cmo group PLC™

Annual Report for year ending 31 December 2021

Founded in 2008 as Construction Materials Online, CMO is the UK's largest online-only retailer of building materials.

The Group is disrupting a £27 billion predominantly offline market with a digital first proposition and market leading product choice, supported by high quality customer service and technical expertise.

CMO has created category authority by offering market-leading ranges listing over 100,000 products through its eight specialist websites: cmotrade.co.uk, doorsuperstore.co.uk, drainagesuperstore.co.uk, insulationsuperstore.co.uk, jtmplumbing.co.uk, roofingsuperstore.co.uk, tileandfloorsuperstore.co.uk and totaltiles.co.uk.

Its unique, digital hybrid service model, developed over more than 10 years, combines specialist advice and expertise tailored to category and customer needs online, to service the next generation of digital natives by bridging the gap between traditional bricks and mortar retailers and pureplay digital retailing.

CMO has established trusted partnerships with manufacturers and supply partners across the UK. Its business model is asset light with the majority of products drop-shipped directly from the manufacturers to its customers.

CMO's vision is to be the retailer of choice for everyone building or improving a home in the UK...

"We'll provide all the products you need in the way you want to buy them."

06

Chairman's Statement

Ken Ford
Independent
Non-Executive Chair

08

CEO's Statement

Dean Murray
Chief Executive
Officer

Company registration number: 13451589

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CMO at a glance

2021 performance update and our market

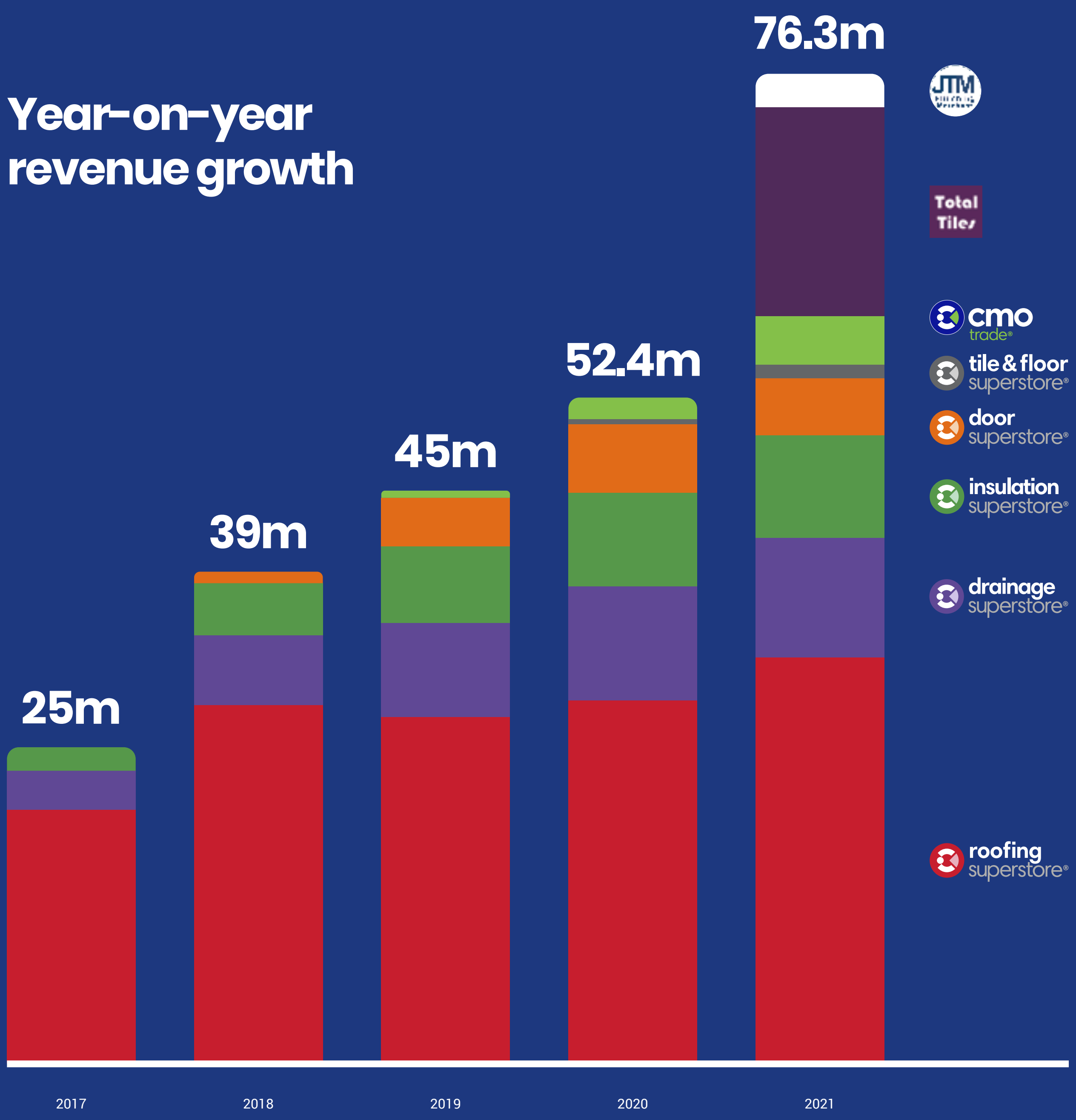
Revenue growth to

£76.3m up 46%

from previous year

2020: £52.4m

Year-on-year revenue growth



Gross Margins

£15.3m up 89%

2020: £8.1m

Adjusted EBITDA*

£3.7m up 42%

2020: £2.6m

Market Share Growth of

11% YoY

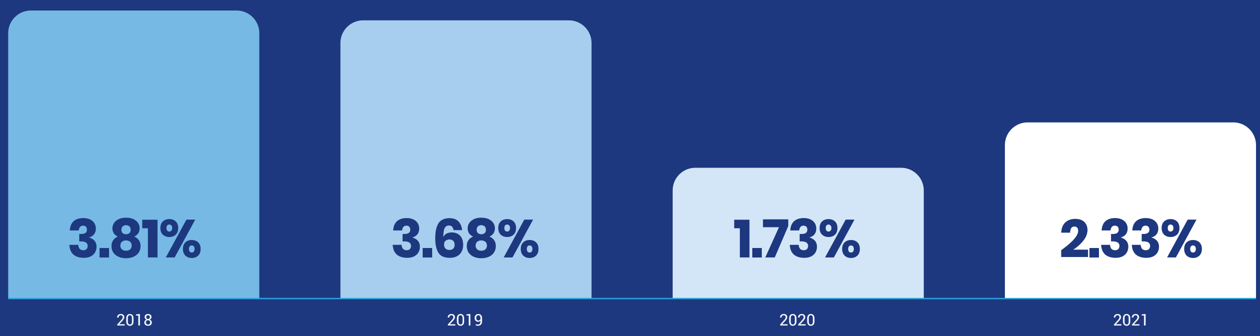
CMO grew faster than the wider builders merchant market which recorded record growth of 28%.

*Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, share option expense, acquisition costs, and exceptional items and is stated on an IFRS basis. (See page 44)

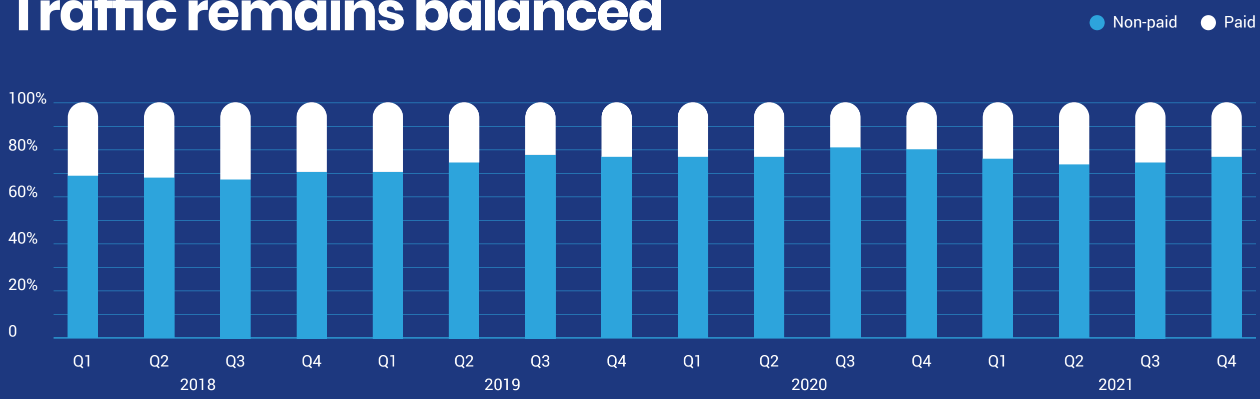
CMO at a glance

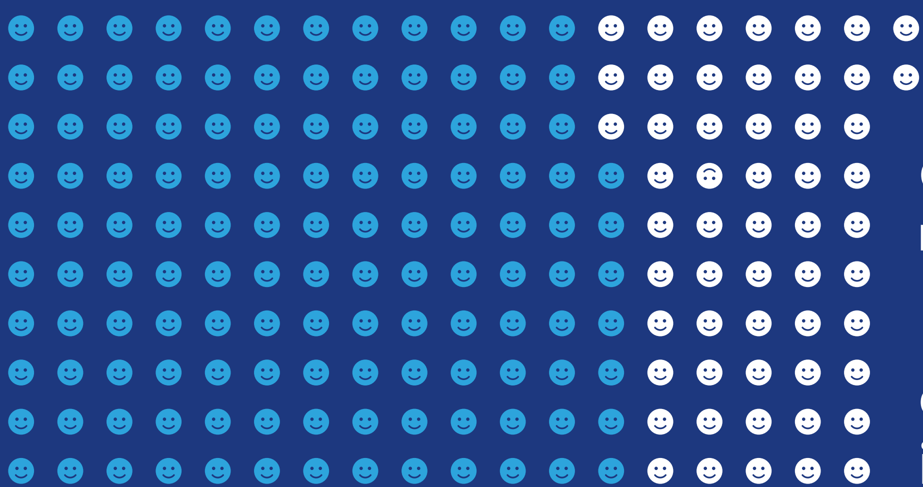
2021 performance update and our market

Digital marketing cost remains less than 5% of sales*



Traffic remains balanced



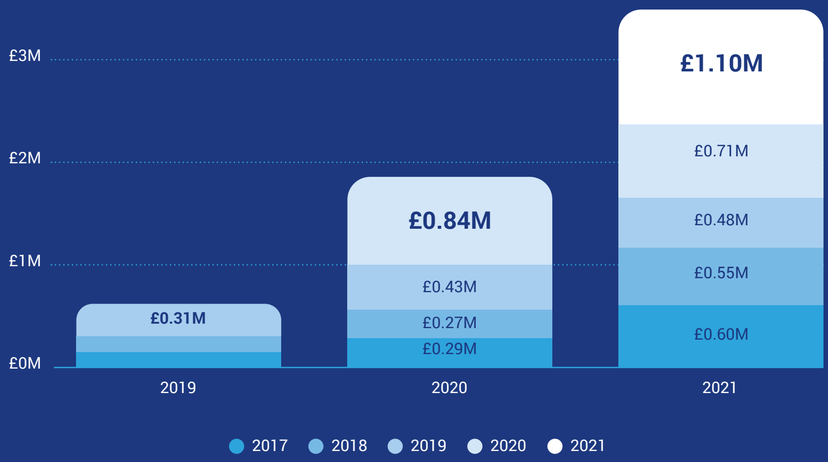


Over
182k
customers
in 2021 2020: 127k

Over 42%*** of sales came from repeating customers **Exc. JTM plumbing

Repeat rates from Trade cohort

Total Sales by Year and Join Year Cohort



JTM Plumbing performing in line with expectations

Marketing database grow by over 30%***

Group AOV grew by over 10%****

* LFL Superstores. ** Exc. JTM plumbing. *** 31.49% growth in marketable database. **** 2020; £248.60. 2021; £273.44.

