



*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.*

29 June 2023

## Marlowe plc

### Preliminary unaudited results for the year ended 31 March 2023

#### ***Strong trading performance and strategic progress***

Marlowe plc ("**Marlowe**", the "**Group**" or the "**Company**"), the leader in business-critical services and software which assure safety and regulatory compliance, announces its unaudited results for year ended 31 March 2023 ("FY23").

#### Financial performance

ADJUSTED RESULTS	FY23	FY22	Change
Revenue	£465.7m	£315.9m	47%
EBITDA <sup>1,2</sup>	£82.7m	£54.4m	52%
Divisional EBITDA margin <sup>1,2,3</sup>	19.0%	18.7%	30bps
Operating profit <sup>2</sup>	£64.3m	£42.0m	53%
Profit before tax <sup>2</sup>	£53.6m	£38.1m	41%
Earnings per share – basic <sup>2</sup>	45.3p	37.7p	20%
Net debt (excluding lease liabilities)	£160.8m	£108.8m	

STATUTORY RESULTS	FY23	FY22
Revenue	£465.7m	£315.9m
EBITDA <sup>1</sup>	£48.8m	£37.8m
Operating profit	£6.4m	£10.5m
(Loss)/profit before tax	£(6.9)m	£5.9m
Earnings per share – basic	(3.9)p	0.8p
Net cash generated from operations	£74.3m	£34.0m
Net debt	£188.9m	£133.3m

Marlowe is holding a full year results presentation for investors and analysts at 09:00 BST today. A link to this event is [here](#).

An on-demand version of the presentation will subsequently be made available on the Marlowe plc website.

<sup>1</sup> Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

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

<sup>3</sup> Divisional EBITDA margin does not include central costs

## **Financial highlights**

### **Strong and resilient performance as we continue to execute our compliance strategy and achieve our medium term financial targets**

- Group revenue increased 47% to £465.7 million
- Adjusted EBITDA increased 52% to £82.7 million
- We have now surpassed our target of generating £500 million run-rate revenue by the end of FY24 and continue to expect to exceed our c.£100 million run-rate adjusted EBITDA target organically by the same date
  - Current annualised run-rate revenue £505 million
  - Current annualised run-rate EBITDA £93 million
- Statutory EBITDA increased 29% to £48.8 million
- Statutory loss before tax was £6.9 million reflecting the non-cash increase in amortisation of acquisition intangibles, significant integration investment and material movement in contingent consideration provisions

### **Record levels of organic growth across service & software**

- Organic revenue growth of 10%, ahead of previous guidance, with both divisions delivering strong growth in excess of market (GRC growth of 8%; TIC growth of 11%)
- Organic growth driven by good levels of new business and increasing market share, up-sell and cross-sell and increasing client lifetime value, supported by pricing
- Approximately 85% of revenue was recurring (either SaaS, consultancy subscription or service contracts) and is underpinned by regulatory compliance
- Software Annual Recurring Revenue ("SaaS ARR") of over £43 million approximately 10% of Group revenues
- Software activities generate approximately £20 million of Group annualised run-rate adjusted EBITDA
- Continued attractive structural growth across our markets

### **Strong balance sheet and operating cash flow**

- Net cash generated from operations increased by 119% to £74.3 million (FY22: £34.0 million), free cash flow conversion of 90% in line with our medium-term target
- Net cash generated from operating activities after interest, tax and acquisition and restructuring costs increased by 291% to £33.6 million (FY22: £8.6 million)
- Net debt (excluding leases) for year ended 31 March 2023 was £160.8 million (£156.2 million at 30 September 2022), lower than previous guidance. The H2 movement in net debt reflects the £18 million settlement of deferred consideration from previous acquisitions and the £9 million acquisition of PCS Consultancy in February 2023. This was largely offset by strong cash generation in the second half of the year
- Working capital increases in the first half due to adverse timing unwound as expected in the second half:
  - Free cash flow conversion in the second half of the year of 127%
- Net debt/adjusted EBITDA leverage ratio was just below 2.0x as at 31 March 2023 (2.1x as at 30 September 2022), within our target range of 1.5x to 2.5x

### **Margin expansion**

- Divisional adjusted EBITDA margin increased by 30bps to 19.0% driven by
  - Integration programmes and operational improvements and the benefits of our increased scale in the context of margin dilutive M&A
  - Successful use of price to maintain margins in the context of the inflationary but manageable cost pressures we have seen during the year

### **Successful execution of M&A and integration programme**

- £56 million of capital invested<sup>1</sup> during FY23 across 11 bolt-on acquisitions, for an average multiple of 6.5x adjusted EBITDA
- Integrations on-track and acquisitions performing in-line with pre-acquisition expectations

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<sup>1</sup> Based on enterprise value of £56 million which includes expected deferred consideration of £11m

- Strong progress made with Occupational Health integration programme and eLearning integration now complete
- New divisional GRC organisational structure in place driving further revenue & cost synergies
- Pipeline of earnings enhancing acquisitions is well-developed

### Current trading and outlook

- The new financial year has started well, with continued organic momentum, and we expect to continue to deliver strong financial performance with at least high single digit organic growth complemented by selective earnings enhancing acquisitions
- We have completed four bolt-on acquisitions since the start of the new financial year for a total consideration of £15.3 million
- Continued strong levels of demand across Marlowe's client base, supported by attractive market growth and the non-discretionary nature of our services & software which are driven by regulatory requirements

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

*"We are pleased to report another strong underlying financial performance in the year in which we saw excellent growth in organic revenues, profits and earnings per share, compounded by selective acquisitions across our service and software business streams. As expected, cash flow was strong in the second half with £74.3 million of cash generated from our operations during the year, up 119% on the prior year.*

*We delivered record levels of organic growth during the year at 10% and are now a business with over £500 million run-rate revenues, exceeding our end of FY24 medium term target. Run-rate EBITDA is £93 million, and we continue to expect to reach our £100 million EBITDA target organically by the end of FY24. Divisional EBITDA margins have continued their consistent upward trend and increased by 30bps to 19.0% as we leverage operational and integration efficiencies.*

*Following a highly acquisitive FY22 during which we deployed over £320 million, we focused strongly on integration programmes in FY23. These programmes are on track and largely complete, and we expect integration costs to significantly decrease into FY24. Alongside this, we have continued to selectively deliver on our acquisition programme, deploying a further £56m during the financial year.*

*We have made a positive start to the new financial year, with strong levels of organic growth. We have completed a further four bolt-on acquisitions post year-end deploying £15.3 million of capital. Our acquisition pipeline is well-developed, and we expect to use our attractive cash-flow characteristics to selectively execute upon these opportunities whilst appropriately managing leverage."*

### For further information:

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**CHIEF EXECUTIVE'S REVIEW****Group results**

During FY23 we delivered on each of our key strategic and operational objectives in our mission to build the leader in business-critical services and software which assure regulatory compliance:

- **Deepening & Broadening** our compliance scale and capabilities as the one-stop compliance service & software provider, via organic growth & bolt-on acquisitions
- **Strengthening** our operations via operational improvements and effective integration programmes resulting in margin expansion, whilst ensuring our SaaS products and service provision are best-in-breed
- **Digitising** our compliance offering, both organically and inorganically, as part of our goal to build the leader in Compliance Software

Whilst delivering this pleasing strategic and operational progress, the Group delivered a strong financial performance with revenue increasing 47% to £465.7 million (FY22: 315.9 million), driven by excellent organic growth of 10% and contributions from acquisitions made during the year and the prior year. Adjusted EBITDA increased by 52% to £82.7 million with adjusted EBITDA margin increasing 30bps to 19.0% (FY22: 18.7%) as we continue to drive efficiencies and integration synergies and also benefit from growth in some of our higher margin segments, particularly Compliance Software. Adjusted profit before tax increased 41% to £53.6 million and adjusted EPS increased 20% to 45.3p (FY22: 37.7p).

Statutory EBITDA was £48.8m (FY22: £37.8m). Statutory operating profit was £6.4 million (FY22: £10.5 million). This reflects a non-cash increase in amortisation of acquisition intangibles, movement in contingent consideration related to increased provisions for acquisition earn-outs where we expect to see strong outperformance and significant investment in integration in the year. Statutory loss before tax was £6.9m million (FY22: £5.9 million profit) and basic loss per share was 3.9p (FY22: 0.8p profit), reflecting the above factors combined with higher finance costs on the Group's debt facilities as a result of increases in interest rates. Further details of Marlowe's financial performance are set out in the Chief Financial Officer's review on pages 11 to 14.

We operate in highly cash generative sectors with beneficial working capital characteristics (working capital was 2% of revenue for the year) and free cash flow generation is a key focus for management. As expected, we saw strong cash performance in the second half of the year (H2 cash conversion 127% with £51.7 million net cash generated from operations). Net cash generated from operations for the full year was £74.3 million representing growth of 119% compared the prior year (FY22: £34.0m) and the Group continued to deliver strong cash conversion of 90% for the full year. The cash we generate is redeployed into bolt-on M&A activity whilst maintaining our leverage within our target range, and this strategy coupled with our consistently strong organic growth creates highly attractive returns.

At 31 March 2023 adjusted net debt was £160.8 million (31 March 2022: £108.8 million), excluding lease liabilities of £28.1 million (31 March 2022: £24.5million), and the net debt/run-rate adjusted EBITDA gearing ratio of just below 2.0x was within our target range of 1.5x to 2.5x.

