of finance leased assets to right of use assets | - | - | (0.2) | (0.2) | (0.4) | (0.8) |
| Additions | - | 0.3 | 1.2 | 1.4 | - | 2.9 |
| Disposals | - | - | - | (0.2) | (0.4) | (0.6) |
| Acquisitions | 0.2 | 0.4 | 0.4 | 2.0 | 0.7 | 3.7 |
| Reclassified from held for sale | 1.3 | - | - | - | - | 1.3 |
| 31 March 2022 | 2.2 | 3.3 | 3.2 | 5.5 | 2.6 | 16.8 |
| Accumulated depreciation | | | | | | |
| 1 April 2020 | 0.2 | 0.2 | 0.4 | 0.3 | 1.2 | 2.3 |
| Charge for the year | - | 0.3 | 0.4 | 0.9 | 0.5 | 2.1 |
| Disposals | - | - | (0.5) | (0.1) | (0.8) | (1.4) |
| 31 March 2021 | 0.2 | 0.5 | 0.3 | 1.1 | 0.9 | 3.0 |
| 1 April 2021 | 0.2 | 0.5 | 0.3 | 1.1 | 0.9 | 3.0 |
| Transfer of finance leased assets to right of use assets | - | - | - | (0.1) | (0.2) | (0.3) |
| Charge for the year | - | 0.4 | 0.4 | 1.1 | 0.6 | 2.5 |
| Disposals | - | - | - | (0.1) | (0.4) | (0.5) |
| 31 March 2022 | 0.2 | 0.9 | 0.7 | 2.0 | 0.9 | 4.7 |
| Net book value | | | | | | |
| 31 March 2022 | 2.0 | 2.4 | 2.5 | 3.5 | 1.7 | 12.1 |
| 31 March 2021 | 0.5 | 2.1 | 1.5 | 1.4 | 1.8 | 7.3 |

14. RIGHT OF USE ASSETS

| | Leasehold property £'m | Plant & machinery £'m | Office equipment fixtures & fittings £'m | Motor vehicles £'m | Total £'m |
|--|---------------------------|--------------------------|---|-----------------------|--------------|
| Cost | | | | | |
| 1 April 2020 | 8.6 | 0.5 | 0.2 | 10.3 | 19.6 |
| Additions | 2.1 | 0.2 | 0.1 | 5.8 | 8.2 |
| Disposals | - | - | - | - | - |
| Acquisitions | 3.5 | - | - | 0.2 | 3.7 |
| Effect of lease modifications | (1.2) | (0.1) | - | (0.2) | (1.4) |
| 31 March 2021 | 13.0 | 0.7 | 0.3 | 16.1 | 30.1 |
| 1 April 2021 | 13.0 | 0.7 | 0.3 | 16.1 | 30.1 |
| Transfer of finance leased assets from plant, property and equipment | - | 0.2 | 0.2 | 0.4 | 0.8 |
| Additions | 0.6 | - | 0.2 | 5.6 | 6.4 |
| Disposals | (0.9) | (0.1) | (0.1) | (6.3) | (7.4) |
| Acquisitions | 4.7 | - | - | 1.8 | 6.5 |
| Effect of lease modifications | (0.3) | - | (0.1) | (0.1) | (0.5) |
| 31 March 2022 | 17.1 | 0.8 | 0.5 | 17.5 | 35.9 |
| Accumulated depreciation | | | | | |
| 1 April 2020 | 1.5 | 0.1 | 0.1 | 3.6 | 5.3 |
| Charge for the year | 2.1 | 0.1 | 0.1 | 4.2 | 6.6 |
| Disposals | - | - | - | - | - |
| Effect of lease modifications | (0.5) | 0.0 | 0.0 | (0.1) | (0.6) |
| 31 March 2021 | 3.2 | 0.2 | 0.2 | 7.7 | 11.3 |
| 1 April 2021 | 3.2 | 0.2 | 0.2 | 7.7 | 11.3 |
| Transfer of finance leased assets from plant, property and equipment | - | - | 0.1 | 0.2 | 0.3 |
| Charge for the year | 2.9 | 0.1 | 0.2 | 5.1 | 8.3 |
| Disposals | 0.8 | (0.1) | (0.1) | (6.1) | (7.1) |
| Effect of lease modifications | (0.8) | - | (0.1) | (0.1) | (1.0) |
| 31 March 2022 | 4.5 | 0.2 | 0.3 | 6.8 | 11.8 |
| Net book value | | | | | |
| 31 March 2022 | 12.6 | 0.6 | 0.2 | 10.7 | 24.1 |
| 31 March 2021 | 9.8 | 0.5 | 0.1 | 8.4 | 18.8 |

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

Refer to notes 2 and 20 for additional disclosures relating to leases and right of use assets.

15. INVENTORIES

| | 2022 £'m | 2021 £'m |
|-------------------------------------|-------------|-------------|
| Finished goods and goods for resale | 7.6 | 4.6 |

16. CONTRACT ASSETS AND LIABILITIES

(a) Contract assets

| | 31 March 2021 £'m | Additions £'m | Accrued income/trade receivables £'m | Acquisition of subsidiary £'m | 31 March 2022 £'m |
|---|-------------------------|------------------|--|-------------------------------------|-------------------------|
| Amounts due from contract assets included in trade and other receivables | 1.4 | 2.1 | (1.6) | 0.3 | 2.2 |
| | 1.4 | 2.1 | (1.6) | 0.3 | 2.2 |

| | 31 March 2020 £'m | Additions £'m | Accrued income/trade receivables £'m | Acquisition of subsidiary £'m | 31 March 2021 £'m |
|---|-------------------------|------------------|--|-------------------------------------|-------------------------|
| Amounts due from contract assets included in trade and other receivables | 0.5 | 1.5 | (0.7) | 0.1 | 1.4 |
| | 0.5 | 1.5 | (0.7) | 0.1 | 1.4 |

Contract assets related to the portion of performance obligations already fulfilled by the Group and for which the definitive right to receive cash was subject to completing further work under the relevant contracts. Contract assets are converted into accrued income at the point at which no further work is required to be complete and subsequently into trade receivables at the point that work delivered to the client is invoiced resulting in the Group's unconditional right to receive cash. Contract assets therefore represent a portion of future payments receivable by the Group under existing contracts.

(b) Contract liabilities

| | 31-Mar 2021 £'m | Revenue recognised in financial year from advance payments received from customers during the financial year £'m | Revenue recognised in financial year which was included in the contract liability at 31/03/21 or on acquisition £'m | Advance payments received from customers £'m | Acquisition of subsidiary £'m | 31-Mar 2022 £'m |
|--|-----------------------|---|---|--|-------------------------------------|-----------------------|
| Contract liabilities included in trade and other payables | 9.0 | (15.8) | (17.6) | 34.6 | 15.3 | 25.5 |
| | 9.0 | (15.8) | (17.6) | 34.6 | 15.3 | 25.5 |

| | 31-Mar 2020 £'m | Revenue recognised in financial year from advance payments received from customers during the financial year £'m | Revenue recognised in financial year which was included in the contract liability at 31/03/20 or on acquisition £'m | Advance payments received from customers £'m | Acquisition of subsidiary £'m | 31-Mar 2021 £'m |
|--|-----------------------|---|---|--|-------------------------------------|-----------------------|
| Contract liabilities included in trade and other payables | 3.2 | (20.7) | (6.9) | 28.3 | 5.1 | 9.0 |
| | 3.2 | (20.7) | (6.9) | 28.3 | 5.1 | 9.0 |

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

17. TRADE AND OTHER RECEIVABLES

| | 2022 £'m | 2021* £'m |
|---|-------------|--------------|
| Trade receivables | 71.5 | 41.0 |
| Less: provision for impairment of trade receivables | (2.9) | (1.9) |
| Trade receivables – net | 68.6 | 39.1 |
| Other receivables | 0.7 | 1.2 |
| Contract assets | 2.2 | 1.4 |
| Prepayments and accrued income | 26.0 | 8.9 |
| Contingent consideration receivable in less than one year | 0.6 | 5.4 |
| | 98.1 | 56.0 |
| Non current | | |
| Contingent consideration receivable in more than one year | 4.7 | 3.8 |
| | 4.7 | 3.8 |

* Accrued income has been reclassified from contract assets to prepayments and accrued income and represents work completed but not yet accrued.