Chairman's Statement

Dear Shareholder, welcome to the CMO Annual Report for 2021, the first for the newly listed CMO Group PLC.

2021

After last July's successful admission to AIM, the team has risen to the challenge of CMO's new status and, despite some challenging headwinds, has delivered another strong performance. Full year revenue and adjusted EBITDA* are both in line with expectation, and the well-publicised supply chain and logistics difficulties have been expertly negotiated. These challenges, coming on top of two unpredictable years of pandemic-related lockdowns, have demonstrated the robustness of the model and the team.

CMO's strategy to provide customers with a comprehensive range of building materials through specialist, contact centre-supported websites, has once again proved to be the right one. It's clear the retail world focused even more strongly towards online during the pandemic, but people still like dealing with people and CMO will always make sure its customers can do just that. This model continues to work for us with like-for-like sales up in 2021 by 12% and two-year sales by 30%.

The team is also marching on with the strategy to provide customers with everything needed to build or maintain a home. We've filled the plumbing gap with the purchase of JTM Plumbing Ltd at the end of September 2021 and we've been the proud owners of Total Tiles Ltd for exactly 12 months at the balance date. These two businesses, which perfectly fit the Group's profile and are continuing to perform well, have led to overall growth for 2021 of 46%.

*Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, share option expense, acquisition costs, and exceptional items and is stated on an IFRS basis. (See page 44)

Our vision for a better world

CMO's natural inclination is towards high integrity and anti-bias, but post-float it has taken up the mantel on a range of ESG issues more formally.

In recent years, the business has taken significant steps to eliminate gender bias. We're proud to have a female Chief Operating Officer, Sue Packer, who constitutes one third of the Group's Executive Board. This supports a different view of risk and opportunity which has contributed heavily to the agile way the business manages change and challenge.

Importantly, the median gender pay gap is less than 5% in all quartiles and is close to nil in the lower and lower medium quartiles.

With environmental concerns right at the forefront of CMO's operating model, it's committed to measuring all greenhouse gas emissions and establishing targets compatible with the Science-based Target initiative (SBTi). While its scope 1 and 2 emissions for 2021 are now measured and minimal, CMO is ambitiously commencing measurement of its scope 3 emissions. Over the coming year, the business will develop emissions reductions targets compatible with SBTi.

Senior appointments and team

As a growing and dynamic business, opportunities are constantly opening up across the team and I'm delighted to welcome Lewis Love into the role of Group Technology Director. Lewis started in January 2022 and has a key position on the Operating Board of CMO.

I would like to express my sincere thanks to Dean, his team, and all at CMO for their hard work in making the float possible, and their continued enthusiasm and resilience which has enabled us to deliver some great results in the subsequent months despite the many challenges.

Looking to the year ahead

At the time of writing, we have war in Ukraine, sanctions against the Russians, fuel inflation which is unprecedented in recent times, a pandemic which has not been eradicated, and clear signs of a decline in consumer confidence. Predicting a year ahead on this basis is arguably fraught, but I have little doubt the CMO team will again use its ingenuity, agility, and ability to create long-lasting relationships to deliver another year of great results. We plan to add further new verticals including by acquisition, and will find innovative ways to support customers' aspirations for their homes.

On a personal note, I've thoroughly enjoyed my first year of working with the CMO board and look forward to continued success in the year ahead.

Ken Ford

46%

Revenue growth year on year in 2021

42%

EBITDA growth year on year

> "These results are our strongest yet. We grew revenue by 46% year on year to £76.3 million."

Ken Ford

Chief Executive Officer's Review

Trading update and market overview

2021 was another good year for CMO. Revenue grew to £76.3m, with a 46% increase on prior year, and includes the first full-year contribution from Total Tiles. Despite supply chain challenges and increased coronavirus (COVID-19) disruption, year-on-year growth continued in the second half with revenue of £38m, an increase of 33% over H2 2020.

CMO's online superstores saw like-for-like growth of 12% over prior year (30% over two years) and we also saw growth of 10% in Total Tiles, acquired in December 2020. The latter comes after exceptional growth in 2020, driven in part by the COVID-19-related closure of bricks and mortar tile stores, demonstrating a permanent shift in consumer behaviour. JTM Plumbing has performed in line with expectations since acquisition in October 2021 and subsequent integration into the Group.

With strong sales growth, and despite the headwinds mentioned below, full year adjusted EBITDA was in-line with expectations set at the time of the IPO.

Operational performance and round-up against COVID-19 and Brexit

Key to CMO's success is our agility and shortened supply chain, allowing us to respond quickly to changes in the market as well as the macro-economic climate.

COVID-19 was a testing time for many businesses, but CMO's operating model enabled us to adapt and perform without significant impact. On the positive side, we quickly learned the art of hybrid working without loss of performance and we enjoyed an increase in search demand over the various lockdowns. The general shift to hybrid working has triggered an increase in interest from homeowners wishing to improve their space, which we expect to continue to provide structural tailwinds.

On the downside, the supply side experienced considerable disruption. Lockdown closures across the supply chain, in all countries, led to well-publicised restricted supply at exactly the time demand was increasing from housebound homeowners. This started in 2020 and increased throughout 2021 and, while easing, it's not over.

While COVID-19, coupled with the impact of Brexit, provided us with considerable challenges in supply and nationwide distribution in 2021, overall, the benefits and challenges had a broadly neutral effect and the Group has seen steady growth over the two years in line with expectations.

A strong focus on demand planning led us to increase warehousing space by approximately 29% and, with a database of around 100,000 listed products, meant we were able to stay flexible to keep on top of demand. The support afforded by good relationships with our providers mitigated the worst of the problems and our focus on dedicated multi-channel customer support and care kept the repeat rate stable, despite protracted lead times.

It's fair to say that these challenges tested the business, but our operating model has proven to be robust and any compensating changes have further enhanced its agility.