**A year of record organic growth**

We delivered excellent organic growth of 10% in the year, significantly ahead of the market, demonstrating the resilience and attractions of our business model and markets. We provide market leading compliance services and software products to clients: client lifetime value is growing and our ability to up and cross-sell across our broad range of capabilities is complementing our strong levels of new business. We have successfully used price to pass through the manageable cost inflation that we have seen onto our customers, allowing us to protect our margins.

We occupy markets that are undergoing attractive structural growth. Businesses require our advice, support and SaaS products to understand which regulations are relevant to their employees, their organisations and the safety of their business premises. Our compliance intelligence SaaS products, including Barbour and Cedrec, provide this understanding. Our Health & Safety consultants and Employment Lawyers deliver the retained advice that our clients rely on and our compliance eLearning products train their staff in critical regulations. Our clients then require our professional expertise in order to adhere to these complex regulations which we deliver on a recurring and contracted basis alongside the assurance, health surveillance or safety inspections they are required to carry out to ensure they remain compliant on an ongoing basis. All of these regulatory challenges can be simplified and controlled by one of our risk management SaaS products such as Corestream, Meridian or Omnitrack and we continue to benefit from the ongoing transition towards digital methods of risk management. Regulation and legislation are constantly evolving and becoming more onerous, and these changes, coupled with an increasing enforcement burden, continue to drive growth across our markets. Our comprehensive proposition keeps our customers compliant in this stringent regulatory environment and ensures that their workforce and organisations remain healthy, safe and efficient.

Across our markets we are seeing a heightened focus on ESG issues inherent in business with public and corporate expectations around safety, compliance and governance on the rise. Alongside this, there is a greater internal focus on employee health & wellbeing with an estimated £90 billion+ being lost through absence and presenteeism in the UK alone.

We build upon these structural tailwinds through both the cross-sell and up-sell of services and software across our business lines. The same individual in our clients' organisations is often responsible for several compliance areas, whether it be Head of Risk, a Health & Safety Director, an HR Director, or an SME business operator. For example, the person responsible for procuring fire safety services is often also responsible for procuring water & air hygiene services and health & safety software. Similarly, if an individual is responsible for procuring risk management software, they are also likely to be responsible for procuring occupational health, HR and employment law services, compliance eLearning or HR compliance software. Through providing best-in-class services we can leverage this common channel to market allowing us to cross-sell and up-sell both services and software to one of our existing ~50,000 customers. Cross-sell contributes in the region of 2% to our organic growth each year and is part of the reason we are able to grow faster than our wider markets.

Software also acts as a key differentiator in our markets. Providing compliance software either as a standalone product or bundled alongside our services allows us to provide a more comprehensive end-to-end compliance solution. Our consultancy & advisory services help our clients to understand and audit their compliance obligations which can then be tracked, managed and controlled via our software. We find clients who take both software and service from our Group achieve much higher standards of compliance. Software now generates over £43 million of ARR which we expect to continue to grow organically at a fast pace. These SaaS revenues are generated through recurring monthly SaaS subscriptions, typically as part of multi-year contracts and we continue to achieve customer net retention rates consistently over 100%.

On a run-rate basis our Group now has revenue of over £500 million, surpassing our FY24 revenue target, and this scale provides a number of competitive advantages. Due to our extensive range of capabilities and geographic coverage, we are uniquely positioned to serve both small and large, multi-site and complex clients right across their compliance requirements, nationwide. Additionally, collaboration between our in-house expertise of over 130 software developers and some 3,500 fee-earning compliance specialists allows us to continually improve our service and software and bring new software innovations to market.

### **Resilient business model**

The software and services Marlowe provide are underpinned by regulation and are therefore predominantly non-discretionary and essential throughout the economic cycle. For example, the Health & Safety Act requires a health & safety risk assessment to be completed and recorded by a competent person if a business has five or more employees. Additionally, employees must be provided with adequate health & safety training which can be conducted via our compliance eLearning offering. The cost of non-compliance is significant including large fines with the average Health & Safety fine increasing over 300% since 2018. Non-compliance can also result in increased insurance premiums and, for the most serious offences, prosecution or even imprisonment. This non-discretionary nature of our services and software leads to a high degree of revenue visibility with approximately 85% recurring and secured via long-term contracts.



The impact of inflation, largely related to wages, has been mitigated through inflationary linked contract agreements or via annual increased contract pricing. We remain confident in our ability to pass through future costs increases in this way. Our software and service offerings are a relatively small cost for our customers and are often linked to their compliance budgets, which tend to be ring-fenced given the major potential costs associated with non-compliance. This, coupled with our high levels of service and technology benefits, results in deep and durable customer relationships, with an average duration of over 12 years.

The Group has low customer concentration and works across a broad range of sectors. We serve ~50,000 B2B customers from SMEs to large multinationals or public sector organisations, with no customer representing more than 2% of revenues. Within GRC, customers largely pay for our services and software in advance as a monthly subscription and are usually committed to 3 or 5 year contracts. In TIC, we are paid monthly in arrears as part of similarly long-term contracts.

### **Disciplined approach to M&A**

During FY23, the Group successfully completed 11 bolt-on acquisitions for a total consideration of £56 million with ten acquisitions in the first half and one in the second half alongside a continued focus on integration projects. We have deepened our presence across GRC in compliance software, employment law & HR, occupational health and within TIC compliance services. We have subsequently deployed £15.3 million on four bolt-on acquisitions post year end within our TIC business.

Acquisition has been a key tool that we have used to build the scale that we enjoy across our markets. We have a top-3 position in each of the compliance markets we occupy yet they remain highly fragmented with our £505 million run-rate revenue indicating we only serve c.6% of our £8.6 billion addressable market. The opportunities for future growth via market consolidation are very significant.

We have a well-designed divisional structure to support growth via M&A and integration. We possess a strong in-house corporate development capabilities which enable us to source deals, conduct due-diligence and efficiently execute upon our acquisition strategy. This agility, resource and expertise allows us to capitalise on acquisitions that our peers and competitors would struggle to replicate and we are seen as an attractive acquirer across our markets. Over 70% of the deals completed are off-market allowing us to achieve attractive valuations and unlock deals that are a targeted fit with our strategic criteria.

We have a well-developed pipeline of earnings enhancing bolt-on acquisitions which we expect to selectively capitalise on during the course of FY24 and beyond, both through reinvesting the increasing level of cash that we generate and through an appropriate use of our balance sheet.

### **Strengthening and integrating**

The investments we make in integration and acquisition-related restructuring are a vital element of our strategy for growth and are essential to generate the returns on investment that we do. It is thanks to the successful delivery of these integration programmes that we have been able to accelerate our organic growth rate from 4% in FY17 to 10% in FY23 and increase our adjusted divisional EBITDA margin from 16% in FY17 to over 19% today.

During the year, we have placed a particular emphasis on integration, building upon the intensively active and successful growth period we delivered during FY22, where we deployed over £320 million of capital across 20 acquisitions.

We have made significant progress with the integration programme in Occupational Health following the acquisition of Optima for £135 million in January 2022, TP Health in April 2022 and our existing Healthwork occupational health activities. We successfully established a unified management team, streamlined our back-office operations, and implemented a single operating model across the combined business. The entire merged business now operates under the Optima brand. In eLearning we have completed the integration of five eLearning platforms into VinciWorks with a single compliance content library and software environment now in place, supported by a fully integrated management and support team. Both these integration programmes have delivered highly attractive cost synergies via the removal of duplicated headcount, IT systems and properties.

Our well-designed organisational structure, which prioritises divisional autonomy and agility, has been instrumental in enabling us to successfully pursue our growth strategy, which combines organic growth with

bolt-on acquisitions. With a siloed approach to integration, our six entrepreneurial management teams have been able to remain focused on driving organic growth while also directing and overseeing their integration initiatives. Significant investments have been made in dedicated integration resource to ensure we deliver these programmes efficiently.

This structure enables us to integrate acquired businesses simultaneously across business lines, with an integration programme for one acquisition being largely discrete from another. This approach has allowed us to maintain the necessary bandwidth to continue pursuing strategic acquisitions and also to position us well for sustained inorganic growth.

As we continue to pursue a balanced blend of organic and inorganic growth this investment in integration is driving our long-term shareholder returns.

## **Outlook**

We expect to see strong continued demand for our software and services. We operate in resilient markets that are undergoing structural growth, and we have consistently exceeded that growth organically through the delivery of our business model and the application of our organic initiatives.

Our businesses are highly cash generative, and increasingly so, which now allows us to successfully execute our bolt-on acquisition strategy from self-generated resources and we remain well positioned to benefit selectively from executing upon the opportunities within our pipeline.

We have made a positive start to the new financial year, with strong levels of organic growth. We have completed a further four bolt-on acquisitions post year-end deploying £15.3 million of capital. Our acquisition pipeline is well-developed, and we expect to use our attractive cash-flow characteristics to selectively execute upon these opportunities whilst appropriately managing leverage

## Governance, Risk & Compliance

Our GRC consulting and software solutions help our customers mitigate business risk and ensure legally compliant governance standards. We operate across Health & Safety, Employment Law & HR, Occupational Health, Enterprise Risk Management and eLearning. The majority of the compliance services we deliver revolve around our clients' employee and organisational risks.

