The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as amended by regulation 11 of the Market Abuse (Amendment) (EU Exit) Regulations 2019/310. Upon the publication of this announcement via Regulatory Information Service, this inside information is now considered to be in the public domain.

23 June 2021

Marlowe plc

Preliminary Results for the year ended 31 March 2021

Marlowe plc ("**Marlowe**", the "**Group**" or the "**Company**"), the UK leader in business-critical services and software which assure safety and regulatory compliance, announces its preliminary results for the year ended 31 March 2021 ("FY2021").

Financial performance

ADJUSTED RESULTS – Continuing operations	FY2021*	FY2020	%
Revenue	£192.0m	£167.4m**	+15%
EBITDA[1,2]	£28.7m	£22.1m	+30%
Divisional EBITDA margin	16.2%	13.1%	+310bps
Cash from operating activities	£28.3m	£11.2m	+153%
Operating profit[2]	£19.7m	£14.8m	+33%
Profit before tax[2]	£17.1m	£13.2m	+31%
Earnings per share – basic[2]	25.0p	23.6p	+6%
Net cash/(debt) [3]	£43.3m	£(32.3)m	

STATUTORY RESULTS – Continuing operations	FY2021*	FY2020
Revenue	£192.0m	£185.4m
Operating profit	£1.0m	£2.1m
(Loss)/profit before tax	£(1.6)m	£0.5m
Earnings per share – basic	(3.1)p	(0.8)p
Net cash/(debt)	£24.3m	£(46.6)m

** Preliminary results, subject to audit*

*** Excluding non-core air quality activities disposed of in March 2020*

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

[2] Explanation of non-IFRS measures are contained within the Finance Director's review below

[3] Excluding IFRS 16 lease liabilities

Financial highlights

- ***Resilient platform for growth**:* Group revenue* up 15% to £192.0 million. Current 12-month run rate revenues of approximately £280 million with c.83% recurring in nature
- Adjusted EBITDA[1,2] up 30% to £28.7 million and run rate adjusted EBITDA[1,2] of c.£44 million
- Adjusted profit before tax[2] up 31% to £17.1 million
- Adjusted EPS[2] up 6% to 25.0p, despite dilutive effect of placings during the year

- ***Strong operating cash flow**:* Net cash generated from operating activities, before acquisition and restructuring costs, of £28.3 million (FY2020: £11.2 million). Significantly improved underlying cash conversion of 110% (FY2020: 83%)
- ***Margin expansion***: Divisional adjusted EBITDA[1,2] margin increased from 13.1% to 16.2%:
    - Governance, Risk & Compliance ("GRC") adjusted EBITDA[1,2] margin increased to 32.7% (FY2020: 27.2%) and Testing, Inspection & Certification ("TIC") to 12.6% (FY2020: 11.9%)
- ***Strong balance sheet:*** Net cash (excluding IFRS 16 lease liabilities) at 31 March 2021 of £43.3 million (2020: net debt of £32.3 million) following recent oversubscribed placing to raise approximately £100 million to fund the Group's well defined acquisition-led expansion strategy
- ***Medium-term growth strategy:*** Targeting run rate c.£500m of revenue and c.£100m adjusted EBITDA[1,2] with 90%+ cash conversion by the end of FY2024

Strategic and operational highlights

- Fifteen acquisitions completed during the year combined with strong operational and strategic progress
- ***New divisional structure:*** GRC and TIC divisions, reflecting the transformation in scope, scale and quality of earnings of the Group spanning growing and attractive UK regulatory compliance service and software sectors
- ***Update on medium-term growth strategy:***
- ***Deepen:***
    - Ellis Whittam transforms our scale and capabilities in Employment Law, HR Compliance and Health & Safety advisory. Two further bolt-ons in HR, Safety & Employment Law. Good progress with integration of Law At Work with attractive synergies being realised
    - WPL, a leading provider of wastewater compliance services, one further bolt-on in Water & Air Hygiene
    - Morgan Fire and Hadrian Technology adding further scale to our Fire Safety & Security activities, one further bolt-on in Fire Safety & Security
- ***Broaden:***
    - Acquisitions of Wrightway Health, Black & Banton, NOSS, Caritas, and post-period end, Integral and Healthwork, building scale in new core Occupational Health market within GRC
    - Healthwork acquisition significantly further broadens our presence in the Occupational Health market, in which the Group now has run rate revenue in the region of £20 million and provides a platform from which to further consolidate
    - Acquisition of ESP and, post period-end, Cater Leydon Millard, further developing employment law capability in the mid-market
- ***Strengthen:***
    - Significant, margin-enhancing (+310bps), operational improvements in productivity and efficiency
    - Despite some COVID-19 site access challenges, largely limited to H1 FY2021 within TIC, continued organic growth in recurring revenues and customers
    - Positive structural trends across our markets with increased corporate and societal focus on health, safety, well-being and compliance
    - Further successes in cross-selling with 26% (FY2020: 23%) of clients taking multiple services from across our operations
- ***Digital:***
    - Acquisition of Elogbooks, a leading provider of contractor management software and services, marking a significant step in our strategy to deliver integrated technology and services to enhance the compliance, safety and upkeep of our clients' premises
    - Acquisition of DeltaNet and post-period end, Cylix, adding attractive new software capability in safety, compliance and diversity eLearning
    - Acquisition of YouManage HR software develops Ellis Whittam's digital offering with attractive synergies displacing third-party spend
    - Strong progress with digital integration of Meridian and Elogbooks, significant continued investment in technology roadmap