Year-on-year growth continued in the second half with revenue of

£38m

an increase of 33% over H2 2020

Like-for-like growth of

12%

over prior year

Warehouse sqft growth of

29%

STRATEGIC REPORT

Our strategy

Put simply, CMO's strategy is to provide our customers with everything they need to build or maintain their home, or that of their client, through a simple, convenient, and supported shopping experience. We recognise that our customers prefer to shop through specialist stores offering sound advice and our strategy is to continue adding specialist verticals, either organically or through acquisition.

At the tail end of 2020, we added Total Tiles to the portfolio followed by JTM Plumbing Limited on 1 October 2021 which gives us access to the c£800m online Plumbing and Heating market. Work is in hand to turn these pureplay online businesses into CMO Superstores, facilitating shopping between the verticals. This year will see the launch of plumbingsuperstore.co.uk to build on the acquisition of JTM. CMO is also developing a Homeowner site, an online store to support homeowners to shop intuitively by project across our verticals.

CMO continues to pursue an active acquisition pipeline to speed up the achievement of its strategic goal of providing our customers with everything they need to build or maintain their home, or that of their client through a simple, convenient, and supported shopping experience.

People

CMO wouldn't have grown to this market leading position without the support of our energetic, dedicated, and loyal team of people who, through the last year, have gone that extra mile to support our customers.

CMO has a culture that supports agile change and swift operational delivery. It does this through its people who have determinedly succeeded over the challenges the last two years have thrown at them. We absolutely recognise the part the whole team has played in CMO's success and particularly the recent admission to AIM. All employees can now become shareholders through a CSOP scheme which has further driven our determination to succeed.

As you would expect for a fast-growing business, CMO continues to make relevant appointments to support our future. The second half of last year and the beginning of this year has seen the recruitment of some talented individuals who will drive through an ever-stronger retail culture, not least the appointment to the operating board of Lewis Love as Group Technology Director.

Headwinds

Prevalent during H2 were the widely reported industry headwinds encompassing delays and shortages of product, compounded by increased disruption from Covid in Q4. A continued focus on demand planning and a 29% increase in warehousing capacity to support an increased stock holding mitigated the worst of this disruption and enabled us to pivot some of our lines to margin accretive own-label product. H2 revenue increased by 33% to £38m despite these supply chain and COVID 19 disruptions. However, it's estimated that during H2, the opportunity cost to the Group of these issues amounted to an opportunity cost of approximately 5% of sales.

The first half of 2022 is facing additional layers of macro level disruption. Russia's invasion of Ukraine, fuel prices at an all-time high, household inflation outstripping increases in household income, and consumer confidence have been in decline for some months. While not immune to these factors, CMO does have a tested business with the agility, diversity of product offering, dedicated and experienced team of people, and customer reach in different demographics to cope well and thrive.

Looking to the future

We have a clear plan, which revolves around making sure our customers can easily shop for everything they need in the way they want to shop, on time and that they are inspired to deliver their next project with CMO.

Our market share is increasing and we're poised to benefit from the coming generation of technology and time savvy tradesmen and homeowners who are looking for a different experience, such as the CMO Trade App that we soft launched in Q4 2021, from that provided by the bricks and mortar merchants.

As I said earlier, we have a robust model which has continued to disrupt our market through some very challenging times and we're looking to the future confidently.

As we enter a new financial year, the markets in which we operate remain buoyant. With a strong order book and a disruptive position in its chosen markets, the board is confident that CMO will deliver continued growth in the year to come.

Dean Murray

The CMO Brand

OUR VISION

To be the retailer of choice for everyone building or improving a home in the UK… "We will provide all the products you need in the way you want to buy them."

OUR MISSION

To offer CMO customers everything they need to build and improve a home through the widest range, at the right value and right time, with helpful people and effortless, inspirational e-commerce.

OUR VALUES

CMO cares, so seeks to be helpful, reliable, focused, knowledgeable, and dedicated to success.

OUR PROMISE

CMO is here to help everyone get a good job done… Good Builds Start Here™

Good builds start here™


cmo
cmo
cmo

CMO Group Strategy and Delivery

CMO's strategic vision is to be the retailer of choice for everyone building or improving a home in the UK.

CMO recognises that its customers prefer to shop through specialist stores that offer sound advice and its strategy is to continue adding specialist verticals, either organically or through acquisition, to achieve that strategic vision.

This strategy will be typified by new store launches and organic category expansion, all enabled through a programme of customer centric technology development offering the widest range, at the right value and right time, with effortless and inspirational e-commerce.

Delivery to plan

	Progress	Outlook	KPI	Risk	Governance
Mergers and Acquisitions	JTM plumbing merchants acquired 1 October 2021	Further acquisitions in the pipeline to fill key category gaps that accelerate CMO's market expansion	Revenue; Market Share; Gross Profit; and EBITDA	Mergers and Aquisitions	The Group Board reviews acquisition opportunities and undertakes due diligence
Store launches	Plumbing Superstore early Q3 2022 Homeowner project store Q4 2022	All programs on target as per the strategic delivery plan	Revenue; Market Share; Gross Profit; and EBITDA	Management of Growth	The Operational Board monitors project delivery
Enablers	One Admin, Customer Management System and Customer Loyalty Engine Evolved branding for CMO Superstores	All programs on target as per the strategic delivery plan	Marketing Cost; AOV; and Marketing Database	Technology, ICT, Data Security and Privacy; The Market and Demand	The Operational Board monitors project delivery

Roofing Superstore The UK's largest online roofing materials supplier, offering a wider range of quality roofing products and brands from leading manufacturers than could be offered by a bricks and mortar merchant.

Drainage Superstore A complete range of above and below ground drainage systems, together with associated sewerage and drainage products, tools, and accessories from leading manufacturers for total building regulations compliance.

Door Superstore Supplying an expansive range of doors and door frames for internal and external installation covering all safety aspects, together with hinges, locks, handles and fixings, compared to its nearest online competitors.

CMO Trade The UK's leading online 'trade only' builders merchant site. Meeting the material and supply requirements of builders and professional contractors and the compliance standards of building regulations.