	FY23 £m	FY22 £m	Change
Revenue	193.1	94.2	105%
Adjusted EBITDA <sup>1,2</sup>	51.5	28.4	81%
Adjusted operating profit <sup>2</sup>	44.7	25.4	76%
Adjusted EBITDA margin <sup>1,2</sup>	26.7%	30.1%	(340)bps

<sup>1</sup> Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

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

## Financial Review

Our GRC division performed well during FY23, with revenue increasing 105% to £193.1 million (FY22: £94.2 million). This reflected strong organic growth of 8% and the benefit from acquisitions completed in the year, together with the full year contribution of acquisitions made in the prior year. Organic growth was driven by new business, up-selling to existing customers, cross-selling and price increases via inflationary linked contracts or annual renegotiations. The vast majority of GRC revenues are delivered as multiyear contracts, retained consultancy subscriptions or as SaaS subscriptions.

Adjusted EBITDA increased by 81% to £51.5 million (FY22: £28.4 million), as we benefited from organic growth, operational improvements and integration synergies. Adjusted EBITDA margin was 26.7% (FY22 30.1%). This reflects business mix following significant acquisitions in Occupational Health in the latter end of FY22 and the beginning of FY23, which as expected, operates at a lower margin than the rest of the GRC business lines. Excluding the impact of Occupational Health acquisitions, GRC margins increased materially, particularly within compliance software. This margin expansion, which we expect to continue in the current financial year, is on the back of integration efficiencies, operational gearing and successful pricing strategies.

## Operational review

We made good progress during FY23 following on from the successful growth period in FY22 where we deployed c.£300 million over 11 acquisitions within GRC. This was a very active period for the Group and successful integration was a vital component to ensure we deliver integration synergies, enhance our returns on invested capital and can drive continued future growth. During the year we undertook two significant integration projects within GRC alongside embedding smaller bolt-on acquisitions. Within Occupational Health, we have made significant progress in consolidating all of the occupational health acquisitions into the Optima platform. Similarly, within Compliance eLearning, we have brought all five of our compliance eLearning businesses under VinciWorks.

During the year we made six acquisitions deploying £39 million of capital as we deepened our presence across HR & Employment Law and Occupational Health. This included the £23 million acquisition of TP Health in April 2022.

**Compliance Software** which includes compliance eLearning, Enterprise Risk Management solutions (EHS, GRC, HR & Contractor Risk) and regulatory data and information, performed well in the year. We delivered strong margin enhancements as we executed on integration plans, and we continued to drive organic growth in the high single digits. We expect to materially accelerate this in the coming year as we benefit from the revenues synergies that we have created following the merging of our eLearning and regulatory intelligence (Barbour & Cedrec) businesses.

Our **Employment Law, HR and Health & Safety** business stream represents around a quarter of total GRC revenues. We saw mid to high single digit organic revenue growth in our Employment Law & HR businesses, reflecting new customer growth and the successful implementation of price increases with existing customers. We continued to drive margins as we more efficiently triage staff through our case management software,



CaseNest, which has, since implementation, resulted in a c.20% decrease in the number of specialists required to service the same volume of case work. Health & Safety customer attrition was slightly higher than targeted towards the end of FY22 which was reflected in FY23 revenues but has since normalised. Additionally, we experienced a more challenging labour market within some of our Health & Safety businesses at the start of the financial year, but this has now trended back to a more normalised level.

**Occupational Health** has undergone a transformational year following the acquisition of Optima Health in January 2022 and TP Health in April 2022. We are of a scale now where we can leverage our extensive capabilities to service national and complex customers. Additionally, we are benefiting from knowledge sharing across our portfolio that allows us to ensure each client has the most comprehensive and effective package to meet their employee health, well-being and compliance needs. We saw high single digit organic revenue growth in the year, driven by both new business and also the upselling of additional services across our range of corporate health & wellbeing services.

## Testing, Inspection & Certification

The services we provide within our Testing, Inspection and Certification (TIC) division largely revolve around keeping our customers business premises safe and compliant with relevant regulation and legislation. Our services address compliance requirements across fire safety & security, and water & air hygiene.

	FY23 £m	FY22 £m	Change
Revenue	272.6	221.7	23%
Adjusted EBITDA <sup>1,2</sup>	36.8	30.6	20%
Adjusted operating profit <sup>2</sup>	25.6	21.4	20%
Adjusted EBITDA margin <sup>1,2</sup>	13.5%	13.8%	(30)bps

<sup>1</sup> Earnings before interest, taxes, depreciation and amortisation ("EBITDA")

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

## Financial Review

TIC performed strongly in FY23, with revenues increasing 23% to £272.6 million (FY22: £221.7 million). We delivered strong organic growth of 11%, reflecting above-market growth within Water & Air Hygiene and particularly strong growth within our Fire Safety & Security business. Our performance also benefited from acquisitions completed in the year, together with the full year contribution of acquisitions made in the prior year. Approximately 80% of our revenues within TIC are recurring and typically delivered via 3-5 year contracts. We are delivering excellent service standards across TIC with compliance KPI's of close to 100%. These high levels of service result in reduced client attrition, increased client share of wallet and enhanced organic growth rates. Organic growth was also driven by new business and up-selling as we leverage our significant national scale and breadth of compliance capabilities across our clients range of requirements, both of which provide significant competitive advantage in winning business across our target client base and in particular with larger complex and multi-site clients. These types of clients demand best in class delivery capabilities with efficient service right across the UK and a breadth of technical capability to address all of their property safety & compliance needs, supported by a well-invested operating model and technology. We differentiate ourselves from the market in this way and believe we will continue winning market share and outpacing market growth as a result. Cross-sell between our Fire Safety & Security and Water & Air Hygiene business lines, which share the same channel to market, continues to accelerate our organic growth and generated around £6 million of incremental revenue growth during the year.

Adjusted EBITDA was up 20% to £36.8 million (FY22: £30.6 million) as a result of organic growth and further operational improvements, acquisitions and integration synergies. Adjusted EBITDA margins remained materially in line year-on-year. Underlying organic margin improvement due to scale and integration efficiencies, was offset by lower margins on business acquired in FY22. As we have scaled our TIC business, we continue to benefit from improved route density which allows us to increase revenue per day per fee earner and decrease travel time between client sites as a result of our proximity to our clients. This density results in both improved client service standards and enhanced revenue and profitability.

We expect to continue benefiting significantly from the major investments that we have made in building out our platform infrastructure and systems over the past seven years as we can support additional revenues more efficiently, both organically and via our continued bolt-on M&A programme. Following 50 acquisitions since 2016 and consistent organic growth, our TIC business is now by some margin the largest provider of property safety and compliance services across the UK. We believe that this scale and integration expertise places us in a uniquely strong position to continue consolidating the fragmented market in which we operate. As the acquirer of choice in the market, we are able to source attractive bolt-ons that fit our criteria amidst the numerous available M&A targets in our pipeline at sensible valuations. Now that our platform is well established we believe that we are primed to accelerate this growth with increasingly attractive integration synergies and economies of scale. The returns on capital employed that we are generating in TIC of 22% clearly demonstrate that this model is highly effective at generating economic value.

## Operational Review

**Fire Safety & Security** has continued to deliver very impressive growth in the year, significantly above market rate. Our strong focus on achieving best-in-class compliance rates has resulted in low attrition rates throughout our customer base and subsequently this customer goodwill allows us to upsell additional services, increasing each individual customer spend. An example of our additional capabilities is the expansion into the fast-growth passive-fire<sup>2</sup> services segment of the market where we have delivered very strong growth in the year.

A key accelerator of growth has been through our increasing ability to service complex and multi-site customers. We can effectively displace competitors who struggle to achieve a similar compliance service levels or lack our breadth of service capabilities.

We have completed three bolt-on acquisitions in the year. The integration of these acquisitions is largely completed and the businesses are trading in-line with pre-acquisition expectations. Since the year-end we have completed a further four acquisitions, including the leading national service provider Clymac Fire & Security which has contributed around £12 million of additional revenues, as we deepen and strengthen our presence in this market and further build our route density.

**Water & Air Hygiene** has seen above-market organic revenue growth as we have leveraged our leading sales and account management teams and placed a focus on upselling capabilities to larger and more complex customers.

During the year we undertook a large integration project as we have rolled out our new end-to-end ERP system, Wave. This system handles all of our water operations and allows us to schedule our specialist technicians more effectively, operate our back-office processes more efficiently and provide access to richer, more valuable compliance data to our clients via automated portals, helping them to effectively reduce risk. Additionally, the integration of the £30 million Hydro-X acquisition is now largely complete following its major integration programme into the WCS infrastructure and operating model.

We completed two bolt-on acquisitions in the year, including the £9m acquisition of PCS in February 2023, as we deepen and strengthen our position in the Air Hygiene market. The integration of these acquisitions is on track and the businesses are performing in-line with expectations.

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<sup>2</sup> Passive fire protection is a barrier or shield, stopping the spread of fire from one area to another

## Chief Financial Officer's Review

Revenue grew in the year to £465.7 million (FY22: £315.9 million). The increase reflects continued strong organic growth of 10% and the contribution from acquisitions completed in the year together with the full year benefit of those completed in FY22. The largest of these was the acquisition of Optima Health in January 2022 which had annualised revenues of £66 million at the point of acquisition. Organic revenue growth % on a like-for-like basis is defined as the year-on-year growth of our entire business. This includes the growth or decline of acquisitions from the day of completion, by including their performance from the corresponding prior period. The benefit of this approach is that it provides insight as to how recently acquired businesses, along with our existing business, are performing organically.