Current trading and outlook

- Strong start to the new financial year with good levels of organic growth consistent with our medium-term targets in the high single digits across both GRC and TIC operations
- Run rate revenues of c.£280 million with c.83% recurring revenues
- Integration of our Employment Law, HR, Safety & Occupational Health activities proceeding to plan with synergies in line with expectations
- Eight acquisitions completed so far during the new financial year, further deepening our presence across key markets
- Strong pipeline of earnings enhancing acquisitions to add further scale and breadth to our platform for growth across service and software

Commenting on the results Alex Dacre, Chief Executive, said:

"We are pleased to report a year of significant financial, strategic and operational progress. We have continued to execute at pace upon the opportunity to build the UK leader in business-critical services and software across GRC and TIC markets. We have made substantive progress in executing our M&A strategy, delivered further strong margin expansion and cash generation whilst organically building our base of recurring revenues, which now stand at over 83%.

The platform acquisition of Ellis Whittam has transformed the scale of our GRC activities and Elogbooks represents a significant step in the delivery of our digital strategy. Alongside thirteen further bolt-ons during the year, and eight post period-end, we continue to add scale and capabilities to the Group in line with our strategy of providing our clients with a comprehensive approach to their business-critical regulatory compliance needs.

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. This progress underpins our confidence to continue executing our strategy and to achieve our medium-term targets of run rate revenues of c.£500 million and adjusted EBITDA of c.£100 million by the end of FY2024 through deepening our market share across our sectors, broadening our activities across the business-critical arena, strengthening our business via operational improvements and delivering on our digital strategy to reach compliance software revenues of c.£50 million.

I would like to express my thanks to our whole team for their exceptional response during the COVID-19 pandemic and for their significant contribution in delivering our strategy during the year."

For further information:

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Annual Report and Financial Statements and Notice of Annual General Meeting

The Company will published its Annual Report and Financial Statements for the year ended 31 March 2021 together with a notice convening the Company's annual general meeting on 29 June 2021. The AGM will be held at 10am on 15 September 2021 at 20 Grosvenor Place, London, SW1X 7HN.

The Annual Report and Financial Statements 2021 and the Notice of AGM 2021 will be posted to shareholders and will be capable of being viewed at or downloaded from the Company's corporate website at www.marloweplc.com.

CHIEF EXECUTIVE'S REVIEW

Group Results

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

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

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

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

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

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

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

Divisional reorganisation

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

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

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

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

TIC includes our Fire Safety & Security, Water Treatment & Air Hygiene and Contractor Compliance propositions. The majority of the services in TIC revolve around our clients’ business premises and properties and include services such as testing and inspecting water and air systems to ensure efficiency, hygiene and compliance or testing, inspecting and certifying fire safety and security systems to assure standards. A large portion of the services we deliver recur from month-to-month or year-to-year and are essential to our customers' operations and stipulated by regulation.

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

Further transformational growth delivered through acquisitions

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

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

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

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

The acquisition of Elogbooks was a further key step in our compliance software strategy. Alongside Meridian, our existing software platform, the addition of the Elogbooks software has positioned us to offer our clients a complete technology-enabled contractor management, compliance and health and safety solution. The acquisition significantly expanded the Group's digital capabilities and service offering in providing our clients with visibility and control over their service providers' performance and compliance. Elogbooks is a software tool which allows users to schedule compliance and maintenance activities and monitor them from start to finish, providing a full picture of the state of contractor activity, service delivery and the compliance of facilities. Its 4D monitoring solution connects to physical assets in buildings to feedback real-time compliance and building performance data. We see considerable scope to deploy Elogbooks' system and technology across our existing businesses to further enhance the health, safety and compliance of our customers.