As at 31 March 2022, trade and other receivables includes amounts due from contract assets of £2.2m (2021: £1.4m). Revenue is recognised based on contracted terms with customers, in accordance with a contract's stage of completion, with any variable consideration estimated using the expected value method as constrained if necessary. If a contract is in dispute, management use their judgement based on evidence and external expert advice, where appropriate, to estimate the value of accrued income recoverable on the contract. Actual future outcome may differ from the estimated value currently held in the financial statements. The outcome of any amounts subject to dispute is not anticipated to have a material impact on the financial statements.

Contingent consideration represents the divestment of non-core activities within the Group's Air Quality business following the sale of Ductclean (UK) Limited in March 2020 for a consideration of up to £7.0m and additional amounts receivable on projects concluded before the transaction. These are financial assets classified as measured at fair value through profit or loss. The fair value of this consideration is determined using an estimate of discounted cash flows that are expected to be received within the next five years. The discount rate used is based on a risk-free rate adjusted for asset-specific risks. The consideration is subject to a number of variables which may result in the amount received being materially greater or lower than currently recognised.

Trade receivables, accrued income and contract assets are provided for based on, and in accordance with IFRS 9, an expected credit loss ("ECL") model. The Group have utilised a simplified approach which is permitted by the standard, which applies a credit risk percentage based against receivables that are grouped in age brackets, which range from 71% of those over 120 days past due to 1% of those between 0 and 30 days past due.

As at 31 March 2022, trade receivables of £21.1m (2021: £11.9m) were past due but for which no expected credit loss has been recognised because it has been assessed to be immaterial. These relate to a number of independent customers with no recent history of default.

18. TRADE AND OTHER PAYABLES

| | 2022 £'m | 2021 £'m |
|--|--------------|-------------|
| Current | | |
| Trade payables | 29.9 | 20.0 |
| Other taxation and social security | 16.3 | 14.9 |
| Other payables | 2.5 | 2.7 |
| Accruals | 23.5 | 14.5 |
| Contract liabilities | 25.5 | 9.0 |
| Contingent consideration payable in less than one year | 13.8 | 12.3 |
| | 111.5 | 73.4 |
| Non-current | | |
| Contingent consideration payable in one to three years | 14.7 | 7.7 |
| | 14.7 | 7.7 |

Trade and other payables principally comprise amounts outstanding for trade purchases, ongoing costs and contingent consideration. Included within contingent consideration is £2.6m (2021: £3.4m) in respect of amounts due under put and call options. Included within accruals is £4.3m (2021: £4.5m) in respect of Long Term Incentive Plans (Note 30).

Contingent consideration consists of the following amounts payable in respect of previous acquisitions:

| | 2022 £'m |
|------------------------------------|-------------|
| VinciWorks | 8.4 |
| Core Stream | 6.4 |
| Healthwork | 3.0 |
| Other (comprising 15 acquisitions) | 10.7 |
| | 28.5 |

19. FINANCIAL LIABILITIES – BORROWINGS

| | 2022 £'m | 2021 £'m |
|---|--------------|-------------|
| Current | | |
| Bank loans and overdrafts due within one year | | |
| Bank loans – secured | - | - |
| | - | - |
| Non-current | | |
| Bank loans – secured | 140.0 | - |
| | 140.0 | - |

The bank debt is due to HSBC UK Bank plc, National Westminster Bank plc, Citibank, N.A., Credit Industriel et Commercial, Fifth Third Bank, and The Governor and Company of the Bank of Ireland. The interest rate profile and an analysis of borrowings is given in note 21.

Under the terms of the finance facility the Group is required to meet quarterly covenant tests in respect of interest cover and leverage.

19. FINANCIAL LIABILITIES – BORROWINGS continued

Analysis of net debt

| | 2022 £'m | 2021 £'m |
|-------------------------------|----------------|-------------|
| Cash at bank and in hand | 31.2 | 44.2 |
| Bank loans due after one year | (140.0) | - |
| Leases due within one year | (8.0) | (6.7) |
| Leases due after one year | (16.5) | (13.2) |
| Net cash/(debt) | (133.3) | 24.3 |

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

Reconciliation of liabilities arising from financing activities

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

| | Long-term borrowings £'m | Short-term borrowings £'m | Lease liabilities £'m | Total £'m |
|--|--------------------------------|---------------------------------|-----------------------------|--------------|
| 1 April 2021 | - | - | 19.9 | 19.9 |
| Cash flows: | | | | |
| Repayment | (146.5) | - | (8.8) | (155.3) |
| Repayment of debt upon purchase of subsidiary undertaking | (5.4) | - | - | (68.9) |
| Drawdown | 286.5 | - | - | 286.5 |
| Non-cash: | | | | |
| Debt recognised upon purchase of subsidiary undertaking | 5.4 | - | - | 68.9 |
| Lease liabilities recognised upon purchase of subsidiary undertaking | - | - | 6.1 | 6.1 |
| Lease liabilities recognised in the year | - | - | 7.3 | 7.3 |
| 31 March 2022 | 140.0 | - | 24.5 | 164.5 |
| 1 April 2020 | 38.5 | - | 15.3 | 53.8 |
| Cash flows: | | | | |
| Repayment | (118.5) | - | (7.3) | (125.8) |
| Repayment of debt upon purchase of subsidiary undertaking | (30.6) | - | - | (30.6) |
| Proceeds | 80.0 | - | - | 80.0 |
| Non-cash: | | | | |
| Debt recognised upon purchase of subsidiary undertaking | 30.6 | - | - | 30.6 |
| Lease liabilities recognised upon purchase of subsidiary undertaking | - | - | 3.6 | 3.6 |
| Lease liabilities recognised in the year | - | - | 8.3 | 8.3 |
| 31 March 2021 | - | - | 19.9 | 19.9 |

20. FINANCIAL LIABILITIES: LEASE LIABILITIES

| | 2022 £'m | 2021 £'m |
|---------------------------|-------------|-------------|
| Obligations under leases | | |
| Repayable by instalments: | | |
| In less than one year | 8.0 | 6.3 |
| In two to five years | 14.3 | 11.6 |
| Over five years | 2.2 | 2.0 |
| | 24.5 | 19.9 |

21. FINANCIAL INSTRUMENTS

The Group's financial instruments comprise cash at bank and in hand 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

| | 2022 £'m | 2021 £'m |
|--------------------------|-------------|-------------|
| Cash at bank and in hand | 31.2 | 44.2 |

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

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

| | 2022 £'m | 2021 £'m |
|--|-------------|-------------|
| Financial assets measured at amortised cost | 87.9 | 44.6 |
| Financial liabilities measured at amortised cost | (81.5) | (57.7) |

Currency and interest rate risk profile of financial liabilities

Marlowe refinanced its debt facility, twice during the year. For the period up to 8 October 2021, its debt facility was with HSBC UK Bank plc and National Westminster Bank with all bank borrowings subject to floating interest rates, at LIBOR plus a margin between 1.40% and 2.80%. For the period from 9 October 2021 to 8 February 2022, its debt facility was with HSBC UK Bank plc and National Westminster Bank with all bank borrowings subject to floating interest rates, at SONIA plus a margin between 1.40% and 3.0%. After 9 February 2022, all bank borrowings are due to HSBC UK Bank plc, National Westminster Bank plc, Citibank, N.A., Credit Industriel et Commercial, Fifth Third Bank, and The Governor and Company of the Bank of Ireland and are subject to floating interest rates, at SONIA plus a margin between 1.55% and 2.80%. Any undrawn borrowings continue to be charged as a % of lending margin and are not exposed to interest rate changes.