Adjusted operating profit increased by 53% to £64.3 million (FY22: £42.0 million) and adjusted EBITDA increased by 52% to £82.7 million (FY22: £54.4 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 19.0% from 18.7% in FY22. The increase in margin has been primarily driven by the increase in size of the higher margin GRC division. Statutory operating profit was £6.4 million (FY22: £10.5 million) with the reduction representing a significant £10.6 million increase in investment in integration projects during the year, a £9.1 million increase in non-cash amortisation charges resulting from a higher carrying value of intangible assets and a £10.2 million increase in provisions for contingent consideration payments due to the strong performance of certain acquired businesses.

Adjusted profit before tax was £53.6 million (FY22: £38.1 million). On a statutory basis loss before tax for the year was £6.9 million compared to a profit before tax of £5.9 million in FY22 with the movement being driven by the same factors noted under statutory operating profit combined with higher finance costs on the Group's debt facilities resulting from higher base rates of interest.

## Non-IFRS measures

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

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

A reconciliation between statutory operating profit and EBITDA is shown below:

	FY23 £m	FY22 £m
<b>Continuing operations</b>		
<b>Operating profit</b>	<b>6.4</b>	<b>10.5</b>
Amortisation of acquisition intangibles	24.0	14.9
Depreciation and amortisation of non-acquisition intangibles	18.4	12.4
<b>EBITDA</b>	<b>48.8</b>	<b>37.8</b>

A reconciliation between statutory profit and the adjusted performance measures noted above is shown below:

	(Loss)/profit before tax £m	Operating profit £m	EBITDA £m
<b>Statutory reported</b>	<b>(6.9)</b>	<b>6.4</b>	<b>48.8</b>
Acquisition costs	2.7	2.7	2.7
Restructuring costs	21.1	21.1	21.1
Amortisation of acquisition intangibles	24.0	24.0	-
Share-based payments (excluding SAYE schemes)	1.7	1.7	1.7
Fair value losses in contingent consideration and acquisition related incentive schemes	8.4	8.4	8.4
Exceptional finance costs	2.6	-	-
<b>Adjusted results</b>	<b>53.6</b>	<b>64.3</b>	<b>82.7</b>

### Acquisition and other costs

Acquisition and other costs totalled £2.7 million in the year (FY22: £6.0million).

Acquisition costs include legal fees, professional fees and staff costs incurred as part of the acquisitions. They have reduced during the year due to the lower level of M&A activity.

Restructuring costs, being the costs associated with the integration of acquisitions, remain a key component of delivering shareholder value by increasing returns made on acquired businesses. We are now delivering a total pre-tax return on invested capital<sup>3</sup> of 14%, close to our 15% target. Restructuring costs for the year were £21.1 million (FY21: £10.5 million). The increase reflects the significant scale of integration programmes conducted in year following the large amount of capital deployed in FY22 of (£314 million of initial capital deployed in FY22 as compared to £41 million deployed in FY21). Ongoing integration programmes are on track and are expected to be largely complete midway through FY24 with the exception of recently completed M&A. The current integration resource will either leave on completion of the relevant integration programme or transfer onto another integration programme. Once started typical integration programmes take one year to complete, although this is often shorter for smaller bolt on businesses. Restructuring costs primarily consist of:

- Costs incurred recruiting and making employees redundant post-acquisition, and cost of duplicated staff roles during the integration period;
- Costs incurred in managing the integration process; and
- IT costs associated with the integration and transfer to Group IT systems, including costs of third party software used in the delivery of customer contracts where there is a programme to transition such software to one of the Group's existing platforms.

Amortisation of acquired intangible assets for the year was £24.0 million (FY22: £14.9 million) with the increase attributable to the higher carrying value of intangible assets resulting from the continued execution of the Group's M&A strategy.

Non-cash share-based payment charges for the year were £1.7 million (FY22: £1.9 million) and largely represent the charge for the Executive Incentive Plan.

Certain long term incentive schemes for platform businesses have been established to incentivise key members of our platform acquisition's senior management to create shareholder value through the successful acquisition, restructuring and integration of businesses in their chosen service sectors. These schemes have similar characteristics to earn out structures in place within the Group and have a similar purpose. As such, we consider the charge associated with these schemes to be similar in nature as "Acquisition and other costs" as we continue to execute our stated strategy. The total charge for these schemes and for movements in deferred consideration

<sup>3</sup> Pre tax-return on invested capital is calculated on run-rate EBITDA excluding head office costs over the summation of initial capital deployed, restructuring costs, acquisition costs and deferred consideration.

provisions during the year totalled £8.4 million (FY22: £1.8 million releases) with approximately half the movement resulting from an increase in the provision for the Corestream earn following revised forecast expectations.

Exceptional finance costs for the year were £2.6 million (FY22: £0.7 million) and relate to the non-cash unwinding of the discount applied to contingent consideration to reflect the time value of money. In the prior year exceptional finance costs reflected the write down of prepaid arrangement fees on Marlowe's previous debt facility upon its increase and extension in February 2022.

Further details on the items considered when arriving at adjusted performance measures can be found in Note 3.

Further details behind our approach to the treatment of acquisition and other costs can be found in note 3.

### 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.

<b>Earnings per share* (EPS)</b>	<b>FY23</b>	<b>FY22</b>
Basic adjusted earnings per share	45.3p	37.7p
Basic (loss)/earnings per share	(3.9)p	0.8p

\*Refer to note 5

### Interest

Finance costs, excluding exceptional finance costs, amounted to £10.7 million in the year (FY22: £3.9 million). This movement reflects the increased costs of borrowing driven by SONIA and higher levels of utilisation of the Group's enlarged debt facilities following a refinancing in February 2022. The BoE base rate at the start of the financial year was 0.75% and increased by 3.5% during the year. The increased cost of debt is being factored into our ongoing M&A strategy.

### Taxation

UK Corporation Tax is calculated at 19% (FY22: 19%) of the estimated assessable profit for the year. In addition, deferred taxes at the statement of financial position date were remeasured to reflect the 25% tax rate from 1 April 2023.

### Statement of financial position

The Group maintains a strong balance sheet with net assets as at 31 March 2023 of £443.3 million (31 March 2022: £446.0 million). At the same date total assets were £851.4 million (2022: £791.2 million), and total liabilities were £408.1 million (2022: £345.2 million). Total assets primarily consisted of intangible assets of £644.1 million and trade and other receivable of £116.4 million. Total liabilities include bank loans of £191.0 million and trade and other payables of £123.2 million.

### Cash flow

The Group benefits from revenues which have beneficial underlying working capital characteristics. As a result, working capital as a % of run-rate revenue at the full year was 2%.

Across the whole year net cash generated from operations was £74.3 million (FY22 £34.0 million) an increase of 119%. Free cash flow conversion in the year was 90%, in line with our medium-term target. Operating cash flows in FY22 were affected by the normalisation of working capital following a COVID affected FY21.

We have delivered a strong cash performance in the second half of the year and as guided the short-term increase in accrued income in the TIC division at 30 September 2022 has returned to levels comparable with that seen at the beginning of the financial year. The increase in the first half relates to working capital

requirements from billing cycles which included the implementation of a new operating and billing system in our Water & Air Hygiene business and short-term delays to billing on project work in our Fire and Security business.

We have also made strong progress in reducing debtor days in the final quarter after they came under pressure at the start of the second half of the year. The net result is that cash generation in the second half increased materially with net cash generated from operations of £51.7 million in the six months and cash conversion of 127%.

	<b>FY23 £m</b>	<b>FY22 £m</b>
<b>Adjusted operating profit</b>	<b>64.3</b>	<b>42.0</b>
<b>Net cash generated from operations</b>	<b>74.3</b>	<b>34.0</b>
Acquisition and restructuring costs	(23.8)	(16.5)
Interest	(8.6)	(2.6)
Tax	(8.3)	(6.3)
<b>Net cash after restructuring, interest and tax</b>	<b>33.6</b>	<b>8.6</b>
<b>Net cash from operations (after capex)</b>	<b>57.9</b>	<b>24.9</b>
<i>Free cash flow conversion %</i>	<i>90%</i>	<i>59%</i>

Capital expenditure totalled £16.4 million (FY22: £9.1 million) reflecting the increased scale of the Group and further investment in our software systems and ongoing investment in our businesses. Roughly two thirds of capital expenditure is related to software.

### Net debt and financing

Net debt as at 31 March 2023, including inter alia £28.1 million of lease liabilities, was £188.9 million (FY22: £133.3 million). Adjusted net debt (excluding lease liabilities) at year end was £160.8 million (FY22: £108.8 million).

The increase reflects the successful execution of the M&A strategy with £56 million deployed in the year and over £20 million of deferred consideration settled which has been offset by strong cash generation, particularly in the second half of the year.

Group run-rate leverage (excluding leases) ratio was just below 2x as at 31 March 2023 (2.1x as at 30 September 2022), within our target range of 1.5x to 2.5x.

In February 2022 the Group announced a new £180 million, 3-year, RCF facility which extended the lending syndicate to a total of six lenders and included a £60 million optional accordion facility.

In October 2022 the Group exercised £53.3 million of the accordion facility through the support of the existing syndicate. As a result, the Group remains well-funded and continues to have sufficient resources, including headroom on its financing facility, to meet the needs of the Group and to fund acquisitions as part of its strategy.

### Key Performance Indicators ('KPIs')

The Group uses many different KPIs at an operational level which are specific to the business and provide information to management. The Board uses KPIs that focus on the financial performance of the Group such as revenue, adjusted EBITDA, adjusted EPS and net cash generated from operations.