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

Digital

Technology has increasingly become a central part of our future growth strategy, a key competitive differentiator and a core service that we deliver to our clients. The deployment of our software significantly improves our clients' compliance standards and customer experience, creating high switching costs and delivering highly attractive financial returns for our shareholders. The Group is at the forefront of the digitalisation of our markets and we see a long-term opportunity to transform compliance markets with greater adoption of software and digital applications.

Compliance software represents a fast-growing portion of Group revenues and will be a key growth enabler for the future, both organically and through further targeted acquisitions with significant future growth planned across EHS, GRC and business-critical compliance software markets.

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

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

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

Environmental, Social and Governance

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

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

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

Strategy

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

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

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

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

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

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

- Run rate revenue of c.£500 million and adjusted EBITDA[1,2] of c.£100 million by the end of FY2024;
- Adjusted divisional EBITDA[1,2] margin of 20%;
- Strong operating cash conversion of 90% plus;
- At least 10% of our revenues from software;
- Leading positions in each of our UK markets and have demonstrated progress with our international strategy; and
- The leading player for organisations of all shapes and sizes to partner with across their business-critical requirements.

Divisional Review

Governance, Risk & Compliance

Our GRC division performed strongly during FY2021 and recorded adjusted EBITDA[1,2] of £11.3 million, up £7.2 million, and revenues of £34.6 million (FY2020: £14.6 million). This growth reflects the benefit of acquisitions in the year together with the full year contribution from those made in FY2020 and strong organic growth.

Within GRC, our adjusted EBITDA[1,2] margin increased 550 bps to 32.7% (FY2020: 27.2%), reflecting both the higher margin profile of acquired GRC businesses and continued efficiency and productivity enhancements as we pursue integration programmes such as the integration of Law At Work into Ellis Whittam. We are confident that we can expand this margin further through adding scale whilst maintaining the cost to manage or adding software licenses with low incremental cost to deliver.

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

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

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

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

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

We have made significant investments in our Meridian platform during the year and our combined Meridian software team now consists of 40 development professionals who continue to enhance our systems. These investments have led to 25% organic growth within our Meridian software revenues during the year and over 98% retention across service and software clients within William Martin. We view the use of technology and software across our whole Group as a key differentiator between ourselves and our competition and Meridian and Elogbooks are our key applications in this field. Customers who work across both platforms enjoy a complete software-enabled maintenance, compliance and health and safety solution from the two specialist systems.

Testing, Inspection & Certification

In spite of the operational challenges arising from the COVID-19 pandemic, our TIC division performed well during FY2021, delivering adjusted EBITDA[1,2] of £19.9 million (FY2020 after divestments: £19.2 million) and revenue of £157.4 million (FY2020 after divestments: £152.8 million). This reflects the benefit of acquisitions in the year together with the full year contribution from those made in FY2020, the disposal of the non-core air quality activities in March 2020, which generated revenues of approximately £18 million in FY2020, together with good underlying organic growth.

TIC's divisional adjusted EBITDA[2] margin rose to 12.6% (FY2020: 11.9%) as we continue to deliver benefits from integration and route density synergies allowing us to improve productivity and efficiency. Our TIC activities are typically field-based and as we continue to grow, the route density becomes more and more attractive. We look to enhance revenue per day per fee earner through effective operational management, scheduling technology and the benefits of our improved density. We also benefit from a well-invested and scalable back office which can support further expansion leading to attractive operational gearing.

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

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

Our Fire Safety & Security business made strong progress during the year. We saw pleasing improvements in productivity and efficiency with revenue per day per fee earner, one of our key operational metrics, continuing to increase: during the final months of FY2021, we experienced a 12% improvement in revenue per day per fee earner compared to the same period in the prior year. Our Fire Safety & Security business is now one of the UK leaders in delivering recurring compliance programmes across our clients' entire fire safety and security requirements: from consultancy and risk assessment through to the testing, inspection, remediation and upgrade of a broad range of fire and security systems and applications. We now benefit from attractive scale and route density across the UK which continue to result in improved productivity and enhanced service levels. These service levels lead in turn to reduced attrition and enhanced organic growth. We saw growth in our fire safety & security client base of 11% during the year and further enhanced account management techniques delivered a 10% increase in major account client spend.