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

| Currency | Total £'m | Floating rate financial liabilities £'m | Weighted average interest rates % |
|---------------------------|--------------|--|--|
| Sterling at 31 March 2022 | 140.0 | 140.0 | 2.3 |
| Sterling at 31 March 2021 | - | - | 2.1 |

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

| | 2022 £'m | 2021 £'m |
|------------------|-------------|-------------|
| 3 months or less | 140.0 | - |

21. FINANCIAL INSTRUMENTS continued

Currency and interest rate risk profile of financial liabilities continued

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:

| | 2022 £'m | 2021 £'m |
|------------------|-------------|-------------|
| 3 months or less | 40.0 | - |

Interest rate sensitivity

At 31 March 2022, if interest rates had been 50 basis points higher and all other variables were held constant, it is estimated that the Group's profit before tax would be approximately £0.4m lower (2021: £0.2m). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings and is based on the change taking place at the beginning of the financial year and held constant throughout the year

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

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

All financial assets are short-term receivables and cash at bank and in hand. The cash at bank earns interest based on the Bank of England Base rate less a margin of 0.09% and is held with HSBC UK Bank plc.

Maturity of financial liabilities

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

| | 2022 | | | 2021 | | |
|-------------------------------|------------------|--|--------------|------------------|--|--------------|
| | Bank debt £'m | Financial liabilities lease liabilities £'m | Total £'m | Bank debt £'m | Financial liabilities lease liabilities £'m | Total £'m |
| Within one year, or on demand | - | 8.0 | 8.0 | - | 6.2 | 6.2 |
| Between one and two years | - | 14.3 | 14.3 | - | 11.7 | 11.7 |
| Between two and five years | 140.0 | 2.2 | 142.2 | - | 2.0 | 2.0 |
| | 140.0 | 24.5 | 164.5 | - | 19.9 | 19.9 |

Borrowing facilities

The Group has a £180m revolving credit facility and an additional accordion facility of £60m with HSBC UK Bank plc, National Westminster Bank plc, Citibank, N.A., Credit Industriel et Commercial, Fifth Third Bank, and The Governor and Company of the Bank of Ireland which expires on 9 February 2025. £140m of the facility was drawn as at 31 March 2022. 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 approximately to their fair value.

Fair value measurement of financial instruments

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

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

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

| | Level 1 £'m | Level 2 £'m | Level 3 £'m | Total £'m |
|------------------------------------|----------------|----------------|----------------|---------------|
| 31 March 2022 | | | | |
| Financial assets | | | | |
| Contingent consideration (Note 17) | - | - | 5.3 | 5.3 |
| Total assets | - | - | 5.3 | 5.3 |
| Financial liabilities | | | | |
| Contingent consideration (Note 18) | - | - | (28.5) | (28.5) |
| Net fair value | - | - | (23.2) | (23.2) |
| 31 March 2021 | | | | |
| Financial assets | | | | |
| Contingent consideration (Note 17) | - | - | 9.2 | 9.2 |
| Total assets | - | - | 9.2 | 9.2 |
| Financial liabilities | | | | |
| Contingent consideration (Note 18) | - | - | (20.0) | (20.0) |
| Net fair value | - | - | (10.8) | (10.8) |

Measurement of fair value of financial instruments

Measurement of contingent consideration payable

When acquiring a business, consideration may become payable subject to the achievement of certain performance targets by the acquired business in the future. The fair value of contingent consideration is determined by assessing the projected performance forecasts of the business and discounting the estimated consideration that would become payable if these forecasts were achieved. The discount rate used is based on the weighted average cost of capital of the operating segment in which it operates in.

Contingent consideration forms part of the total consideration for a number of the Group's current and prior year acquisitions. Each acquisition has specified targets which need to be met for the consideration to become payable, with performance assessed, over a period of typically between 12 to 48 months from the date of the acquisition.

Of the total balance disclosed above, £6.7m is either fixed and will be paid subject to the satisfactory completion of certain integration tasks, has been agreed with the vendors, is approaching maturity, or is otherwise subject to lower estimation uncertainty.

The remaining balance of £21.8m is calculated based on the performance of each of the acquired entities. £14.8m relates to consideration arising from the acquisition of VinciWorks and Core Stream, which are the most sensitive to reasonably possible changes in assumptions. For VinciWorks and Core Stream, an increase/decrease of 10% in the future EBITDA on which the contingent consideration is based would result in an increase/decrease of contingent consideration of £0.9m and £1.8m respectively.

The fair value of the contingent consideration payable was estimated by applying an appropriate discount rate (being 11.13% for acquisitions in the GRC division and 10.41% for acquisitions in the TIC division), consistent with those used for the purpose of the goodwill impairment assessment.

During the year ended 31 March 2022 total contingent consideration of £14.3m was paid (£12.3m settled in cash and £2.0m in shares).

Measurement of contingent consideration receivable

During the financial year ending 31 March 2020 the Group divested of non-core activities within its Air Quality business following the sale of Ductclean (UK) Limited. The fair value of this consideration is determined using an estimate of discounted cash flows that are expected to be received within the next five years. The discount rate used is based on a risk-free rate adjusted for asset-specific risks.

22. DEFERRED TAX

Summary of balances

| | 2022 £'m | 2021 £'m |
|--------------------------|---------------|---------------|
| Deferred tax liabilities | (50.5) | (16.5) |
| Deferred tax asset | 3.9 | 1.5 |
| | (46.6) | (15.0) |

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

| | 2022 £'m | 2021 £'m |
|---|---------------|---------------|
| 1 April | (15.0) | (4.9) |
| Charge to profit for the year | (0.9) | 1.9 |
| Adjustment in respect of previous periods | (0.3) | 0.2 |
| Acquisitions | (31.8) | (12.2) |
| Deferred tax on share based payments through reserves | 1.4 | - |
| 31 March | (46.6) | (15.0) |

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

Deferred tax liabilities

| | Intangible assets £'m | Short term timing differences £'m | Total £'m |
|---|-----------------------------|--|---------------|
| 31 March 2020 | (5.5) | - | (5.5) |
| Credit to income for the year | 1.2 | - | 1.2 |
| Acquisitions | (11.7) | (0.5) | (12.2) |
| 31 March 2021 | (16.0) | (0.5) | (16.5) |
| Charge to income for the year | (2.4) | 0.5 | (1.9) |
| Adjustment in respect of previous periods | (0.3) | - | (0.3) |
| Acquisitions | (31.8) | - | (31.8) |
| 31 March 2022 | (50.5) | - | (50.5) |

Deferred tax assets

| | Property, plant & equipment timing differences £'m | Short term timing differences £'m | Total £'m |
|---|---|--|--------------|
| 31 March 2020 | 0.6 | - | 0.6 |
| Charge to income for the year | (0.3) | 1.0 | 0.7 |
| Adjustment in respect of previous periods | 0.2 | - | 0.2 |
| 31 March 2021 | 0.5 | 1.0 | 1.5 |
| Charge to income for the year | (0.2) | 1.2 | 1.0 |
| Adjustment in respect of previous periods | - | - | - |
| Deferred tax on share based payments through reserves | - | 1.4 | 1.4 |
| 31 March 2022 | 0.3 | 3.6 | 3.9 |

Deferred tax assets, in relation to tax losses, amounting to £1.9m (2021: £1.4m) have not been recognised as at 31 March 2022 as it is not considered probable that future taxable profits will be available against which the tax losses can be offset.