**Unaudited Consolidated Statement of Comprehensive Income**

For the year ended 31 March 2023

	Notes	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
<b>Revenue</b>	2	<b>465.7</b>	<b>315.9</b>
Cost of sales		(276.7)	(176.7)
<b>Gross profit</b>		<b>189.0</b>	<b>139.2</b>
Administrative expenses excluding acquisition and other costs		(124.7)	(97.2)
Acquisition costs	3	(2.7)	(6.0)
Restructuring costs	3	(21.1)	(10.5)
Amortisation of acquisition intangibles	3	(24.0)	(14.9)
Share based payments (excluding SAYE schemes) and legacy long-term incentives	3	(1.7)	(1.9)
Fair value gains/(losses) in contingent consideration and acquisition related incentive schemes	3	(8.4)	1.8
<b>Total administrative expenses</b>		<b>(182.6)</b>	<b>(128.7)</b>
<b>Operating profit</b>		<b>6.4</b>	<b>10.5</b>
Exceptional finance costs	3	(2.6)	(0.7)
Net finance costs		(10.7)	(3.9)
<b>Total finance costs</b>		<b>(13.3)</b>	<b>(4.6)</b>
<b>(Loss)/profit before tax</b>		<b>(6.9)</b>	<b>5.9</b>
Income tax credit / (charge)	4	3.1	(5.2)
<b>(Loss)/profit for the year</b>		<b>(3.8)</b>	<b>0.7</b>
Other comprehensive income		-	-
<b>(Expense)/income and total comprehensive (loss)/profit for the year from continuing operations</b>		<b>(3.8)</b>	<b>0.7</b>
<b>Attributable to owners of the parent</b>		<b>(3.8)</b>	<b>0.7</b>
<b>(Loss)/earnings per share attributable to owners of the parent (pence)</b>			
<b>Total</b>			
Basic	5	(3.9)p	0.8p
Diluted	5	(3.9)p	0.8p

**Unaudited Consolidated Statement of Changes in Equity**

For the year ended 31 March 2023

	Share capital £m	Share premium £m	Merger Reserve £m	Other reserves £m	Retained earnings £m	<b>Total equity £m</b>
Balance at 1 April 2021	38.5	217.4	7.9	0.4	(0.8)	263.4
Profit for the period	-	-	-	-	0.7	0.7
<b>Total comprehensive income for the year</b>	-	-	-	-	<b>0.7</b>	<b>0.7</b>
<b>Transaction with owners</b>						
Issue of shares during the year	9.4	171.7	-	-	-	181.1
Issue costs	-	(4.3)	-	-	-	(4.3)
Acquisition	-	-	2.0	-	-	2.0
Share-based payments	-	-	-	1.7	-	1.7
Deferred tax on share-based payments	-	-	-	1.4	-	1.4
	<b>9.4</b>	<b>167.4</b>	<b>2.0</b>	<b>3.1</b>	-	<b>181.9</b>
<b>Balance at 31 March 2022</b>	<b>47.9</b>	<b>384.8</b>	<b>9.9</b>	<b>3.5</b>	<b>(0.1)</b>	<b>446.0</b>
Loss for the period	-	-	-	-	(3.8)	(3.8)
<b>Total comprehensive loss for the year</b>	-	-	-	-	<b>(3.8)</b>	<b>(3.8)</b>
<b>Transaction with owners</b>						
Share-based payments	-	-	-	2.3	-	2.3
Deferred tax on share-based payments	-	-	-	(1.2)	-	(1.2)
	-	-	-	<b>1.1</b>	-	<b>1.1</b>
<b>Balance at 31 March 2023</b>	<b>47.9</b>	<b>384.8</b>	<b>9.9</b>	<b>4.6</b>	<b>(3.9)</b>	<b>443.3</b>

**Unaudited Consolidated Statement of Financial Position**

As at 31 March 2023

	Notes	Year ended 31 March 2023 £m	Year ended 31 March 2022 £m
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible assets	8	644.1	609.5
Property, plant and equipment		11.7	12.1
Right of use assets		27.4	24.1
Trade and other receivables		4.8	4.7
Deferred tax asset		4.4	3.9
		<b>692.4</b>	<b>654.3</b>
<b>Current assets</b>			
Inventories		9.3	7.6
Trade and other receivables	9	116.4	98.1
Held for sale property		1.3	-
Cash and cash equivalents		30.2	31.2
Current tax asset		1.8	-
		159.0	136.9
<b>Total assets</b>		<b>851.4</b>	<b>791.2</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		(123.2)	(111.5)
Financial liabilities - lease liabilities		(9.7)	(8.0)
Current tax liabilities		-	(1.2)
Provisions		(1.4)	(0.9)
		<b>(134.3)</b>	<b>(121.6)</b>
<b>Non-current liabilities</b>			
Trade and other payables	10	(12.0)	(14.7)
Financial liabilities - borrowings	12	(191.0)	(140.0)
Financial liabilities - lease liabilities		(18.4)	(16.5)
Deferred tax liabilities		(51.2)	(50.5)
Provisions		(1.2)	(1.9)
		(273.8)	(223.6)
<b>Total liabilities</b>		<b>(408.1)</b>	<b>(345.2)</b>
<b>Net assets</b>		<b>443.3</b>	<b>446.0</b>
<b>EQUITY</b>			
Share capital	13	47.9	47.9
Share premium account	13	384.8	384.8
Merger relief reserve	13	9.9	9.9
Other reserves		4.6	3.5
Retained earnings		(3.9)	(0.1)
Equity attributable to owners of parent		<b>443.3</b>	<b>446.0</b>

**Unaudited Consolidated Statement of Cash Flows**

For the year ended 31 March 2023

	<b>Notes</b>	<b>Year ended 31 March 2023 £m</b>	<b>Year ended 31 March 2022 £m</b>
<b>Net cash generated from operations</b>	14	<b>74.3</b>	<b>34.0</b>
Net finance costs		(8.6)	(2.6)
Income taxes paid		(8.3)	(6.3)
<b>Net cash generated from operating activities before acquisition and restructuring costs</b>		<b>57.4</b>	<b>25.1</b>
Acquisition and restructuring costs		(23.8)	(16.5)
<b>Net cash generated from operating activities</b>		<b>33.6</b>	<b>8.6</b>
<b>Cash flows used in investing activities</b>			
Purchases of property, plant and equipment and non- acquisition intangibles		(16.4)	(9.1)
Disposal of property, plant and equipment		1.4	1.1
Purchase of subsidiary undertakings net of cash acquired		(59.0)	(316.0)
<b>Cash flows used in investing activities</b>		<b>(74.0)</b>	<b>(324.0)</b>
<b>Cash flows from financing activities</b>			
Proceeds from share issues		-	181.0
Repayment of borrowings		(14.0)	(146.5)
Repayment of debt upon purchase of subsidiary undertaking		(0.5)	(5.4)
New bank loans raised		65.0	286.5
Cost of share issues		-	(4.3)
Lease repayments (including interest)		(11.1)	(8.9)
<b>Net cash generated in financing activities</b>		<b>39.4</b>	<b>302.4</b>
Net (decrease)/increase in cash and cash equivalents		(1.0)	(13.0)
Cash and cash equivalents at start of period		<b>31.2</b>	<b>44.2</b>
<b>Cash and cash equivalents at the end of period</b>		<b>30.2</b>	<b>31.2</b>
<b>Cash and cash equivalents shown above comprise:</b>			
Cash at bank		<b>30.2</b>	<b>31.2</b>

**Notes to the financial information for the year ended 31 March 2023**

For the year ended 31 March 2023

**1. Basis of Preparation***Basis of preparation*

This preliminary announcement has been prepared in accordance with the recognition and measurement requirements of UK-adopted international accounting standards (IFRS) and 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 2023 and 31 March 2022 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 2022 have been delivered to the registrar of companies and those for the year ended 31 March 2023 will be delivered to the registrar in due course. This announcement was approved by the Board of Directors and authorised for issue on 28 June 2023. Statutory accounts for the year ended 31 March 2023 have not yet been reported on by the Group's Independent Auditor, RSM UK Audit LLP.

The Company's previous auditor reported on the statutory accounts for the year ended 31 March 2022: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under section 498(2) or (3) of the Companies Act 2006

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

*Going concern*

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 10% over the next twelve months. The cash flow forecasts are based on the current group structure. At the time of approving the financial statements the Group had an undrawn committed borrowing facility of £22.3m and to the extent to which further acquisitions require more than the committed facility they will only be done so following agreement of the lenders to the use of the accordion facility or once additional funding has been obtained. Whilst the Group saw some disruption from COVID-19 during the year ending 31 March 2021, the impact was manageable and, given the regulations that govern the requirement for its essential services, the business model has demonstrated resilience. In the event of further disruption to the business in the future as a result of COVID-19 or an escalation of the Ukrainian crisis the Directors are confident that additional cost reduction and cash preservation measures could be utilised in conjunction with the Group's existing debt facility to reduce costs and preserve cash. Furthermore, the Group updates its assessment of forward looking headroom on its covenant position each time there is a change in base interest rates or a material acquisition is likely to complete. This assessment is used to decide if any proactive actions are required to ensure covenant compliance. The board have considered sensitivities which would cause the covenants to be breached and do not consider there to be a plausible scenario in which this would occur. For example, based on current forecasts, interest rates would need to increase by over 200bps for the duration of the next 12 months before any mitigating actions would need to be taken by 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.