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

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

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

Outlook

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

Alex Dacre
Chief Executive

FINANCE DIRECTOR'S REVIEW

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

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

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

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

Non-IFRS measures

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

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

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

Continuing operations

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

Reconciliation of adjusted operating profit and adjusted EBITDA

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

Acquisition and other costs
Acquisition and other costs totalled £18.7 million in the year (2021: £12.7 million).

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

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

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

Restructuring costs primarily consisted of:

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

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

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

Certain legacy long term incentive schemes were established to incentivise key members of the Group's senior management to create shareholder value through the successful acquisition, restructuring and integration of businesses in their chosen service sectors. As such, we consider the charge associated with these legacy schemes to be part of "Acquisition and other costs" as we continue to execute our stated strategy. Legacy long term incentive costs increased to £4.2 million (FY2020: £0.7 million) during the year. The Marlowe 2016 Incentive Scheme was settled in full during the year. The increased charge also reflects the impact of the higher Marlowe share price and the improved historic and forecast performance of the Group.

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

Earnings per share

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

Basic earnings per share reflect the actual tax charge.

Earnings per share* (EPS)

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

* Refer to note 5

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

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

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

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

There was a net working capital inflow in the year of £3.2 million (FY2020: outflow of £7.9 million). The movement reflects the continuing increased scale of the Group offset by the Government's COVID-19 initiative permitting the deferral of VAT. Management of working capital remains a key focus across the Group with a strong emphasis on cash collection and overdue debt reduction. Net working capital as a percentage of revenue, the key metric used to manage working capital, improving by 6 percentage points in the year to 2% (2020: 8%).

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

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

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

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

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

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

Mark Adams
Group Finance Director

Consolidated Statement of Comprehensive Income

For the year ended 31 March 2021

	Note	Year ended 31 March 2021* £'m	Year ended 31 March 2020 £'m
Revenue	2	192.0	185.4
Cost of sales		(108.7)	(109.3)
Gross profit		83.3	76.1
Administrative expenses excluding acquisition and other costs		(63.6)	(61.3)
Acquisition costs	2	(2.2)	(1.1)
Restructuring costs	2	(5.6)	(6.7)
Amortisation of acquisition intangibles	3	(6.5)	(3.4)
Movements in contingent consideration		(0.2)	-
Legacy long term incentives	2	(4.2)	(0.7)
Loss on disposal of non-core business	2	-	(0.8)
Total administrative expenses		(82.3)	(74.0)
Operating profit		1.0	2.1
Finance costs		(2.6)	(1.6)
(Loss)/profit before tax		(1.6)	0.5
Income tax charge	4	(0.1)	(0.9)
Loss for the year and total comprehensive income for the year from continuing operations		(1.7)	(0.4)
Loss attributable to owners of the parent		**(1.7)**	(0.4)
Earnings per share attributable to owners of the parent (pence)			
Total			
- Basic	5	(3.1)p	(0.8)p
- Diluted	5	(3.1)p	(0.8)p

** Unaudited preliminary results*

Consolidated Statement of Changes in Equity

For the year ended 31 March 2021*

	Share capital £'m	Share premium £'m	Merger reserve £'m	Other reserves £'m	Retained earnings £'m	Total equity £'m
Balance at 1 April 2019**	20.4	54.9	-	0.9	1.3	77.5
Prior year reconciliation	-	(5.4)	5.4	-	-	-
Balance at 1 April 2019 (Restated)**	20.4	49.5	5.4	0.9	1.3	77.5
Loss for the year	-	-	-	-	(0.4)	(0.4)
Total comprehensive income for the year	-	-	-	-	(0.4)	(0.4)
Transaction with owners						
Issue of shares during the year	2.5	17.7	-	(0.2)	-	20.0
Issue costs	-	(0.7)	-	-	-	(0.7)
Share-based payments	-	-	-	0.3	-	0.3
	2.5	17.0	-	0.1	-	19.6
Balance at 31 March 2020	22.9	66.5	5.4	1.0	0.9	96.7
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)**
Transaction 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