23. PROVISIONS

| | Provisions £'m |
|----------------------|-------------------|
| 1 April 2021 | 1.2 |
| Acquired provision | 1.3 |
| Utilised/released | 0.3 |
| 31 March 2022 | 2.8 |

| | 2022 £'m | 2021 £'m |
|--------------|-------------|-------------|
| Current | 0.9 | 0.4 |
| Non-current | 1.9 | 0.8 |
| Total | 2.8 | 1.2 |

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

24. CALLED UP SHARE CAPITAL

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Allotted, issued and fully paid: | | |
| 95,833,853 ordinary shares of 50p each (2021: 76,969,849 ordinary shares of 50p each) | 47.9 | 38.5 |

The issued ordinary share capital is as follows:

| Date | Number of ordinary shares | Issue price |
|--|------------------------------|-------------|
| 1 April 2020 | 45,883,835 | |
| 15 April 2020 - Marlowe 2016 Incentive Scheme Conversion | 161,724 | 50p |
| 26 June 2020 - Subscription Shares | 4,410,430 | 478p |
| 15 July 2020 - Subscription Shares | 3,957,770 | 478p |
| 31 July 2020 - Bonus Shares | 46,048 | 500p |
| 8 September 2020 - Consideration Shares ("William Martin") | 365,613 | 506p |
| 29 October 2020 - Subscription Shares | 5,441,376 | 547p |
| 7 January 2021 - Consideration Shares ("WPL") | 147,652 | 605p |
| 4 February 2021 - Marlowe 2016 Incentive Scheme Conversion | 2,062,647 | 50p |
| 19 March 2021 - Subscription Shares | 14,492,754 | 690p |
| 31 March 2021 | 76,969,849 | |
| 01 April 2021 - Consideration Shares ("LAW") | 153,923 | 717p |
| 17 August 2021 - Bonus Shares | 3,050 | 782p |
| 20 October 2021 - Subscription Shares | 5,512,679 | 907p |
| 20 January 2022 - Share Options ("SAYE 2020") | 1,336 | 460p |
| 24 January 2022 - Subscription Shares | 13,100,000 | 1000p |
| 27 January 2022 - Consideration Shares ("Elogbooks") | 93,016 | 1025p |
| 31 March 2022 | 95,833,853 | |

25. SHARE PREMIUM ACCOUNT

| | 2022 £'m | 2021 £'m |
|--|--------------|--------------|
| 1 April | 217.4 | 66.5 |
| Prior year reclassification | - | (1.7) |
| 1 April (restated)* | 217.4 | 64.8 |
| Premium on shares issued during the year | 171.7 | 157.5 |
| Share issue costs | (4.3) | (4.9) |
| 31 March | 384.8 | 217.4 |

* See note 1 for details of a prior year restatement

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

26. OTHER RESERVES**a) Other reserves**

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| 1 April | 0.4 | 1.0 |
| Charge for the year | 1.7 | 0.5 |
| Marlowe 2016 Incentive Scheme conversion | - | (1.1) |
| Deferred tax on share based payments through reserves | 1.4 | - |
| 31 March | 3.5 | 0.4 |

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

b) Merger relief reserve

| | 2022 £'m | 2021 £'m |
|-----------------------------|-------------|-------------|
| 1 April | 7.9 | 5.4 |
| Prior year reclassification | - | 1.7 |
| 1 April (restated)* | 7.9 | 7.1 |
| Issue of shares | 2.0 | 0.8 |
| 31 March | 9.9 | 7.9 |

* See note 1 for details of a prior year restatement

The merger relief reserve represents the premium on ordinary shares issued as consideration for the acquisition of shares in another company. During the year £1.8m of merger relief was recognised on the acquisition of the remaining share capital of Elogbooks and contingent consideration settled in shares in respect of the acquisition of Law At Work.

27. RETAINED EARNINGS

| | 2022 £'m | 2021 £'m |
|----------------------------|--------------|--------------|
| 1 April | (0.8) | 0.9 |
| Profit/(loss) for the year | 0.7 | (1.7) |
| 31 March | (0.1) | (0.8) |

28. NET CASH GENERATED FROM OPERATIONS

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Continuing operations | | |
| Profit/(loss) before tax | 5.9 | (1.5) |
| Depreciation of property, plant and equipment and amortisation of non-acquisition intangibles | 12.4 | 8.9 |
| Amortisation of acquisition related intangible assets | 14.9 | 6.5 |
| Finance costs | 4.6 | 2.6 |
| Acquisition costs | 6.0 | 2.2 |
| Fair value gains/(losses) in contingent consideration | (3.5) | 0.2 |
| Restructuring costs | 10.5 | 5.7 |
| Share based payments (excluding SAYE schemes) and legacy long term incentives | 3.6 | 4.2 |
| Decrease/(increase) in inventories | (2.1) | 0.3 |
| Decrease/(increase) in trade and other receivables | (15.0) | 0.3 |
| Increase/(decrease) in trade and other payables | (3.3) | 2.6 |
| Net cash generated from operations | 34.0 | 32.0 |

29. PENSIONS

The Group operates a number of defined contribution schemes for all qualifying employees. The assets of the schemes are held separately from those of the Group in funds under the control of trustees. The total cost charged to profit or loss of £4.7m (2021: £2.5m) represents contributions payable to these schemes by the Group at rates specified in the rules of the plan.

30. SHARE BASED PAYMENTS AND LONG TERM INCENTIVE PLANS

The Group operates a number of long term incentive schemes to incentivise and reward management and employees. Legacy incentive plans were established to incentivise certain key members of the Group's senior management to create shareholder value through the successful acquisition, restructuring and integration of businesses in their chosen service sectors. These together with the charge relating to the new executive incentive plan are presented within share based payments and legacy long term incentives. Charges relating to SAYE schemes and all other plans are recognised through administrative expenses.

The following charges were made through Share based payments (excluding SAYE schemes) and legacy long-term incentives:

| | 2022 £'m | 2021 £'m |
|-----------------------------|-------------|-------------|
| Marlowe plc EIP | 1.2 | - |
| Marlowe plc LTIP 2019 | 0.1 | 0.1 |
| Marlowe plc LTIP 2020 | 0.1 | 0.1 |
| Marlowe plc LTIP 2021 | 0.1 | - |
| Long Term Incentive Plan | 1.6 | 2.9 |
| Legacy Phantom Award Scheme | 0.5 | 1.1 |
| | 3.6 | 4.2 |

The following charges were made through admin expenses:

| | 2022 £'m | 2021 £'m |
|-----------------------|-------------|-------------|
| 2020 Save As You Earn | 0.2 | 0.1 |
| 2021 Save As You Earn | 0.2 | - |
| Phantom Award Scheme | 0.1 | - |
| | 0.5 | 0.1 |

30. SHARE BASED PAYMENTS AND LONG TERM INCENTIVE PLANS continued**Marlowe plc Long Term Incentive Plan 2019**

92,975 of the New Share Options have been granted to Alex Dacre and 41,322 of the New Share Options have been granted to Mark Adams. The New Share Options will vest, in whole or in part, on 1 April 2022 (or upon a change of control) subject to the following performance conditions having been met over the preceding three-year period:

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

Unless special circumstances apply, the New Share Options will normally lapse immediately on cessation of employment. Following Mark Adams retirement on 31 December 2021, in recognition of his contribution to the growth of the Group, the Board permitted 37,879 New Share Options to remain granted, being the entitlement to reflect his retirement date, to vest under the original scheme rules on 1 April 2022. Upon vesting, the New Share Options will be exercisable at a price of 50 pence per ordinary at any time prior to expiry on 31 March 2029.

A charge of £0.1m (2021: £0.1m) was recognised in administrative expenses in respect of the Long Term Incentive Plan 2019.

Marlowe plc Long Term Incentive Plan 2020

63,380 of the New Share Options have been granted to Alex Dacre and 26,400 of the New Share Options have been granted to Mark Adams. Following Mark Adams retirement on 31 December 2021 the 26,400 New Share Options were cancelled. The New Share Options will vest, in whole or in part, on 1 April 2023 (or upon a change of control) subject to the following performance conditions having been met over the preceding three-year period:

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

Unless special circumstances apply, the New Share Options will normally lapse immediately on cessation of employment. Upon vesting, the New Share Options will be exercisable at a price of 50 pence per ordinary at any time prior to expiry on 31 March 2030.

A charge of £0.1m (2021: £0.1m) was recognised in administrative expenses in respect of the Long Term Incentive Plan 2020.

Marlowe plc Long Term Incentive Plan 2021

44,321 New Share Options have been granted to Alex Dacre. The New Share Options will vest, in whole or in part, on 1 April 2024 (or upon a change of control) subject to the following performance conditions having been met over the preceding three-year period:

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

Unless special circumstances apply, the New Share Options will normally lapse immediately on cessation of employment. Upon vesting, the New Share Options will be exercisable at a price of 50 pence per ordinary at any time prior to expiry on 31 March 2031.

A charge of £0.1m (2021: nil) was recognised in administrative expenses in respect of the Long Term Incentive Plan 2020.

2020 Save As You Earn Scheme

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

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

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

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

| | |
|---------------------------|---------|
| Grant date | 2021 |
| Share price at grant date | 509p |
| Exercise price | 460p |
| Share options | 699,000 |
| Expected volatility | 31% |
| Risk free rate | 1% |
| Fair value per option | 439p |

The total fair value of options issued during 2021 was £3.1m. The volatility was measured by calculating the standard deviation of the natural logarithm of share price movements.