## 2. Segmental analysis

The Group is organised into two main reporting segments, Governance, Risk & Compliance (“GRC”) and Testing, Inspection & Certification (“TIC”). The key profit measures are revenue, adjusted EBITDA and adjusted profit before tax and are shown before acquisition and restructuring costs, amortisation of acquisition intangibles, fair value gains/losses in contingent consideration, and share based payments and legacy long term incentives. The vast majority of trading of the Group is undertaken within the United Kingdom. Segment assets include intangibles, property, plant and equipment, inventories, receivables and cash. Central assets include acquisition intangibles, deferred tax and head office assets. Segment liabilities comprise operating liabilities. Central liabilities include deferred tax, corporate borrowings and head office liabilities. Capital expenditure comprises additions to application software and property, plant and equipment. Segment assets and liabilities are allocated between segments on an actual basis.

	<b>GRC</b>	<b>TIC</b>	<b>Head Office</b>	<b>2023 Total</b>
	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>	<b>£'m</b>
<b>Continuing operations</b>				
Revenue	195.9	283.5	-	479.4
Inter-segment elimination	(2.8)	(10.9)	-	(13.7)
Revenue from external customers	193.1	272.6	-	465.7
Segment adjusted operating profit/(loss)	44.7	25.6	(6.0)	64.3
Acquisition costs				(2.7)
Restructuring costs				(21.1)
Amortisation of acquisition intangibles				(24.0)
Fair value losses in contingent consideration				(8.4)
Share based payments (excluding SAYE schemes) and legacy long-term incentives				(1.7)
Operating profit				6.4
Exceptional finance costs				(2.6)
Net finance costs				(10.7)
Loss before tax				(6.9)
Tax credit				3.1
Loss after tax				(3.8)
Segment assets	119.1	157.2	575.1	851.4
Segment liabilities	(60.6)	(63.3)	(284.2)	(408.1)
Capital expenditure	(9.7)	(6.5)	(0.2)	(16.4)
Depreciation and amortisation	(6.8)	(11.2)	(24.4)	(42.4)



	GRC	TIC	Head Office	2022 Total
	£'m	£'m	£'m	£'m
<b>Continuing operations</b>				
Revenue	94.6	228.5	-	323.1
Inter-segment elimination	(0.4)	(6.8)	-	(7.2)
Revenue from external customers	94.2	221.7	-	315.9
Segment adjusted operating profit/(loss)	25.4	21.4	(4.8)	42.0
Acquisition costs				(6.0)
Restructuring costs				(10.5)
Amortisation of acquisition intangibles				(14.9)
Fair value gains/(losses) in contingent consideration				3.5
Share based payments (excluding SAYE schemes) and legacy long-term incentives				(3.6)
Operating profit				10.5
Exceptional finance costs				(0.7)
Net finance costs				(3.9)
Profit before tax				5.9
Tax charge				(5.2)
Profit after tax				0.7
Segment assets	116.0	151.1	524.1	791.2
Segment liabilities	(48.8)	(72.0)	(224.4)	(345.2)
Capital expenditure	(4.9)	(4.1)	(0.1)	(9.1)
Depreciation and amortisation	(3.0)	(9.2)	(15.1)	(27.3)

	GRC	TIC	Head Office	2023 Total
	£'m	£'m	£'m	£'m
Segment adjusted operating profit/(loss)	44.7	25.6	(6.0)	64.3
Depreciation and amortisation of non-acquisition intangibles	6.8	11.2	0.4	18.4
<b>Adjusted EBITDA</b>	<b>51.5</b>	<b>36.8</b>	<b>(5.6)</b>	<b>82.7</b>

	GRC	TIC	Head Office	2022 Total
	£'m	£'m	£'m	£'m
Segment adjusted operating profit/(loss)	25.4	21.4	(4.8)	42.0
Depreciation and amortisation of non-acquisition intangibles	3.0	9.2	0.2	12.4
<b>Adjusted EBITDA</b>	<b>28.4</b>	<b>30.6</b>	<b>(4.6)</b>	<b>54.4</b>

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

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

### Major customers

For the year ended 31 March 2023, no customers (2022: nil) individually accounted for more than 10% of the Group's total revenue.

### 3. Adjusting items

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

Adjusting item	Rationale
Acquisition costs	Acquisition costs include professional fees, transaction costs and staff costs associated with completing acquisitions. These costs are non-recurring to the extent that if the Group were to cease further M&A activity these costs would not continue.
Restructuring costs	<p>Restructuring costs include the costs associated with the integration of acquisitions, include:</p> <ul style="list-style-type: none"> <li>• The cost of duplicated staff roles and other duplicated operational costs during the integration and restructuring period;</li> <li>• The redundancy cost of implementing the post completion staff structures; and</li> <li>• IT costs associated with the integration and transfer to Group IT systems, including costs of third-party software used in the delivery of customer contracts where there is a programme to transition such software to one of the Group's existing platforms.</li> </ul> <p>Each integration programme is distinct and one-off in nature such that when complete the costs associated that that programme would cease.</p> <p>Of the £21.1m restructuring costs incurred in FY23, £10.0m will not continue into FY24. Of the remaining £11.1m, £6.7m relates to costs which are expected to continue into the FY24 year, but will have ceased by 31 March 2024, with the balance of £4.4m primarily consisting of integration resource which will either move onto new integration projects or leave the business at the end of the existing projects.</p>
Amortisation of acquired intangibles	The amortisation charge for those intangible assets recognised on business combinations is excluded from the adjusted results of the Group since they are volatile between periods based on the timing and extent of acquisitions. As such, they are removed to provide better comparability of performance between periods.
Share-based payments (excluding SAYE schemes) and legacy long-term incentives	Charges associated with share-based payment schemes (excluding SAYE schemes which remain are classed as administrative expenses) have been included as adjusting items. Although share-based compensation is an important aspect of the compensation of our employees and executives, management believes it is useful to exclude share-based compensation expenses from adjusted profit measures to better understand the long-term performance of our underlying business. Share-based compensation expenses are non-cash charges and are determined using several factors, including expectations surrounding future performance, employee forfeiture rates and, for employee payroll-related tax items, the share price. As a result, these charges are not reflective of the value ultimately received by the awards.
Fair value gains/ (losses) in contingent Consideration and acquisition related incentive schemes	Movements in contingent consideration are considered to be part of the investing activities of the Group and are therefore not considered to be reflective of the underlying trading performance. Further, share based compensation expenses are not reflective of the value ultimately received by the recipients of the awards. In addition, certain legacy long terms incentives are considered to be part of the investing activities of the Group and non-recurring in nature.
Exceptional finance costs	Exceptional finance costs in FY23 relate to the non-cash unwinding of the discount applied to contingent consideration to reflect the time value of money. In prior year exceptional finance costs reflect the write down of deferred finance costs associated with the debt facilities which were replaced in FY22. The requirement to restructure

	and replace the debt facilities was a direct result of the acquisitions completed during the year and is therefore not considered part of the underlying trading of the Group.
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In the prior year charges arising on certain long-term incentive schemes related to prior acquisitions were included within 'Share-based payments and legacy long-term incentives'. These have been reclassified and are now included within 'Fair value gains/(losses) in contingent consideration and acquisition related incentive schemes' to better reflect the nature of these schemes.

As a result, the 2022 charge for 'Share-based payments and legacy long-term incentives' has reduced from £3.6m to £1.9m and the 2022 credit for 'Fair value gains/(losses) in contingent consideration and acquisitions related incentive schemes' has reduced from £3.5m to £1.8m

#### 4. Taxation

	2023 £'m	2022 £'m
Current tax:		
UK corporation tax on profit for the year	4.0	3.9
Foreign tax	0.4	0.2
Adjustment in respect of previous periods	(0.7)	(0.1)
<b>Total current tax</b>	<b>3.7</b>	<b>4.0</b>
Deferred tax:		
Current year	(6.9)	(3.3)
Adjustment in respect of previous periods	0.1	0.3
Effect of change in tax rate	-	4.2
<b>Total deferred tax</b>	<b>(6.8)</b>	<b>1.2</b>
<b>Total tax (credit) / charge</b>	<b>(3.1)</b>	<b>5.2</b>

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

	2023 £'m	2022 £'m
(Loss)/profit before tax	(6.9)	5.9
(Loss)/profit before tax multiplied by the rate of corporation tax of 19.0%	(1.3)	1.1
Effects of:		
Expenses not deductible for tax purposes	0.9	0.3
Recognition of previously unrecognised deferred tax assets on losses	(1.5)	-
Prior year adjustments	(0.6)	0.2
Change in tax rates	(0.6)	3.6
<b>Tax (credit) / charge</b>	<b>(3.1)</b>	<b>5.2</b>

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

## 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.

	2023	2022
Weighted average number of shares in issue	95,868,871	81,994,955
Total (loss)/profit after tax for the period	£(3.8)m	£0.7m
Total basic earnings per ordinary share (pence)	(3.9)p	0.8p
Weighted average number of shares in issue	95,868,871	81,994,955
Potential dilution to share options	1,291,637	1,304,678
Weighted average number of shares used in calculating diluted EPS	95,868,871	83,299,633
Total fully diluted (loss)/earnings per share (pence)	(3.9)p	0.8p

Potentially dilutive shares have not been included in the diluted EPS for the year ended 31 March 2023 on the basis that they are anti-dilutive, however they may become dilutive in future periods

### *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:

	2023 £'m	2022 £'m
(Loss)/profit before tax for the period	(6.9)	5.9
Adjustments:		
Acquisition costs	2.7	6.0
Restructuring costs	21.1	10.5
Amortisation of acquisition intangibles	24.0	14.9
Fair value losses/(gains) in contingent consideration and acquisition related incentive schemes	8.4	(1.8)
Share based payments (excluding SAYE schemes)	1.7	1.9
Exceptional finance costs	2.6	0.7
<b>Adjusted profit before tax for the period</b>	<b>53.6</b>	<b>38.1</b>

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

	2023 £'m	2022 £'m
Adjusted profit before tax (£'m)	53.6	38.1
Tax at 19%	(10.2)	(7.2)
Adjusted profit after taxation (£'m)	43.4	30.9
Adjusted basic earnings per share (pence)	45.3	37.7
Adjusted fully diluted earnings per share (pence)	44.7	37.1

## 6. Dividends

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

## 7. Business Combinations

During the year the Group completed 11 acquisitions to create shareholder value by adding depth and breadth to the Group's compliance based platforms.