Insulation Superstore Offering an extensive range of quality insulation and associated specialist products from leading brands and manufacturers, alongside tools, fixings, and accessories, for a comprehensive choice.

Tile and Floor Superstore Providing a large supply of quality tile and flooring products from leading brands and manufacturers, alongside all fitting and preparation products and accessories, for a variety of indoor and outdoor projects.

Total Tiles Acquired in December 2020 to further strengthen CMO's tile offering. Total Tiles provides a comprehensive selection of tiles and associated flooring products aimed primarily at the homeowner market.

JTM Plumbing Acquired in October 2021. Extending the company's already comprehensive product offering and giving CMO access to the c£800m online plumbing and heating market for both domestic and trade customers.

CMO Business Model

CMO is the UK's largest online-only retailer of building materials, disrupting a £27 billion* predominantly offline market.

CMO has a unique 'digital first' proposition providing market-leading product choice, supported by high-quality customer service and technical expertise. The Group currently operates eight specialist superstore websites that provide every CMO customer with good value, high-quality, full category coverage, from first to final fix, all delivered direct to the customer.

2008

Founded

2009

First commercial sale by Roofing Superstore

The UK's largest online roofing materials supplier, offering a wider range of quality roofing products and brands from leading manufacturers than could be offered by a bricks and mortar merchant.

2014

First commercial sale by Drainage Superstore

A complete range of above and below ground drainage systems, together with associated sewerage and drainage products, tools, and accessories from leading manufacturers for total building regulations compliance.

2015

First commercial sale by Insulation Superstore

Offering an extensive range of quality insulation and associated specialist products from leading brands and manufacturers, alongside tools, fixings, and accessories, for a comprehensive choice.

2017

Investment by Key Capital Partners

Acquired outsourced ecommerce team

* RMI Index, Travis Perkins

2018

Rebranded as cmostores.com

Acquired Doorweb and rebranded as Door Superstore

Supplying an expansive range of doors and door frames for internal and external installation covering all safety aspects, together with hinges, locks, handles and fixings, compared to its nearest online competitors.

2019

Launched cmotrade.com and Tile & Floor Superstore

The UK's leading online 'trade only' builders merchant site. Meeting the material and supply requirements of builders and professional contractors and the compliance standards of building regulations.

Providing a large supply of quality tile and flooring products from leading brands and manufacturers, alongside all fitting and preparation products and accessories, for a variety of indoor and outdoor projects.

2020

Acquired Total Tiles

Acquired in December 2020 to further strengthen CMO's tile offering. Total Tiles provides a comprehensive selection of tiles and associated flooring products aimed primarily at the homeowner market.

2021

Successful IPO on AIM

2021

Acquired JTM Plumbing

Acquired in October 2021. Extending the company's already comprehensive product offering and giving CMO access to an online plumbing and heating market for both domestic and trade customers with ~£800m.

The largest pure-play in the Builders Merchant market

Over 1/3rd of the team is dedicated to customer service

CMO's Key Strengths and Achievements in 2021

Bespoke, agile, scalable and secure e-commerce platform.

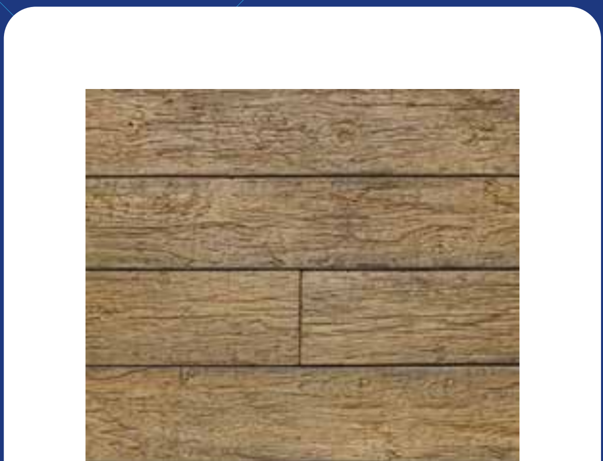
Leading product catalogue* with over 100,000 SKUs driving organic category authority.

Direct shipping from manufacturer to consumer, reducing supply chain costs.

Warehouse 22% / Drop Ship 78% mix driving a negative working capital model.

Stocking strategy not limited by infrastructure. Widest manufacturers range on the web. Significant demand from manufacturers to list products.

Category growth through the dual acquisition of Total Tiles and JTM Plumbing Merchants.



STRATEGIC REPORT

Specialist customer service available

Over 20,000 customers rate us as 'Excellent' on Trustpilot.

Trustpilot ★★★★★

Strong customer service teams with 5★ Trustpilot ratings. In depth training to help and advise customers.

Shortlisted for the Institute of Customer Services Customer Strategy award.

In-house team of developers, e-commerce experts and product specialists.

Winner of the Tile Association's website of the year.

Structurally lower costs allow lower pricing. Fully transparent pricing. Always competitive.

Launch of own brand door range, giving a competitive, entry level product for CMO customers.

Bespoke, agile, scalable and secure e-commerce platform.

Launch of CMO Trade APP.

* Compared with around 4,350 SKUs from a typical builder's merchants list and around 9,500 SKUs in a Wickes store.


TRADE
COUNTER

Creating Value for our Stakeholders

Shareholders

CMO focuses on mergers and acquisitions, balanced against organic, like-for-like growth.

Customers

Working closely with customers and suppliers, CMO sources products that meet customer requirements, are priced competitively, delivered on time, and backed by excellence in product knowledge and customer service.

Suppliers

It's crucial for CMO suppliers to know that CMO pays its supply chain on-time, giving them confidence about investing in their relationship with the Group.

"We've been working with CMO for over a decade and our relationship is very much a strategic partnership. We've chosen to work with CMO because of their digital pioneering way of working in this industry... The most important thing is the advice that CMO gives to its customers. When we've done tests and secret shopping analysis, CMO scores as high as we do on the advice they give customers."