A charge of £0.2m (2021: £0.1m) was recognised in respect of the SAYE scheme.

2021 Save As You Earn Scheme

The Group operates a Save As You Earn ("SAYE") scheme which is open to all employees with more than 3 months continuous service. This is an approved HMRC scheme and was established in September 2021.

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

Employees leaving for certain reasons are able to use their savings to purchase shares within six months of their leaving. 426,508 SAYE options were granted.

Options were valued using a stochastic model. The fair value per option and the assumptions used in the calculation for the options issued in 2022 were as follows.

| | |
|---------------------------|---------|
| Grant date | 2022 |
| Share price at grant date | 509p |
| Exercise price | 725p |
| Share options | 426,508 |
| Expected volatility | 33% |
| Risk free rate | 0.2% |
| Fair value per option | 174p |

The total fair value of options issued during the year was £0.7m. The volatility was measured by calculating the standard deviation of the natural logarithm of share price movements.

A charge of £0.2m (2021: £nil) was recognised in respect of the SAYE scheme.

Marlowe plc Executive Incentive Plan

The Directors believe the success of the Group will depend to a significant degree on the future performance of the management team. With Marlowe's historical 2016 Incentive Scheme having concluded in February 2021, and no other meaningful long term incentive scheme currently in place, an Executive Incentive Plan ("EIP") was approved by a Shareholder General Meeting on 21 May 2021. The EIP forms the cornerstone of the Company's remuneration structure to retain and motivate its senior management team, focusing them on long term value creation and aligning their interests directly with shareholders.

The EIP (together with other share plans) operates within a 10% in 10 years dilution limit in line with corporate governance best practice.

Participants in the EIP have been awarded with performance units that will convert into new ordinary shares in the Company in the form of nil-cost options ("EIP Performance Units") at the end of a five-year performance period ending on 31 March 2026 (the "Performance Period"), provided that the value created for Marlowe shareholders during the Performance Period is in excess of a hurdle calculated by reference to 10% annualised growth in the Company's share price from the start of the Performance Period on 1 April 2021 based on an opening share price of £6.90 per share ("Threshold Hurdle"). Providing the Threshold Hurdle has been achieved by the end of the

30. SHARE BASED PAYMENTS AND LONG TERM INCENTIVE PLANS continued

Marlowe plc Executive Incentive Plan continued

Performance Period, the EIP participants will be entitled to receive, in aggregate, 10% of the value created for shareholders above the Threshold Hurdle. This value sharing percentage will apply only to the ordinary shares in issue on 1 April 2021 and is capped at a maximum aggregate award of 4,902,295 new ordinary shares, subject to the Remuneration Committee retaining discretion to scale back the formulaic vesting of the EIP in line with corporate governance best practice. Awards under the EIP are subject to customary malus provisions during the Performance Period and to clawback for a period of 2 years post vesting.

Alex Dacre, Chief Executive, and Adam Councill, Group CFO, have been allocated 56.5% and 18.0% respectively of the EIP Performance Units and have agreed they will receive below market salaries, will forgo an annual bonus and will not receive further incentives for the duration of the EIP. The remaining EIP Performance Units have been allocated to other senior executives.

The EIP units were valued using a Monte Carlo model. The effective dates of the award are deemed to be 25 May 2021 (80% of the units following shareholder approval) and 4 October 2021 (20% of the units following the appointment of Adam Councill as CFO).

| Assumptions | | |
|-------------------------------------|-------------------|-------------------|
| Grant date | 25 May 2021 | 4 October 2021 |
| Proportion of total award granted | 80% | 20% |
| Projection period | 4.85 years | 4.49 years |
| Initial share capital | 76,969,849 shares | 76,969,849 shares |
| Share price at grant date | £7.72 | £8.95 |
| Share price to which hurdle applies | £6.90 | £6.90 |
| Hurdle | 10% per annum | 10% per annum |
| Dividend yield | Nil | Nil |
| Risk free rate | 0.33% | 0.55% |
| Volatility | 26% | 26% |
| Fair value of award | £5.3m | £2.0m |

The volatility was measured by calculating the standard deviation of the natural logarithm of share price movements of a selection of Marlowe's peers. A charge of £1.2m (2021: £nil) was recognised in respect of the EIP scheme.

Legacy long term incentives recognised through acquisition and other costs

Marlowe 2016 Incentive Scheme

During the prior financial year all remaining historical awards under the Marlowe 2016 Incentive Scheme were converted into Marlowe plc Ordinary Shares. 1,559,669 Ordinary Shares were issued to Alex Dacre and 337,928 Ordinary Shares were issued to Charles Skinner in respect of the scheme.

A long term incentive scheme was created in February 2016 to reward the key contributors for the creation of shareholder value. In order to make these arrangements most efficient, they were based around a subscription for B Shares in Marlowe 2016 Limited, a 100% wholly owned subsidiary of Marlowe plc, by the B Shareholders.

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

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

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

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

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

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

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 above |
| 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% |

Phantom Award Scheme

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

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

| Grant date | 1 August 2020 | 1 July 2021 | 1 July 2021 |
|------------------------------|---------------|-------------|-------------|
| Share price at grant date | 440p | 800p | 800p |
| Number of employees | 1 | 1 | 1 |
| Phantom shares granted | 15,000 | 20,000 | 25,000 |
| Vesting period | 2 | 3-4 | 3 |
| Expected volatility | 35.30% | 35.30% | 35.30% |
| Risk free rate | 1.27% | 1.42% | 1.42% |
| Fair value per phantom share | 853p | 1,037p | 1,024p |

The volatility was measured by calculating the standard deviation of the natural logarithm of share price movements.

30. SHARE BASED PAYMENTS AND LONG TERM INCENTIVE PLANS continued**Long Term Investment Plan**

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

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

In total, a charge of £2.6m (2021: £4.0m) was recognised in respect of the Phantom Award Scheme and Long Term Investment Plan.

As at 31 March 2022, the liability was £4.3m (2021: £4.5m).

31. DIRECTORS AND EMPLOYEES**Staff costs during the year**

| | 2022 £'m | 2021 £'m |
|--|--------------|--------------|
| Wages and salaries | 121.3 | 84.6 |
| Social security costs | 13.1 | 9.1 |
| Post employment benefits | 4.7 | 2.6 |
| Share based payments and legacy long term incentives | 4.1 | 4.2 |
| | 143.2 | 100.5 |

Average monthly number of employees during the year

| | 2022 Number | 2021 Number |
|----------------|----------------|----------------|
| Directors | 5 | 5 |
| Management | 658 | 299 |
| Operatives | 1,778 | 1,283 |
| Administration | 803 | 621 |
| Sales | 556 | 238 |
| | 3,800 | 2,446 |

Total amounts for Directors' remuneration and other benefits

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Emoluments for Directors' services | | |
| Salary and benefits | 1.1 | 0.8 |
| Long term incentives vesting | 0.5 | 11.7 |
| Directors' remuneration shown above included the following amounts in respect of the highest paid Director: | | |
| Salary and benefits | 0.3 | 0.4 |
| Long term incentives vesting | 0.5 | 9.6 |

Key management compensation

| | 2022 £'m | 2021 £'m |
|--------------------------------|-------------|-------------|
| Short-term employment benefits | 2.2 | 1.6 |
| Social security costs | 0.4 | 0.2 |
| Post employment benefits | 0.1 | 0.1 |
| Other benefits | - | - |
| Share-based payments charge | 1.1 | 0.8 |
| Long term incentives vesting | 1.2 | 10.8 |
| | 5.0 | 13.5 |

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

32. GOVERNMENT GRANTS

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

The Group has elected to deduct the grants received from the related expense. The Group received grants of £0.2m in 2022 (2021: £4.1m).

33. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

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

No trading related party transactions were identified in the year.