** Unaudited preliminary results*
*** See note 1 for details of a prior year restatement*

Consolidated Statement of Financial Position

As at 31 March 2021

	Note	2021* £'m	2020** £'m
ASSETS			
Non-current assets			
Intangible assets	7	246.1	124.8
Trade and other receivables	8	3.8	3.9
Right of use assets		18.8	14.3
Property, plant and equipment		7.3	5.9
Deferred tax asset		1.5	0.6
		277.5	**149.5**
Current assets			
Inventories		4.6	4.1
Trade and other receivables	8	56.0	48.2
Held for sale property		1.3	1.3
Other financial assets		-	-
Cash and cash equivalents		44.2	7.2
		106.1	60.8
Total assets		**383.6**	210.3
LIABILITIES			
Current liabilities			
Trade and other payables	9	(73.4)	(45.1)
Financial liabilities – lease liabilities		(6.3)	(5.6)
Current tax liabilities		(1.5)	-
Provisions		(0.4)	-
		(81.6)	(50.7)
Non-current liabilities			
Trade and other payables	9	(7.7)	(8.8)
Financial liabilities –- borrowings		-	(38.5)
Financial liabilities – lease liabilities		(13.6)	(9.7)
Deferred tax liability		(16.5)	(5.5)
Provisions		(0.8)	(0.4)
		(38.6)	(62.9)
Total liabilities		**(120.2)**	(113.6)
Net assets		**263.4**	96.7
Equity			
Share capital		38.5	22.9
Share premium account		219.1	66.5
Merger relief reserve		6.2	5.4
Other reserves		0.4	1.0
Retained earnings		(0.8)	0.9
Equity attributable to the owners of the parent		**263.4**	**96.**7

* *Unaudited preliminary results*
** See note 1 for details of a prior year restatement

Consolidated Statement of Cash Flows

For the year ended 31 March 2021

	Note	Year ended 31 March 2021* £'m	Year ended 31 March 2020 £'m
Net cash generated from operations			
Net cash generated from operations	10	32.0	14.2
Net finance costs		(1.2)	(0.8)
Income taxes paid		(2.5)	(2.2)
Net cash generated from operating activities before acquisition and restructuring costs		**28.3**	11.2
Acquisition and restructuring costs		(7.9)	(7.8)
Net cash generated from operating activities		**20.4**	**3.4**
Cash flows used in investing activities			
Purchases of property, plant and equipment		(4.5)	(2.9)
Disposal of property, plant and equipment		0.6	0.2
Purchase of subsidiary undertakings net of cash acquired		(68.0)	(20.6)
Disposal of non-core business		-	1.5
Cash flows used in investing activities		**(71.9)**	**(21.8)**
Cash flows from financing activities			
Proceeds from share issues		169.8	20.0
Repayment of borrowings		(118.5)	(9.4)
Repayment of debt upon purchase of subsidiary undertaking		(30.6)	(7.7)
New bank loans raised		80.0	21.2
Cost of share issues		(4.9)	(0.7)
Finance lease repayments		(7.3)	(6.0)
Other financing activities		-	0.5
Net cash generated in financing activities		**88.5**	**17.9**
Net decrease in cash and cash equivalents		37.0	(0.5)
Cash and cash equivalents at start of period		7.2	7.7
Cash and cash equivalents at the end of period		**44.2**	**7.2**
Cash and cash equivalents shown above comprise:			
Cash at bank		44.2	7.2

** Unaudited preliminary results*

Notes to the preliminary financial information for the year ended 31 March 2021

1. Basis of Preparation

This preliminary announcement has been prepared in accordance with the recognition and measurement requirements of international financial reporting standards (IFRS) in conformity with the requirements of the Companies Act 2006 and international financial reporting interpretations committee (IFRIC) interpretations currently issued and effective.

The financial information for the year ended 31 March 2021 and 31 March 2020 does not constitute statutory financial information as defined in Section 434 of the Companies Act 2006 and does not contain all of the information required to be disclosed in a full set of IFRS financial statements. Statutory accounts for the year ended 31 March 2020 have been delivered to the registrar of companies and those for the year ended 31 March 2021 will be delivered to the registrar in due course. This announcement was approved by the Board of Directors and authorised for issue on 23 June 2021. Statutory accounts for the year ended 31 March 2021 have not yet been reported on by the Group's Independent Auditor, Grant Thornton UK LLP.