If the acquisitions had been completed on the first day of the financial year, Group revenue would have been £471.6m and Group loss before tax would have been £7.7m. Post completion, acquisitions made during the year contributed £32.4m revenue and £6.1m profit before tax. As explained in note 5, following acquisition a number of restructuring costs are incurred, and after this post acquisition restructuring the acquisitions have a positive impact on Group profit before tax.

Goodwill acquired in the business combinations represent a payment made by the acquirer in anticipation of future economic benefits from assets that are not capable of being individually identified and separately recognised. Goodwill is not deductible for tax purposes. Acquisition balance sheets are deemed provisional when the post-acquisition integration period, typically up to 12 months post-acquisition, has yet to complete. During the year the Group made the following acquisitions which individually represent 5 per cent or more of the total Enterprise Value of all acquisitions made during the year.

### *Finalisation of fair values for acquisitions acquired in the current year*

#### Acquisition of TP Health (Holdings) Ltd

On 14 April 2022 the Group acquired TP Health (Holdings) Ltd ("TP Health"), a provider of technology enabled occupational health services for a total consideration of £22.5m, satisfied by the payment of £14.5m in cash on completion and £8.0m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition. The £8.0m payable has been discounted to its present value of £7.2m by applying the weighted average cost of capital used in the purchase price allocation. The final fair values are shown below.

	Fair value at acquisition £'m
Intangible assets – customer relationships	8.5
Intangible assets – application software	2.3
Trade and other receivables	3.2
Cash	1.4
Inventories	0.1
Right of use assets	0.2
Property, plant and equipment	0.5
Trade and other payables	(3.3)
Deferred tax liabilities	(2.6)
Provisions	(0.4)
Leases	(0.4)
Tax liabilities	(0.2)
Net assets acquired	9.3
Goodwill	12.4
Consideration	21.7
Satisfied by:	
Cash to vendors	14.5

## Contingent cash consideration to vendors

7.2

One hundred percent of the equity of TP Health was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £0.13m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year TP Health would have generated £19.2m revenue and £3.3m profit before tax.

Acquisition of MJ Fire Safety Ltd

On 23 May 2022 the Group acquired MJ Fire Safety Ltd ("MJ Fire"), a provider of fire safety installation, maintenance and inspection services, for a total consideration of £4.4m, satisfied by the payment of £4.4m in cash on completion.

	Fair value at acquisition £'m
Intangible assets – customer relationships	1.3
Trade and other receivables	0.4
Cash	1.7
Property, plant and equipment	0.3
Trade and other payables	(0.2)
Deferred tax liabilities	(0.3)
Leases	(0.2)
Tax liabilities	(0.2)
Net assets acquired	2.8
Goodwill	1.6
Consideration	4.4
Satisfied by:	
Cash to vendors	4.4

One hundred percent of the equity of MJ 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 £0.04m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year MJ Fire would have generated £3.5m revenue and £0.7m profit before tax.



Acquisition of Cedrec Information Systems Limited

On 24 May 2022 the Group acquired Cedrec Information Systems Limited ("Cedrec"), a digital platform providing Environmental, Health and Safety ("EHS") data and information for a total consideration of £4.2m, satisfied by the payment of £3.6m in cash on completion and £0.6m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

	Fair value at acquisition £'m
Intangible assets – customer relationships	1.2
Intangible assets – application software	0.1
Intangible assets – content database	0.2
Trade and other receivables	0.1
Cash	1.2
Right of use assets	0.2
Loan receivable	0.1
Trade and other payables	(0.7)
Deferred tax liabilities	(0.4)
Leases	(0.2)
Tax liabilities	(0.1)
Net assets acquired	1.7
Goodwill	2.5
Consideration	4.2
Satisfied by:	
Cash to vendors	3.6
Contingent cash consideration to vendors	0.6

One hundred percent of the equity of Cedrec was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £0.04m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Cedrec would have generated £1.6m revenue and £0.5m profit before tax.

Acquisition of Business HR Solutions (Consultancy) Limited and Business Human Resources Solutions Limited

On 07 June 2022, the Group acquired Business HR Solutions (Consultancy) Limited and Business Human Resources Solutions Limited (together, "HR Solutions"), a provider of HR and H&S compliance consultancy services for a total consideration of £5.8m, satisfied by the payment of £5.8m in cash on completion.

	Fair value at acquisition £'m
Intangible assets – customer relationships	3.0
Intangible assets – content database	0.1
Trade and other receivables	0.5
Cash	0.4
Trade and other payables	(0.9)
Deferred tax liabilities	(0.8)
Borrowings	(0.3)
Tax liabilities	(0.1)
Net assets acquired	1.9
Goodwill	3.9
Consideration	5.8
Satisfied by:	
Cash to vendors	5.8

One hundred percent of the equity of HR Solutions was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £0.05m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year HR Solutions would have generated £3.7m revenue and £0.7m profit before tax.

Acquisition of Vista Employer Services Limited

On 15 July 2022 the Group acquired Vista Employer Services Ltd ("Vista"), a provider of employment law services for a total consideration of £3.9m, satisfied by the payment of £3.1m in cash on completion and £0.8m payable subject to the achievement of certain performance targets by the acquired business 12 months post-acquisition.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.1
Trade and other receivables	0.9
Cash	0.3
Trade and other payables	(0.8)
Deferred tax liabilities	(0.5)
Borrowings	(0.2)
Tax liabilities	(0.1)
Net assets acquired	1.7
Goodwill	2.2
Consideration	3.9
Satisfied by:	
Cash to vendors	3.1
Contingent cash consideration to vendors	0.8

One hundred percent of the equity of Vista was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £0.03m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year Vista would have generated £2.3m revenue and £0.4m profit before tax.

Acquisition of PCS Asbestos Consultants Limited

On 01 February 2023 the Group acquired PCS Asbestos Consultants Limited ("PCS"), a provider of asbestos risk management services for a total consideration of £9.3m, satisfied by the payment of £8.0m in cash on completion and £1.3m payable subject to the achievement of certain performance targets by the acquired business 12 months post-acquisition.

	Fair value at acquisition £'m
Intangible assets – customer relationships	2.1
Intangible assets – application software	0.6
Trade and other receivables	1.2
Cash	2.6
Right of use assets	0.1
Property, plant and equipment	0.2
Loan Receivable	0.4
Trade and other payables	(0.4)
Deferred tax liabilities	(0.7)
Leases	(0.1)
Net assets acquired	6.0
Goodwill	3.3
Consideration	9.3
Satisfied by:	
Cash to vendors	8.0
Contingent cash consideration to vendors	1.3

One hundred percent of the equity of PCS was acquired in this transaction. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the asset is expected to be realised. Acquisition costs of £0.10m have been charged to profit or loss.

If the acquisition had been completed on the first day of the financial year TP Health would have generated £3.7m revenue and £1.0m profit before tax.

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

*Testing, Inspection and Certification (TIC) acquisitions*

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

On 19 April 2022 the Group acquired Ruthven Alarms Limited, a provider of alarm system installation and maintenance services, for a total consideration of £0.3m, satisfied by the payment of £0.3m in cash on completion.

On 22 August 2022 the Group acquired Phase Technology 2gen Holdings Limited ("Phase"), a provider of water hygiene & treatment services for a total consideration of £2.6m, satisfied by the payment of £2.6m in cash on completion

On 23 September 2022 the Group acquired Icegrade Group Limited (trading as "MRFS"), a provider of fire alarm and security maintenance services for a total consideration of £0.7m, satisfied by the payment of £0.7m in cash on completion.

	Fair value at acquisition £'m
Intangible assets – customer relationships	1.1
Trade and other receivables	0.5
Cash	1.2
Right of use assets	0.1
Trade and other payables	(0.5)
Deferred tax liabilities	(0.3)
Leases	(0.1)
Net assets acquired	2.0
Goodwill	1.6
Consideration	3.6
Satisfied by:	
Cash to vendors	3.6

One hundred percent of the equity was acquired in the transactions with the exception of MRFS where the Group acquired its business and assets. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the assets is expected to be realised. Acquisition costs of £0.05m have been charged to profit or loss.

If the acquisitions had been completed on the first day of the financial year they would have generated £3.0m revenue and £0.5m profit before tax.

*Governance, Risk and Compliance (GRC) acquisitions*

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

On 09 May 2022, the Group acquired The Compliance Office Ltd, a provider of SRA consultancy services for a total consideration of £1.5m, satisfied by the payment of £1.2m in cash on completion and £0.3m payable subject to the achievement of certain performance targets by the acquired business 12 months post acquisition.

On 24 August 2022 the Group acquired Care 4 Quality Limited ("C4Q"), a provider of Health & Social Care Quality Compliance for a total consideration of £0.6m, satisfied by the payment of £0.6m in cash on completion.