34. POST BALANCE SHEET EVENTS

Since the year end the group has acquired 100% interests in several entities, as set out below, adding an aggregate of £26m of run-rate revenues and £4m of run rate EBITDA as set out below:

On 14 April 2022 the Group acquired TP Health (Holdings) Limited, a UK provider of technology-enabled occupational health services, for a total consideration of £16.3m, satisfied by the payment of £14.4m in cash on completion and £1.9m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 19 April 2022 the Group acquired Ruthven Alarms Limited, a provider of alarm system installation and maintenance services, for a total consideration of £0.3m, satisfied by the payment of £0.3m in cash on completion.

On 09 May 2022 the Group acquired The Compliance Office Ltd, a provider of SRA compliance consultancy services, for a total consideration of £1.5m, satisfied by the payment of £1.2m in cash on completion and £0.3m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 23 May 2022 the Group acquired MJ Fire Safety Ltd, a provider of fire safety installation, maintenance and inspection services, for a total consideration of £4.4m, satisfied by the payment of £4.4m in cash on completion.

On 24 May 2022 the Group acquired Cedrec Information Systems Limited, a leading digital platform providing Environmental, Health and Safety ("EHS") data & information, for a total consideration of £4.0m, satisfied by the payment of £3.4m in cash on completion and £0.6m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 7 June 2022 the Group acquired Business HR Solutions (Consultancy) Limited and Business Human Resources Solutions Limited (together, "HR Solutions"), a provider of HR and H&S compliance consultancy services, for a total consideration of £5.8m, satisfied by the payment of £5.8m in cash on completion.

The fair value of the assets and liabilities in relation to the above acquisitions have not been presented as, due to them being recent acquisitions, the work is ongoing to perform the valuations.

Company statement of changes in equity

For the year ended 31 March 2022

| | Attributable to owners of the parent | | | | | Total equity £'m |
|---|--------------------------------------|----------------------|------------------------------|-----------------------|--------------------------|---------------------|
| | Share capital £'m | Share premium £'m | Merger relief reserve £'m | Other reserves £'m | Retained earnings £'m | |
| Balance at 1 April 2020 | 22.9 | 66.5 | 5.4 | 1.0 | (9.2) | 86.6 |
| Loss for the year | - | - | - | - | (9.5) | (9.5) |
| Total comprehensive income for the year | - | - | - | - | (9.5) | (9.5) |
| Transactions with owners | | | | | | |
| Issue of shares during the year | 15.4 | 155.8 | - | (1.1) | - | 170.1 |
| Issue costs | - | (4.9) | - | - | - | (4.9) |
| Acquisition | 0.2 | 1.7 | 0.8 | - | - | 2.7 |
| Share-based payments | - | - | - | 0.5 | - | 0.5 |
| | 15.6 | 152.6 | 0.8 | (0.6) | (9.5) | 158.9 |
| Balance at 31 March 2021 | 38.5 | 219.1 | 6.2 | 0.4 | (18.7) | 245.5 |
| Prior year reclassification | - | (1.7) | 1.7 | - | - | - |
| Balance at 1 April 2021 (restated)* | 38.5 | 217.4 | 7.9 | 0.4 | (18.7) | 263.4 |
| Loss for the year | - | - | - | - | (6.6) | (6.6) |
| Total comprehensive loss for the year | - | - | - | - | (6.6) | (6.6) |
| Transactions with owners | | | | | | |
| Issue of shares during the year | 9.4 | 171.7 | - | - | - | 181.1 |
| Issue costs | - | (4.3) | - | - | - | (4.3) |
| Acquisition | - | - | 2.0 | - | - | 2.0 |
| Share Based Payments | - | - | - | 1.7 | - | 1.7 |
| Deferred tax on share-based payments | - | - | - | 1.4 | - | 1.4 |
| | 9.4 | 167.4 | 2.0 | 3.1 | (6.6) | 168.6 |
| Balance at 31 March 2022 | 47.9 | 384.8 | 9.9 | 3.5 | (25.3) | 420.8 |

* See Company accounting policies on page 128 for details of a prior year restatement

Company statement of financial position

As at 31 March 2022

| | Note | 2022 £'m | 2021* £m |
|--|------|----------------|---------------|
| ASSETS | | | |
| Non-current assets | | | |
| Investments | 35 | 314.9 | 102.8 |
| Trade and other receivables | 36 | 4.8 | 3.8 |
| Right of use assets | | 0.5 | 0.8 |
| Property, plant and equipment | | 1.4 | 0.1 |
| Deferred tax asset | | 1.9 | - |
| Intangible assets | | 0.1 | 0.1 |
| | | 323.6 | 107.6 |
| Current assets | | | |
| Trade and other receivables | 36 | 316.8 | 163.5 |
| Cash and cash equivalents | | - | 6.0 |
| Held for sale asset | | - | 1.3 |
| Tax asset | | 1.3 | 0.3 |
| | | 318.1 | 171.1 |
| Total assets | | 641.8 | 278.7 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 37 | (53.5) | (32.4) |
| Bank overdraft | | (18.7) | - |
| Financial liabilities – lease liabilities | | (0.6) | (0.8) |
| | | (72.8) | (33.2) |
| Non-current liabilities | | | |
| Financial liabilities – borrowings | 38 | (140.0) | - |
| Trade and other payables | 37 | (8.2) | - |
| | | (148.2) | - |
| Total liabilities | | (221.0) | (33.2) |
| Net assets | | 420.8 | 245.5 |
| EQUITY | | | |
| Share capital | 39 | 47.9 | 38.5 |
| Share premium account | 40 | 384.8 | 217.4 |
| Merger relief reserve | | 9.9 | 7.9 |
| Other reserves | | 3.5 | 0.4 |
| Retained earnings | | (25.3) | (18.7) |
| Equity attributable to the owners of the parent | | 420.8 | 245.5 |

* See Company accounting policies on page 128 for details of a prior year restatement

In accordance with Section 408 of the Companies Act 2006, the Company has not presented its own income statement in these financial statements. The Company results for the year included a loss after tax of £6.6m (2021: £9.5m).

These financial statements were approved by the Board of Directors and authorised for issue on 30 June 2022 and were signed on its behalf by:



Kevin Quinn
Chairman



Alex Dacre
Chief Executive

Company accounting policies

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

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

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

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

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

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

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

Going concern

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

The going concern position is discussed further in the consolidated financial statements of the Group on page 83 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 127 of the financial statements.

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

Under s612 of the Companies Act, the Company has an exemption from recognising share premium arising on ordinary shares issued as consideration for an acquisition of shares in another company. Instead, the difference between the fair value of the shares issued and the nominal value is recorded in the merger relief reserve. For the year ending 31 March 2021, the Company had in error classified £1.7m of premium on shares issued as consideration through share premium. As a result, the prior year financial statements have reclassified £1.7m of share premium to merger relief reserve. A third balance sheet has not been presented as this is not considered to provide a user of the financial statements with any additional information.

Notes to the Company Financial Statements

For the period ended 31 March 2022

35. INVESTMENTS

Shares in subsidiary undertakings.

| | £'m |
|--------------------------|--------------|
| Cost: | |
| 1 April 2020 | 57.8 |
| Ellis Whittam | 31.4 |
| WPL | 12.7 |
| Marlowe 2016 | 0.9 |
| 31 March 2021 | 102.8 |
| 01 April 2021 | 102.8 |
| WPL | 0.2 |
| Core Stream | 16.5 |
| Barbour | 1.3 |
| VinciWorks | 55.9 |
| Essential Skillz | 30.3 |
| Optima | 107.9 |
| 31 March 2022 | 314.9 |
| Provision for impairment | |
| 1 April 2020 | - |
| Charge for the year | - |
| 31 March 2021 | - |
| 1 April 2021 | - |
| Charge for the year | - |
| 31 March 2022 | - |
| Net book value: | |
| 31 March 2022 | 314.9 |
| 31 March 2021 | 102.8 |

* See Company accounting policies on page 128 for details of a prior year restatement

At 31 March 2022, the Company held directly and indirectly equity and voting rights of the following undertakings:

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

35. INVESTMENTS continued

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

| Company | Class of holding | % held | Country of incorporation | Nature of business |
|---|------------------|--------|--------------------------|--------------------------------------|
| Δ Clouds Ultimate Manager Limited | Ordinary | 100% | England & Wales | Testing and Inspection Services |
| Δ Managed Occupational Health Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ MOH Limited | Ordinary | 100% | England & Wales | Dormant |
| Δ, H Essentialskillz inc. | Ordinary | 100% | USA | Dormant |
| Δ^ Solve HR Limited | Ordinary | 100% | Scotland | Employment Law Compliance Services |
| Δ ESP Law Limited | Ordinary | 100% | England & Wales | Employment Law Compliance Services |
| Δ ESP Safeguard Limited | Ordinary | 100% | England & Wales | Employment Law Compliance Services |
| Δ The Employment Services Partnership Limited | Ordinary | 100% | England & Wales | Employment Law Compliance Services |
| Δ WCS Services Invicta Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Black & Banton Occupational and Physical Health Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ The HR Services Partnership Limited | Ordinary | 100% | England & Wales | HR Compliance Services |
| Δ Hadrian Technology Limited | Ordinary | 100% | England & Wales | Fire and Security Services |
| Δ Wrightway Health Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ Network of Staff Supporters Limited | Ordinary | 100% | England & Wales | Employment Law Compliance Services |
| Δ‡ Youmanage HR Ltd | Ordinary | 100% | England & Wales | HR Compliance Services |
| Δ Caritas Group Limited | Ordinary | 100% | England & Wales | Holding Company |
| Δ Caritas Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ Deminos Consulting Ltd | Ordinary | 100% | England & Wales | Employment Law Compliance Services |
| Δ Morgan Fire Protection Limited | Ordinary | 100% | England & Wales | Fire and Security Services |
| Δ Fire & Security (Group Limited) | Ordinary | 100% | England & Wales | Holding Company |
| Δ∅ 4D Monitoring Limited | Ordinary | 49% | England & Wales | Contractor Management Services |
| Δ Alarm Communication Limited | Ordinary | 100% | England & Wales | Fire and Security Services |
| * Barbour EHS Limited | Ordinary | 100% | England & Wales | Risk Compliance Consultancy Services |
| Δ Cater Leydon Millard Limited | Ordinary | 100% | England & Wales | Employment Law Compliance Services |
| * Core Stream Ltd | Ordinary | 100% | England & Wales | Risk Compliance Consultancy Services |
| Δ CQC Compliance Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ Cylix Limited | Ordinary | 100% | England & Wales | HR Compliance Services |
| * EssentialSkillz Limited | Ordinary | 100% | England & Wales | HR Compliance Services |
| Δ Healthwork Group Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ Healthy Performance Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ Hydro-X Air Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Hydro-X Engineering Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Hydro-X Group Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Hydro-X Training Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Hydro-X Water Treatment Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Agriteck Solutions Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Inclusive Learning Limited | Ordinary | 100% | England & Wales | HR Compliance Services |
| Δ** Integral Occupational Health Ltd | Ordinary | 100% | Scotland | Occupational Health Services |
| Δ OH Assist Finance Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ OH Assist Intermediate Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ OH Assist Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ Optima Health Group Limited | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ Optima Health Ltd | Ordinary | 100% | England & Wales | Occupational Health Services |

35. INVESTMENTS continued

| Company | Class of holding | % held | Country of incorporation | Nature of business |
|---|------------------|--------|--------------------------|--------------------------------------|
| Δ S F Fire Limited | Ordinary | 100% | England & Wales | Fire and Security Services |
| Δ Santia Access Solutions Limited | Ordinary | 100% | England & Wales | Contractor Management Services |
| Δ Santia Asbestos Management Limited | Ordinary | 100% | England & Wales | Contractor Management Services |
| Δ Santia Construction Management Limited | Ordinary | 100% | England & Wales | Contractor Management Services |
| Δ Santia Holdings Limited | Ordinary | 100% | England & Wales | Contractor Management Services |
| Δ Santia Limited | Ordinary | 100% | England & Wales | Contractor Management Services |
| Δ Skill Boosters Limited | Ordinary | 100% | England & Wales | HR Compliance Services |
| Δ Skillfix Limited | Ordinary | 100% | England & Wales | HR Compliance Services |
| * Sterling Hydrotech Holdings Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| * Sterling Hydrotech Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| * Vinci Legal Limited | Ordinary | 100% | England & Wales | Risk Compliance Consultancy Services |
| *, T VinciWorks (HK) Ltd | Ordinary | 100% | Hong Kong | Risk Compliance Consultancy Services |
| *, F VinciWorks IL Limited | Ordinary | 100% | Israel | Risk Compliance Consultancy Services |
| Δ Working On Wellbeing Ltd | Ordinary | 100% | England & Wales | Occupational Health Services |
| Δ, S Marlowe US Holdings Inc | Ordinary | 100% | Delaware | Holding Company |
| Δ Musketeer Services Limited | Ordinary | 100% | England & Wales | Water Treatment Services |
| Δ Griffin and General Fire Services Limited | Ordinary | 100% | England & Wales | Fire and Security Services |

* Held directly

Δ Held via Marlowe 2016 Limited

^ The registered address is Kintyre House, 205 West George Street, Glasgow, Lanarkshire, G2 2LW

The registered address is 117 Grandholm Drive, Bridge Of Don, Aberdeen, United Kingdom, AB22 8AE

§ The registered address is Muchova 240/6, Dejvice, 160 00 Prague

? The registered address is Unit 17, Axis Business Park, Clara Road, Tullamore, Offaly, Ireland

‡ The registered address is The Beacon, 176 St. Vincent Street, Glasgow, Scotland, G2 5SG

◊ The registered address is Si1 Parsons Green St. Ives, England, PE27 4AA

** The registered address is 4th Floor, 10-14 West Nile Street, Glasgow, G1 2PP

T The registered Address is 303 St. George's Building 2 Ice House Street Central, Hong Kong

F The registered Address is Derech Agudat Sport HaPo'el 2, Jerusalem, Israel

S The registered Address is 3 World Trade Center, 175 Greenwich Street, New York, NY, 10007

G The registered address is The Hub, Galway Technology Park, Galway, Ireland

H 202 N Orange Street, Ste 7162, Wilmington, DE 19801

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

36. TRADE AND OTHER RECEIVABLES

| | 2022 £'m | 2021 £'m |
|---|--------------|--------------|
| Current | | |
| Trade receivables | 0.3 | 0.1 |
| Less: provision for impairment of trade receivables | - | - |
| Trade receivables – net | 0.3 | 0.1 |
| Other receivables | 0.2 | 0.1 |
| Amounts due from Group undertakings | 314.1 | 157.0 |
| Prepayments and accrued income | 1.6 | 0.9 |
| Contingent consideration receivable in less than one year | 0.6 | 5.4 |
| | 316.8 | 163.5 |
| Non-current | | |
| Contingent consideration receivable in more than one year | 4.8 | 3.8 |
| | 4.8 | 3.8 |

36. TRADE AND OTHER RECEIVABLES continued

Of the £314.1m (2021: £157.0m) amounts due from Group undertakings, £146.0m (2021: £102.2m) relates to amounts due from Marlowe 2016 in respect of investments made in the year. All such balances are repayable on demand with no interest charged. IFRS 9 probability weighted expected credit loss has been applied to these balances indicating no indicators of impairment.

37. TRADE AND OTHER PAYABLES

| | 2022 £'m | 2021 £'m |
|------------------------------------|-------------|-------------|
| Current | | |
| Trade payables | 1.5 | 0.3 |
| Other taxation and social security | 0.1 | 0.1 |
| Amounts due to Group undertakings | 44.0 | 25.6 |
| Other payables | 0.4 | 1.2 |
| Accruals and deferred income | 0.9 | 0.8 |
| Contingent consideration payable | 6.6 | 4.3 |
| | 53.5 | 32.3 |
| Non-current | | |
| Contingent consideration payable | 8.2 | - |
| | 8.2 | - |

The Company has financial risk management policies in place to ensure that all payables are paid within the credit time frame. £44.0m (2021: £25.6m) amounts due to Group undertakings are unsecured and repayable on demand with no interest charged.