Scott Leeder VELUX, Market Director, Great Britain and Ireland

Employees, Local Communities, and the Environment

CMO has over 200 employees across the UK providing employment in local regional communities and opportunities for long term career development The Group is also committed to being an ESG champion, making a positive contribution to its environmental responsibilities.

"Working at CMO has given me so much confidence and there's a real sense of camaraderie across the company. I look forward to helping CMO grow as much as it has helped me."

Rebecca Johnstone Product Executive

Principal Risks and Uncertainties

The board has overall responsibility for monitoring internal and external risks which the Group and its businesses may be vulnerable to. The Group has established internal controls and systems to identify and assess such risks.

The board then reviews these risks and its ability to effectively monitor them at each scheduled Board meetings and, where appropriate, specific updates and reports are circulated to board members in between meetings.

The Group's Operational Board meets monthly. The meeting is chaired by Dean Murray, CEO, and attended by each executive director. As part of these meetings, the Operational Board review ongoing trading, budgets, and strategic initiatives, and consider new and ongoing risks and uncertainties to the Group's operating businesses.

Where appropriate, additional, separate analyses or follow-up of any particular risks and issues identified is undertaken. During 2021, the COVID-19 pandemic and Brexit has given rise to significant additional risks and uncertainties and have been the subject of specific contingency planning and risk mitigation.

The priority throughout this period has been the health and wellbeing of all CMO stakeholders, including colleagues, customers, supply-chain, and the communities where they work, as well as the commercial and financial health of the businesses and the preservation of shareholder value.

The principal risks and uncertainties facing the Group are set out below.

Risk	Key control	Ongoing action
Economic Environment		
COVID-19 and Brexit have had a dual impact on the UK market and have tested the Group's business model and team.	The Group has provided the team with a safe and effective working environment. It has also levered the agility of the CMO business model and responded to these market challenges through the effective management of its supply chain and supplier relationships and where necessary flexed its dropship / warehousing stock ratios.	The Group now supports the working best practices precipitated by Covid pandemic and operates a successful hybrid working model. The Commercial Team uses the flexibility afforded by having three warehouses to constantly monitor and adjust the balance of goods stocked versus those dropshipped. IT also ensures that good supplier relationships are maintained through high-integrity supplier partnerships including prompt payment.
Growth Management		
The Group's growth plans may place a significant strain on its management, operational, financial, and personnel resources.	The Group has successfully migrated to a matrix management structure to ensure that support is delivered to the Commercial Team from other specialist disciplines throughout the business. The structure ensures that communication, advice and expertise flow in an agile and effective manner. Vitally, the structure is scalable and has clear responsibilities with strengths weaknesses easy to identify and rectify. This balance must be kept and will be measured through commercial performance and attrition rates.	The Group has empowered the Employee Engagement Committee to understand, define and develop culture within the business through regular participative meetings with all staff. Each manager also has a programme of communication and welfare checks with all members of staff. Any manager can apply through a defined process for more staff when resources are stretched.
Mergers and Acquisitions		
The Group's strategy includes growth through Mergers and Aquisitions. There's no guarantee that suitable targets will be available at the right price or that those that are will pass due diligence.	The Group has identified the key category gaps in the strategic vision, the profile of potential acquisition opportunities and engaged support to target. It also has suitable, experienced resources available to seek out and assess potential targets.	There is careful, ongoing monitoring of opportunities with a number of live conversations in the acquisitions pipeline at any time.

Principal Risks and Uncertainties Cont.

Risk	Key control	Ongoing action
Technology, ICT, Data Security and Privacy		
The Group relies heavily on its technology, applications, IT infrastructure, and e-commerce systems, particularly its websites.	The Group seeks to mitigate this risk by investing in IT infrastructure, cyber-security, including backup systems, regular tech reviews, and team training to ensure procedures are robust and regularly monitored.	The development team is split between those focused on infrastructure, scalability and security and those on the customer facing front ends. The former are responsible for regular system testing to relevant industry standards are met or exceeded and also ensuring the disaster recovery plan is regularly reviewed and updated. The latter is tasked with the relevance and compliance of its websites for user experience and e-commerce effectiveness. The CMO team has a robust training programme in place.
The Market and Demand		
Developing and maintaining the reputation of, and value associated with, the Group's brand is crucial to the success of the Group. Maintaining and enhancing membership of the Group's customer site visits and the number of orders taken are critical to the Group's success.	Brand identity is a critical factor in retaining existing and attracting new customers. The Group is reliant on its natural search result rankings and paid advertising as it seeks to build market share and attract new customers.	All marketing and brand efforts are proactively monitored and directed on a daily, weekly and monthly cadence as part of the operational matrix management strategy, and are subject to monthly board review.

Risk	Key control	Ongoing action
Retention of Talent		
The Group's future development and prospects are substantially dependent on the continuing services and performance of the executive directors and senior management, together with its ability to attract and retain highly skilled and qualified managers.	The directors believe the Group's culture and remuneration packages are attractive and there is low staff attrition.	The Group has implemented a CSOP scheme so that all staff are incentivised by the company's performance. The Group has also enhanced the overall benefits package and will continue to monitor market rates and adjust remuneration accordingly. Defining and adopting the right culture to support the Group's growth market disruption and growth ambitions is crucial and, as mentioned above, sits with the Employee Engagement Committee sponsored by the directors.
Environmental, Social, and Governance (ESG)		
The Group recognises the risk, and potential to miss opportunities from not having clear governance, a robust independent measurement framework, and practical solutions to ESG topics such as climate change.	The Group has aligned to external best practice, recommended through consultation, to provide a clear and rigorous understanding of the business risks and opportunities relating to ESG topics. CMO has aligned to UN sustainable goals, adopted SASB reporting standards for non-financial risks and opportunities, and aligned to the recommendations of the TCFD for understanding its climate related risks and opportunities.	The Group presents its first ESG report as part of this Annual Report, including overview of its governance of this area. As part of the TCFD, the Group has measured its greenhouse gas impact for Scope 1 and 2. An estimate of Scope 3 has been prepared but with more accurate measurement due in the next 12 months. The Group has raised c22k of a 30k target towards its initial tree planting pledge and planted 2,500 trees in March 2022 to offset its greenhouse gas impact.