The Group meets its day to day working capital requirements through cash generated from operations and its financing facility which is due to expire in November 2023. The Directors have considered the Group's forecast cash flows and net debt, as well as the Group's liquidity requirements and borrowing facilities, including downside scenarios reflecting the full financial impact of a sustained material event reducing revenues by 30% over the next twelve months. Whilst the Group saw some disruption from COVID-19 during the financial year, the impact has been manageable and, given the regulations that govern the requirement for its essential services, the business model has demonstrated resilience. To mitigate against the additional risks and uncertainties that have arisen the Group has selectively used the government furlough scheme throughout the year. In the event of further disruption to the business in the future as a result of COVID-19 the Directors are confident that additional cost reduction and cash preservation measures could be utilised in conjunction with the Group's existing debt facility to reduce costs and preserve cash. In addition, successful placings of 28,302,330 shares during the financial year have raised gross proceeds of £170m. While it is management's intention for the proceeds to be used to fund further acquisitions, if a further significant event was to impact the business, the funds could be redeployed thus providing further support to the ongoing operations of the business. Following this review and a discussion of the sensitivities the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

The preliminary announcement has been prepared using accounting policies applied in the year ended 31 March 2020 are consistent with those applied in the financial statements for the year ended 31 March 2020.

<u>Re-presentation of comparative consolidated statement of financial position and statement of changes in equity</u>

Under s612 of the Companies Act, the Company is required to represent the premium arising on ordinary shares issued as consideration for an acquisition of shares in another company through a merger relief reserve. Prior to 1 April 2019, the Company had in error previously classified £5.4m of premium on shares issued as consideration through share premium. As a result, the prior year financial statements have reclassified £5.4m of share premium to merger relief reserve.

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

2. Segmental information

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

REVENUE

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

Continuing operations	GRC £'m	TIC £'m	Head Office £'m	2021 Total £'m
Revenue	34.7	165.0	-	199.7
Inter-segment elimination	(0.1)	(7.6)	-	(7.7)
Revenue from external customers	34.6	157.4	-	192.0
Segment adjusted operating profit/(loss)	10.3	12.1	(2.7)	19.7
Acquisition costs				(2.2)
Restructuring costs				(5.6)
Amortisation of acquisition intangibles				(6.5)
Movements in contingent consideration				(0.2)
Legacy long term incentives				(4.2)
Loss on disposal of non-core business				-
Operating profit				1.0
Finance costs				(2.6)
Loss before tax				(1.6)
Tax charge				(0.1)
Loss after tax				(1.7)
Segment assets	32.9	76.0	274.7	383.6
Segment liabilities	(19.6)	(60.5)	(40.1)	(120.2)
Capital expenditure	(1.2)	(3.1)	(0.3)	(4.6)
Depreciation and amortisation	(1.0)	(7.8)	(8.7)	(15.5)

Continuing operations	GRC £'m	TIC £'m	Head Office £'m	2020 Total £'m
Revenue	14.6	175.6	-	190.2
Inter-segment elimination	-	(4.8)	-	(4.8)
Revenue from external customers	14.6	170.8	-	185.4
Segment adjusted operating profit/(loss)	4.0	13.0	(2.2)	14.8
Acquisition costs				(1.1)
Restructuring costs				(6.7)
Amortisation of acquisition intangibles				(3.4)
Movements in contingent consideration				-
Legacy long term incentives				(0.7)
Loss on disposal of non-core business				(0.8)
Operating profit				2.1
Finance costs				(1.6)
Profit before tax				0.5
Tax charge				(0.9)
Loss after tax				(0.4)
Segment assets	9.4	63.5	137.4	210.3
Segment liabilities	(5.7)	(45.2)	(62.7)	(113.6)
Capital expenditure	(0.4)	(2.5)	-	(2.9)
Depreciation and amortisation	(0.2)	(7.1)	(3.4)	(10.7)

Reconciliation of segment adjusted operating profit to adjusted EBITDA

	GRC	TIC	Head Office	2021 Total
	£'m	£'m	£'m	£'m
Segment adjusted operating profit/(loss)	10.3	12.1	(2.7)	19.7
Depreciation	1.0	7.8	0.2	9.0
Adjusted EBITDA	11.3	19.9	(2.5)	28.7

	GRC	TIC	Head Office	2020 Total
	£'m	£'m	£'m	£'m
Segment adjusted operating profit/(loss)	4.0	13.0	(2.2)	14.8
Depreciation	0.1	7.2	-	7.3
Adjusted EBITDA	4.1	20.2	(2.2)	22.1

The above tables reconcile segment adjusted operating profit/(loss), which excludes separately disclosed acquisition and other costs, to the standard profit measure under International Financial Reporting Standards (Operating Profit). This is the Group's 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 comparable with other companies' adjusted operating profit measures. It is not intended to be a substitute, or superior to, IFRS measurements of profit.