	Fair value at acquisition £'m
Intangible assets – customer relationships	0.4
Intangible assets – content database	0.2
Cash	0.4
Trade and other receivables	0.1
Trade and other payables	(0.1)
Tax liabilities	(0.1)
Net assets acquired	0.9
Goodwill	1.2
Consideration	2.1
Satisfied by:	
Cash to vendors	1.8
Contingent cash consideration to vendors	0.3

One hundred percent of the equity was acquired in the transactions. Deferred tax has been provided on the value of the intangible assets at the tax rate applicable at the time the assets is expected to be realised. Acquisition costs of £0.04m have been charged to profit or loss.

If the acquisitions had been completed on the first day of the financial year they would have generated £1.6m revenue and £0.5m profit before tax.



**8. Intangible assets**

	Goodwill £m	Customer relationships £m	Applications software £m	Content database £m	Trade name £m	<b>Total £m</b>
Cost						
01-Apr-21	158.2	88.7	12.7	0.0	0.0	259.6
Arising on acquisition of subsidiaries	237.3	96.3	27.2	7.5	6.1	374.4
Additions	-	-	5.6	-	-	5.6
Disposals	-	-	(0.1)	-	-	(0.1)
31-Mar-22	395.5	185.0	45.4	7.5	6.1	639.5
Arising on acquisition of subsidiaries	29.5	19.7	3.0	0.5	-	52.7
Additions	-	-	9.5	-	-	9.5
Disposals	(0.3)	-	-	-	-	(0.3)
<b>31-Mar-23</b>	<b>424.7</b>	<b>204.7</b>	<b>57.9</b>	<b>8.0</b>	<b>6.1</b>	<b>701.4</b>
Accumulated amortisation and impairment						
01-Apr-21	-	12.1	1.4	-	-	13.5
Charge for the year	-	12.2	3.5	0.6	0.2	16.5
31-Mar-22	-	24.3	4.9	0.6	0.2	30.0
Charge for the year	-	18.1	7.3	1.3	0.6	27.3
<b>31-Mar-23</b>	<b>-</b>	<b>42.4</b>	<b>12.2</b>	<b>1.9</b>	<b>0.8</b>	<b>57.3</b>
Carrying amount						
<b>31-Mar-23</b>	<b>424.7</b>	<b>162.3</b>	<b>45.7</b>	<b>6.1</b>	<b>5.3</b>	<b>644.1</b>
31-Mar-22	395.5	160.7	40.5	6.9	5.9	609.5



## 9. Trade and other receivables

	2023 £'m	2022 £'m
<b>Current</b>		
Trade receivables	81.9	71.5
Less: provision for impairment of trade receivables	(1.9)	(2.9)
Trade receivables – net	80.0	68.6
Other receivables	2.8	0.7
Contract assets	2.1	2.2
Accrued income	22.8	18.6
Prepayments	8.1	7.4
Deferred consideration receivable in less than one year	0.6	0.6
	116.4	98.1
<b>Non-current</b>		
Deferred consideration receivable in more than one year	4.8	4.7
	4.8	4.7

As at 31 March 2023, trade and other receivables includes amounts due from contract assets of £2.1m (2022: £2.2m).

Revenue is recognised based on contracted terms with customers, in accordance with a contract's stage of completion, with any variable consideration estimated using the expected value method as constrained if necessary. If a contract is in dispute, management use their judgement based on evidence and external expert advice, where appropriate, to estimate the value of accrued income recoverable on the contract. Actual future outcome may differ from the estimated value currently held in the financial statements. The outcome of any amounts subject to dispute is not anticipated to have a material impact on the financial statements.

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

Trade receivables, accrued income and contract assets are provided for based on, and in accordance with IFRS 9, an expect 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 41% of those over 120 days past due to 5% of those between 0 and 30 days past due.

As at 31 March 2023, the remaining balance of trade receivables which were past due, after applying the ECL model to the age buckets was £33.5m (2022: 21.1m). No further provision has been recognised on these amounts because it has been deemed immaterial. These relate to a number of independent customers with no recent history of default.

**10. Trade and other payables**

	2023 £'m	2022 £'m
<b>Current</b>		
Trade payables	33.7	29.9
Other taxation and social security	19.9	16.3
Other payables	4.0	2.5
Accruals	28.9	23.5
Deferred income	28.7	25.5
Contingent consideration payable in less than one year	8.0	13.8
	<b>123.2</b>	<b>115.0</b>
<b>Non-current</b>		
Contingent consideration payable in more than one year	12.0	14.7
	<b>12.0</b>	<b>14.7</b>

Trade and other payables principally comprise amounts outstanding for trade purchases, ongoing costs and contingent consideration. Included within contingent consideration is £nil (2022: £2.6m) in respect of amounts due under put and call options. Included within accruals is £8.6m (2022: £4.3m) in respect of Long Term Incentive Plans.

Contingent consideration consists of the following amounts payable in respect of previous acquisitions:

	2023 £'m	2022 £'m
Core Stream	12.0	6.4
VinciWorks	1.8	8.4
Healthworks	-	3.0
Skill Boosters	1.5	2.0
Other (comprising 17 acquisitions)	4.7	8.7
	<b>20.0</b>	<b>28.5</b>

**11. Net debt**

	2023 £'m	2022 £'m
Cash at bank and in hand	30.2	31.2
Bank loans due after one year	(191.0)	(140.0)
Leases due within one year	(9.7)	(8.0)
Leases due after one year	(18.4)	(16.5)
<b>Net (debt)</b>	<b>(188.9)</b>	<b>(133.3)</b>

**12. Financial liabilities – Borrowings**

	2023 £'m	2022 £'m
Current		
Bank loans and overdrafts due within one year		
Bank loans – unsecured	-	-
	-	-
Non-current		
Bank loans – unsecured	191.0	140.0
	191.0	140.0

**13. Called up share capital**

	2023 £'m	2022 £'m
Allotted, issued and fully paid:		
95,882,065 ordinary shares of 50p each (2022: 95,833,853 ordinary shares of 50p each)	47.9	47.9

No. of shares

<b>31-Mar-21</b>	<b>76,969,849</b>
01 April 2021 - Consideration Shares ("LAW")	153,923
17 August 2021 - Bonus Shares	3,050
20 October 2021 - Subscription Shares	5,512,679
20 January 2022 - Share Options ("SAYE 2020")	1,336
24 January 2022 - Subscription Shares	13,100,000
27 January 2022 - Consideration Shares ("Elogbooks")	93,016
<b>31-Mar-22</b>	<b>95,833,853</b>
11 April 2022 - Share Options ("SAYE 2020")	1,630
26 April 2022 - Share Options ("SAYE 2020")	2,065
23 May 2022 - Share Options ("SAYE 2020")	923
4 July 2022 - Marlowe plc Long Term Incentive Plan 2019	37,879
05 July 2022 - Share Options ("SAYE 2020")	1,173
18 August 2022 - Share Options ("SAYE 2020")	413
19 October 2022 - Share Options ("SAYE 2020")	1,195
24 November 2022 - Share Options ("SAYE 2020")	2,934
<b>31-Mar-23</b>	<b>95,882,065</b>

**14. Net cash generated from operations**

	2023 £'m	2022 £'m
<i>Continuing operations</i>		
(Loss)/profit before tax	(6.9)	5.9
Depreciation of property, plant and equipment and amortisation of non-acquisition intangibles	18.4	12.4
Amortisation of intangible assets	24.0	14.9
Total finance costs	13.3	4.6
Acquisition costs	2.7	6.0
Fair value gains/(losses) in contingent consideration and acquisition related incentive schemes	8.4	(1.8)
Restructuring costs	21.1	10.5
Share based payments (excluding SAYE schemes)	1.7	1.9
Increase in inventories	(1.7)	(2.1)
Increase in trade and other receivables	(12.0)	(15.0)
Increase/(Decrease) in trade and other payables	5.3	(3.3)
<b>Net cash generated from operations</b>	<b>74.3</b>	<b>34.0</b>

**15. Post balance sheet events**

Since the year end the Group has acquired 100% interests in several entities, as set out below, adding an aggregate of £15m of run-rate revenues and £2m of run rate EBITDA as set out below:

On 06 April 2023 the Group acquired Victory Fire Limited, a UK provider of fire alarm and extinguishers installation and maintenance services, for a total consideration of £6.7m, satisfied by the payment of £5.5m in cash on completion and £1.2m in cash payable subject to the achievement of certain performance targets by the acquired business 12 months post-acquisition.

On 13 April 2023 the Group acquired Clymac Limited, a UK provider of fire alarm installation and maintenance services, for a total consideration of £8.9m, satisfied by the payment of £8.6m in cash on completion and £0.3m in cash payable subject to the achievement of certain integration targets by the acquired business 3 months post acquisition.

On 20 April 2023 the Group acquired JCR Security Limited, a UK provider of specialist smoke ventilation systems maintenance and repair services, for a total consideration of £0.7m, satisfied by the payment of £0.4m in cash on completion and £0.3m in cash payable subject to the achievement of certain performance targets by the acquired business 36 months post-acquisition.

On 13 June 2023 the Company acquired Trans-Fire Holdings Ltd, a UK provider of fire extinguisher and fire alarm maintenance services, for a total consideration of £0.9m, satisfied by the payment of £0.8m in cash on completion and £0.1m in cash payable subject to the achievement of certain integration targets by the acquired business 6 months post-acquisition.

The fair value of the assets and liabilities in relation to the above acquisitions have not been presented as, due to them being recent acquisitions, the work is ongoing to perform the valuations.

**16. Related party transactions and key management compensation**

No trading related party transactions were identified in the year.