Environmental, Social, and Governance

Doing the right thing

CMO is convinced that good business is not just focused on financial metrics but takes all stakeholders into account.

The evidence is mounting that this kind of comprehensive business management isn't just a way to create goodwill with the public and be green for the sake of being green.

Sustainability is a combination of good governance that enables CMO to execute their strategy effectively, environmental considerations to reduce risks from their environmental impact and seize opportunities from a greening economy, and social considerations that assess the impact we have on the communities that CMO operate in as well as all the relationships with colleagues and customers. These people are CMO's true capital and treating colleagues and customers well, is key to CMO's long-term success as a business because becoming a more sustainable business is also good for the financial bottom line.

CMO's colleagues are the key to business success, and it strives to make CMO a great place to work and provide a positive work environment. CMO's health and safety measures aim to reduce the number of accidents that happen in the business and it aims for a zero-incident rate to protect its workforce. After all, every accident means a colleague might be unable to come to work which puts extra strain on their colleagues and the organisation. But these are just the basics. By paying colleagues higher wages than the UK's living wage, providing a work environment free from discrimination and harassment, offering continuous support in personal development and training through the CMO Academy, as well as other measures, CMO wants to ensure its skilled workforce stays with CMO for a long time. Studies show that a motivated workforce are more productive and have fewer sick days. And by reducing employee turnover, CMO reduces costs for hiring and training of new employees. The benefits of these measures accrue to everyone, from colleagues, who enjoy working for CMO, to shareholders, who benefit from lower costs and higher productivity.

Similarly, increased gender and ethnic diversity is not just a goal in and of itself. Research shows that more diverse boards and management teams are better at managing risks for the business, invest more in future growth, and have fewer volatile earnings than companies run by all male boards. This is not because women or ethnic minorities are better at managing businesses, but because they provide different perspectives and different experiences (ranging from education to career paths). It's the diversity of thought and experiences that helps a company reduce operational risks and identify opportunities for future growth. Research by Liberum Capital shows that once corporate boards have at least one third women, these benefits start to materialise, and CMO are glad to report that it has one third women on both its board and its senior leadership team.

To put CMO's business practices on a solid foundation and clearly communicate to all stakeholders its expectations and commitments in different areas of the business, the board has approved several new CMO groupwide policies that have been rolled out across the organisation. The board and the executive team will monitor compliance with these policies regularly and the executive team has appointed people within the organisation who are responsible for implementing the policies daily.

Our policies are available on the website and cover the following topics:

Code of Conduct:

This overarching policy applies to all employees, contractors, consultants, and suppliers of CMO Group and sets out the overarching principles to which it expects all of us to adhere. The key principle is that CMO envision an ethically responsible supply chain where workers are safe, empowered and financially secure; and where environmental standards are met.

Supply Chain Policy:

CMO sources products and services mostly in the UK, but also on a worldwide basis. Furthermore, its suppliers and business partners source goods and services globally. CMO recognise that its supply chain activities have a broad impact, with its responsibilities extending beyond its own operations and into those of its suppliers. CMO also recognise there are local and national differences in standards in relation to many aspects of a supplier's business, however there are a number of minimum standards that should be achieved by all and are set out in this policy.

Modern Slavery Statement:

CMO respects human rights and take steps to protect the rights of its employees, workers in its supply chain, and others affected by its business activities. CMO's modern slavery statement specifies its standards in the workplace and across the supply chain.

Environmental Policy:

CMO aims to reduce the environmental footprint of the company and its suppliers with the long-term goal of becoming carbon neutral and reducing waste and other adverse impact on the environment. In its environmental policy, CMO sets out its aims for reducing greenhouse gas emissions, reducing waste, and the use of harmful chemicals, as well as its efforts to increase the use of sustainable materials. CMO will work with its suppliers to take positive steps towards achieving these goals along its entire supply chain.

Alignment with UN Sustainable Development Goals

It is a natural outcome of our business activities and our ambition to do the right thing that our activities help promote some of the United Nations' Sustainable Development Goals ("SDGs").

In particular, we are helping with the following nine of the 17 SDGs:

3. By providing building materials that conform to modern quality standards with regards to health, safety and durability, CMO directly contributes to Goal 3.9 of reducing the number of deaths and illnesses from hazardous chemicals, air, and water pollution. Building materials sold by CMO, including pipes, reduce the likelihood of water spills or water contamination from hazardous chemicals. CMO is also actively working towards reducing the already minimal health and safety risks for its employees and engages with its suppliers to reduce the amount of chemicals used in materials and manufacture building materials as sustainably as possible.

5. CMO is promoting women at all levels of its business and pays equal wage to employees in comparable positions. The company also aims to support flexible work conditions where needed for both male and female employees.

6. CMO directly contributes to Goal 6.3 of improving water quality and reducing water pollution through its sales of drainage parts and equipment that help to modernise existing drainage and sanitation installations, as well as building additional installations to the highest quality level achievable today. This significantly reduces the loss of water through leakage, the risk of water pollution through hazardous chemicals, and the risk of spillage of wastewater. The products sold by CMO also improve water usage efficiency in buildings.

7. Through the sale of insulation materials, CMO contributes to improved energy efficiency and therefore a reduction in overall energy usage of the entire real estate sector.

8. CMO provides equal pay to all employees with comparable qualifications and pays salaries that are above the living wage threshold in the UK. CMO also offer apprenticeships to provide job opportunities and better careers for young people and currently pays apprentices one-third more than the UK minimum apprenticeship wage.

10. CMO has strict non-discrimination policies in place for the hiring, remuneration, and promotion of employees across gender, ethnic background, age, and other diversities. CMO helps its employees to engage in lifelong learning through on-the-job training and education as well as providing access to third-party education.

11. Building materials sold and distributed by CMO are used in the construction of modern housing across the UK. Therefore, CMO is helping to reduce the housing shortage and provide better access to safe and affordable housing for everyone.