Major Customers

For the year ended 31 March 2021 no customers (2020: nil) individually accounted for more than 10% of the Group's total revenue.

3. Restructuring Costs

Restructuring costs, being the costs associated with the integration of acquisitions, remain the key component of acquisition and other costs and decreased to £5.6 million (2020: £6.7 million). While the number of acquisitions increased during the year the level of restructuring required was lower than prior year. Significant progress has been made with the restructuring of Clearwater Group Limited ("Clearwater"), completed in May 2019. This business was loss making at the time of the acquisition but significant synergies were identified following its integration into WCS Group, Marlowe's Water operation. Restructuring costs of £2.0 million were incurred in the year relating to the acquisition of Clearwater (2020: £4.2 million) with its integration into WCS Group largely complete.

These costs arise due to the following:

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

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

4. Taxation

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

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

	2021 £'m	2020 £'m
(Loss)/profit before tax	(1.6)	0.5
(Loss)/profit before tax multiplied by the rate of corporation tax of 19.0%	(0.3)	0.1
Effects of:		
Expenses not deductible for tax purposes	0.5	0.5
Prior year adjustments	(0.1)	0.1
Change in tax rates	-	0.2
Tax charge	0.1	0.9

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

5. Earnings Per Ordinary Share

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

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

Adjusted earnings per share

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

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

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

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

6. Dividends

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

7. Business Combinations

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £254.1m and Group profit before tax would have been £10.6m. As explained in Note 3, following acquisitions a number of restructuring costs are incurred, and after this post acquisition restructuring the acquisitions have a positive impact on Group profit before tax.

Finalisation of fair values for acquisitions acquired in the current year

Acquisition of Deminos Consulting Limited

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

The final fair values are as follows:

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

One hundred percent of the equity of Deminos was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £24k have been charged to profit or loss.

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

Provisional fair values for acquisitions acquired in the current year

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

On 30 June 2020, the Group acquired Elogbooks Facilities Management, Elogbooks Facilities Services Limited and 4D Monitoring Limited (together "Elogbooks"), a provider of contractor management software and services, for a total consideration of £16.7m, satisfied by the payment of £10.4m in cash on completion, £3.9m in cash payable subject to the achievement of certain performance targets by the acquired business 12 and 24 months post acquisition, and £2.4m contingent consideration satisfied by the issuance of put and call options. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

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

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

Acquisition of Caritas Group Limited

On 28 July 2020, the Group acquired Caritas Group Limited ("Caritas"), a provider of occupational health services, for a total consideration of £0.3m, satisfied by the payment of £0.2m in cash on completion and £0.1m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

One hundred percent of the equity of Caritas was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £16k have been charged to profit or loss.

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

Acquisition of Rainbow Water Services Limited

On 30 July 2020 the Group acquired Rainbow Water Services Limited ("Rainbow Water"), a provider of water treatment and hygiene services, for a total consideration of £0.8m, satisfied by the payment of £0.7m in cash on completion and £0.1m in cash payable subject to the achievement of certain performance targets by the acquired business 6 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

One hundred percent of the equity of Rainbow Water was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £17k have been charged to profit or loss.

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

Acquisition of Morgan Fire Protection Limited

On 24 September 2020 the Group acquired Morgan Fire Protection Limited ("Morgan Fire"), a fire safety services provider, for a total consideration of £6.4m, satisfied by the payment of £6.4m in cash on completion. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

One hundred percent of the equity of Morgan Fire was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £88k have been charged to profit or loss.

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

Acquisition of Ellis Whittam (Holdings) Limited

On 1 December 2020 the Group acquired Ellis Whittam (Holdings) Limited ("Ellis Whittam"), a provider of outsourced Employment Law, HR and Health & Safety services, for a total consideration of £31.4m, satisfied by the payment of £31.4m in cash on completion. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

One hundred percent of the equity of Ellis Whittam was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £1,145k have been charged to profit or loss.

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

Acquisition of Black & Banton Occupational and Physical Health Limited

On 2 November 2020 the Group acquired Black & Banton Occupational and Physical Health Limited ("Black & Banton"), a provider of occupational health services, for a total consideration of £2.3m, satisfied by the payment of £1.9m in cash on completion and £0.4m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

One hundred percent of the equity of Black & Banton was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £52k have been charged to profit or loss.