38. FINANCIAL LIABILITIES – BORROWINGS

| | 2022 £'m | 2021 £'m |
|---|----------------|-------------|
| Current | | |
| Bank loans and overdrafts due within one year | | |
| Bank loans – secured | - | - |
| | - | - |
| Non-current | | |
| Bank loans – secured | (140.0) | - |
| | (140.0) | - |

The bank debt is unsecured and due to HSBC UK Bank plc, National Westminster Bank plc, Citibank, N.A., Credit Industriel et Commercial, Fifth Third Bank, and The Governor and Company of the Bank of Ireland. Under the bank facility the Group is required to meet quarterly covenant tests in respect of interest cover and leverage. All tests were met during the year and the Directors expect to continue to meet these tests.

Analysis of net debt

| | 2022 £'m | 2021 £'m |
|---|----------------|-------------|
| (Bank overdraft)/cash at bank and in hand | (18.7) | 6.0 |
| Bank loans and overdrafts due within one year | - | - |
| Bank loans due after one year | (140.0) | - |
| | (158.7) | 6.0 |

39. SHARE CAPITAL

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Allotted, issued and fully paid: | | |
| 95,833,853 ordinary shares of 50p each (2021: 76,969,849 ordinary shares of 50p each) | 47.9 | 38.5 |

The issued ordinary share capital is as follows:

| Date | Number of ordinary shares | Issue price |
|--|------------------------------|-------------|
| 31 March 2020 | 45,883,835 | |
| 15 April 2020 - Marlowe 2016 Incentive Scheme Conversion | 161,724 | 50p |
| 26 June 2020 - Subscription Shares | 4,410,430 | 478p |
| 15 July 2020 - Subscription Shares | 3,957,770 | 478p |
| 31 July 2020 - Bonus Shares | 46,048 | 500p |
| 8 September 2020 - Consideration Shares ("William Martin") | 365,613 | 506p |
| 29 October 2020 - Subscription Shares | 5,441,376 | 547p |
| 7 January 2021 - Consideration Shares ("WPL") | 147,652 | 605p |
| 4 February 2021 - Marlowe 2016 Incentive Scheme Conversion | 2,062,647 | 50p |
| 19 March 2021 - Subscription Shares | 14,492,754 | 690p |
| 31 March 2021 | 76,969,849 | |
| 01 April 2021 - Consideration Shares ("LAW") | 153,923 | 717p |
| 17 August 2021 - Bonus Shares | 3,050 | 782p |
| 20 October 2021 - Subscription Shares | 5,512,679 | 907p |
| 20 January 2022 - Share Options ("SAYE 2020") | 1,336 | 460p |
| 24 January 2022 - Subscription Shares | 13,100,000 | 1000p |
| 27 January 2022 - Consideration Shares ("Elogbooks") | 93,016 | 1025p |
| 31 March 2022 | 95,833,853 | |

40. SHARE PREMIUM ACCOUNT

| | 2022 £'m | 2021* £'m |
|--|--------------|--------------|
| 1 April | 217.4 | 66.5 |
| Prior year reclassification | - | (1.7) |
| 1 April (restated)* | 217.4 | 64.8 |
| Premium on shares issued during the year | 171.7 | 157.5 |
| Share issue costs | (4.3) | (4.9) |
| 31 March | 384.8 | 217.4 |

* See Company accounting policies page 128 for details of a prior year restatement

41. SHARE-BASED PAYMENTS

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

42. DIRECTORS AND EMPLOYEES

Staff costs during the year

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Wages and salaries | 2.4 | 1.2 |
| Social security costs | 0.3 | 0.1 |
| Share-based payments and long term incentive charge | 1.9 | 1.5 |
| Long term incentives vesting | 1.3 | 11.7 |
| | 5.9 | 14.5 |

Average monthly number of employees during the year

| | 2022 Number | 2021 Number |
|-----------------------|----------------|----------------|
| Directors | 5 | 5 |
| Corporate Development | 7 | 5 |
| IT | 1 | 1 |
| Finance | 4 | 3 |
| Administration | 1 | 1 |
| Sales | 1 | 1 |
| | 19 | 16 |

Total amounts for Directors' remuneration and other benefits

| | 2022 £'m | 2021 £'m |
|---|-------------|-------------|
| Emoluments for Directors' services | | |
| Salary and benefits | 1.1 | 0.8 |
| Long term incentives vesting | 0.5 | 11.7 |
| Directors' remuneration shown above included the following amounts in respect of the highest paid Director: | | |
| Salary and benefits | 0.3 | 0.4 |
| Long term incentives vesting | 0.5 | 9.6 |

Key management compensation

| | 2022 £'m | 2021 £'m |
|--------------------------------|-------------|-------------|
| Short-term employment benefits | 1.2 | 0.8 |
| Social security costs | 0.2 | 0.1 |
| Share-based payments charge | 1.1 | 0.8 |
| Long term incentives vesting | 0.8 | 10.8 |
| | 3.3 | 12.5 |

43. RELATED PARTY TRANSACTIONS AND CONTROLLING PARTY

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

44. POST BALANCE SHEET EVENTS

Since the year end the group has acquired 100% interests in several entities, as set out below, adding an aggregate of £26m of run-rate revenues and £4m of run rate EBITDA as set out below:

On 14 April 2022 a Marlowe plc subsidiary acquired TP Health (Holdings) Limited, a UK provider of technology-enabled occupational health services, for a total consideration of £16.3m, satisfied by the payment of £14.4m in cash on completion and £1.9m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 19 April 2022 a Marlowe plc subsidiary acquired Ruthven Alarms Limited, a provider of alarm system installation and maintenance services, for a total consideration of £0.3m, satisfied by the payment of £0.3m in cash on completion.

On 09 May 2022 a Marlowe plc subsidiary acquired The Compliance Office Ltd, a provider of SRA compliance consultancy services, for a total consideration of £1.5m, satisfied by the payment of £1.2m in cash on completion and £0.3m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 23 May 2022 a Marlowe plc subsidiary acquired MJ Fire Safety Ltd, a provider of fire safety installation, maintenance and inspection services, for a total consideration of £4.4m, satisfied by the payment of £4.4m in cash on completion.

On 24 May 2022 a Marlowe plc subsidiary acquired Cedrec Information Systems Limited, a leading digital platform providing Environmental, Health and Safety ("EHS") data & information, for a total consideration of £4.0m, satisfied by the payment of £3.4m in cash on completion and £0.6m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 7 June 2022 a Marlowe plc subsidiary acquired Business HR Solutions (Consultancy) Limited and Business Human Resources Solutions Limited (together, "HR Solutions"), a provider of HR and H&S compliance consultancy services, for a total consideration of £5.8m, satisfied by the payment of £5.8m in cash on completion.

Trading record

| Year ended 31 March | FY22 | FY21 |
|----------------------------------|-----------|---------|
| Revenue | £315.9m | £192.0m |
| Adjusted profit before taxation* | £38.1m | £17.1m |
| Adjusted earnings per share* | 37.7p | 25.0p |
| Net (debt)/cash | £(133.3)m | £24.3m |
| Net assets | £446.0m | £263.4m |

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

Financial calendar

Annual General Meeting
September

Half year results
December

Financial year end
31 March

Full year results
June

Officers & advisers

Company Secretary

Matthew Allen

Registered Office

20 Grosvenor Place
London SW1X 7HN

Company number

09952391

Directors

Alex Dacre
Adam Councill
(Appointed 5 October 2021)
Mark Adams
(Resigned 5 November 2021)
Kevin Quinn
Charles Skinner
Peter Gaze
Rachel Addison
(Appointed 1 November 2021)
Gillian Kent
(Appointed 17 February 2022)

Nominated Adviser & Joint Broker

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6-8 TokenhouseYard
London EC2R 7AS

Joint Broker

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Gossler & Co.
Threadneedle Street
London EC2R 8HP

Stifel
Stifel Nicolaus Europe Limited
150 Cheapside
London EC2V 6ET

Financial Adviser

Goldman Sachs International
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Public Relations

FTI Consulting
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London EC1A 4HD

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Manchester M3 3EB

Registrar and Transfer Agent

Link Group
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Leeds LS1 4DL

Independent Auditors

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London EC2A 1AG

Bankers

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London EC4V 4AY

National Westminster Bank plc
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London E14 5LB

Credit Industriel et Commercial,
London Branch
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 Visit our group website: [marlowe-group.com](https://www.marlowe-group.com)



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