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

Acquisition of Wrightway Health Limited

On 27 November 2020 the Group acquired Wrightway Health Limited ("Wrightway"), a provider of occupational health services, for a total consideration of £5.2m, satisfied by the payment of £4.2m in cash on completion and £1.0m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

One hundred percent of the equity of Wrightway was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £76k have been charged to profit or loss.

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

Acquisition of Network of Staff Supporters Limited

On 4 December 2020 the Group acquired Network of Staff Supporters Limited ("NOSS"), a provider of Employee Assistance Program ("EAP") services including counselling, critical incident support, mediation and well-being support & training to businesses occupational health services, for a total consideration of £0.9m, satisfied by the payment of £0.7m in cash on completion and £0.2m cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition

The provisional fair values are as follows:

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

One hundred percent of the equity of NOSS was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £18k have been charged to profit or loss.

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

Acquisition of DeltaNet International Limited

On 18 December 2020 the Group acquired DeltaNet International Limited ("DeltaNet"), a provider of accredited health & safety, compliance & HR eLearning courses to companies across the UK and internationally, for a total consideration of £4.5m, satisfied by the payment of £3.5m in cash on completion and £1.0m satisfied by the issuance of a put and call option. Since the acquisition date is less than 12 months prior to the Group's accounts being signed off, the acquisition balance sheet is still subject to finalisation.

The provisional fair values are as follows:

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

Seventy six percent of the equity of DeltaNet was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £72k have been charged to profit or loss.

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

Acquisition of WPL Limited

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

The provisional fair values are as follows:

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

One hundred percent of the equity of WPL was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £153k have been charged to profit or loss.

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

Acquisition of Hadrian Technology Limited

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

The provisional fair values are as follows:

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

One hundred percent of the equity of Hadrian was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £152k have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Hadrian would have generated £11m revenue and £2.2m profit before tax.

Acquisition of HR Services Partnership Ltd

On 19 February 2021 the Group acquired HR Services Partnership Ltd ("HRSP"), a provider of HR compliance services, for a total consideration of £1.2m, satisfied by the payment of £1.1m in cash on completion and £0.1m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

The provisional fair values are as follows:

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

One hundred percent of the equity of HRSP was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £19k have been charged to profit or loss.

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

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

On 2 March 2021 the Group acquired ESP Ltd, ESP Law Ltd and ESP Safeguard Ltd (together, "ESP"), a provider of employment law compliance services for a total consideration of £3.3m, satisfied by the payment of £2.4m in cash on completion and £0.9m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

The provisional fair values are as follows:

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

One hundred percent of the equity of ESP was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £65k have been charged to profit or loss.

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

Acquisition of YouManage HR Ltd

On 2 March 2021 the Group acquired YouManage HR Ltd ("YouManage"), a provider of HR software services for a total consideration of £1.5m, satisfied by the payment of £1m in cash on completion and £0.5m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

The provisional fair values are as follows:

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

One hundred percent of the equity of YouManage was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £30k have been charged to profit or loss.

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

8. Trade and Other Receivables

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

As at 31 March 2021, trade and other receivables includes amounts due from contract assets of £6.1m (2020: £5.4m). Revenue is recognised based on contracted terms with customers, in accordance with a contract's stage of completion, with any variable consideration estimated using the expected value method as constrained if necessary. If a contract is in dispute, management use their judgement based on evidence and external expert advice, where appropriate, to estimate the value of accrued income recoverable on the contract. Actual future outcome may differ from the estimated value currently held in the financial statements. The outcome of any amounts subject to dispute is not anticipated to have a material impact on the financial statements.

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

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

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

9. Trade and Other Payables

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

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

10. Net cash generated from operations

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

11. Post balance sheet events

On 1 April 2021 the Company acquired Agriteck Solutions Limited, a water treatment business, for a total consideration of £0.5m, satisfied by the payment of £0.3m in cash on completion and £0.2m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

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

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

On 21 May 2021 the Company acquired Cylix Limited, a provider of accredited equality, diversity, well-being and health & safety eLearning courses to companies across the UK, for aa total consideration of £1.2m satisfied by the payment of £1.1m in cash on completion and £0.1m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

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

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

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

On 15 June 2021 the Company acquired Cater Leydon Millard Ltd, an employment law compliance specialist for a total consideration of £2.25m satisfied by the payment of £1.75m in cash on completion and £0.5m in cash payable subject to the achievement of certain performance targets by the acquired business.