12. CMO uses very limited amounts of packaging and rely on the packaging used by its suppliers. The company is also working towards lower energy usage and the increased use of renewable energy in all its facilities. The company regularly engages with suppliers to reduce packaging waste and increase the use of recycled materials.

13. By supplying modern building materials, in particular roofing materials, insulation, drainage, and pipes, CMO helps improve the safety and resilience of existing and new dwellings against climate related-disasters like windstorms, floods, excessive rain and snow, and other extreme weather events.


JTM
Plumbing
Merchant
Pegler Yorkshire

Our material Environmental Social Governance (ESG) issues

Over the last year, CMO has engaged with different stakeholders and ESG experts to assess which environmental, social, and governance issues are most relevant to CMO.

Given the small size of the business, CMO has concluded that the materiality map of the Sustainable Accounting Standards Board (SASB) provides an adequate framework to assess its material ESG issues.

CMO has decided to adopt this framework and report key ESG metrics along the lines of the SASB recommendations for multiline and specialty retailers & distributors. CMO report material ESG metrics along the SASB guidelines, together with the relevant codes that link its ESG reporting, to the Global Reporting Initiative (GRI) codes below (pages 39 to 41).

Based on its assessment, CMO has ordered material ESG topics by importance starting with the most important topic for the CMO Group:

Labour Management

This includes all facets of the relationship with all colleagues, starting with employee health and safety measures and extending to providing a positive and inclusive work environment where everybody is treated equally. The CMO Group aims to provide a safe work environment where colleagues stay with the company on its journey for a long time and where CMO is recognised in the communities it operates in as a great place to work.

Data Security & Data Protection

As an online business, data security and data protection are of the utmost importance for CMO Group. In 2020, CMO materially improved data protection and cybersecurity capabilities and are proud of its state-of-the-art systems and infrastructure. The approach to data protection is described on page 33 in this report.

Product Sourcing & Packaging

CMO source products from hundreds of suppliers. Increasingly, this requires CMO to work with them to identify ways to reduce waste from packaging and replace conventional materials and parts with sustainable, recyclable, or recycled materials and parts. This is not always possible, but being at the forefront of the transition to more sustainable building materials and appliances will help CMO win new customers and reduce costs.

Energy Use & Carbon Emissions

Energy is used mostly in the transport and shipping of products to customers, and CMO are consistently working towards reducing the energy footprint of all operations overall. This saves costs and it prepares CMO for a future where regulators penalise energy consumption by including more and more industries under the UK's carbon emissions trading scheme and increasing the price of carbon for those companies captured by the scheme. While CMO Group doesn't expect to be subject to the scheme in the foreseeable future, many producers of building materials and raw materials used in the products CMO sell are already subject to this scheme (e.g. steel, ceramics).

Chemical Safety

Some of the products CMO sells may come in contact with, or contain hazardous chemicals, but the Group strives to replace all products that contain hazardous chemicals in its stores with adequate replacements wherever possible.

Current practices, and CMO's aims for the coming year and beyond for all these material ESG issues will be discussed in the next three sections on its people, its suppliers, and the environment.

Supporting our People

The pandemic has been a difficult time for everyone and many colleagues have struggled throughout 2020 and 2021.

Throughout the last two years, CMO has provided them with care packages and benefits and entered in a collaboration with Health Assured to provide Employee Assistance Programmes, including free counselling, coaching, and support in critical situations both in its colleagues' jobs as well as in their personal lives.

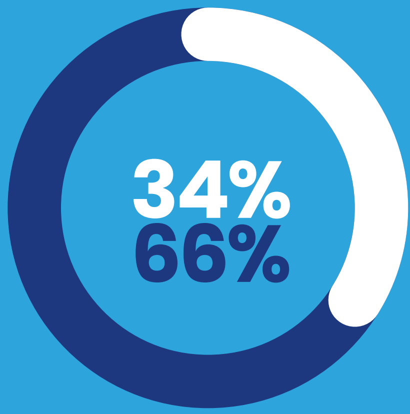
As we move beyond the pandemic, CMO has engaged in a comprehensive re-evaluation of its employee compensation and benefits package. CMO is committed to paying employee salaries above the UK living wage threshold and apprenticeship wages above the minimum wage for apprentices. In 2021, CMO employees (not apprentices) earned at least £9.16 to £9.23 per hour. This compares with the 2021 UK living wage of £8.91 per hour.

Apprentices were paid £6 per hour, about one third more than the UK minimum wage for apprentices of £4.30. In 2022 CMO will continue to increase the wages paid to keep them above the national living wage, while also reviewing all its salary bands, pension benefits, and healthcare.

Another focus area for CMO is to improve the gender balance. Currently, one third of CMO colleagues are women as is the case for the senior management team and board. One key driver in the effort to achieve this is the newly established CMO Academy which provides training courses for all colleagues on a variety of topics, allowing them to qualify for internal promotions or develop additional skills that can enhance their careers.

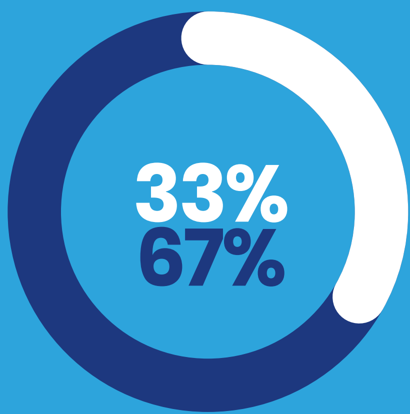
In 2021, the CMO gender pay gap has already narrowed materially. The median gender pay gap was 7% (vs. 20% in 2020) and the average gender pay gap was 20% (vs. 28% in 2020).

CMO's full inaugural gender pay gap report is available online, please visit the website.



Employees

Management



Directors

Male Female

Our People

Working with CMO's Suppliers

CMO works with hundreds of suppliers, delivering thousands of products to its customers.

Its efforts to provide a safe and inclusive work environment don't end at the gates to its properties but also extend to suppliers. CMO are adopting a new supply chain policy that will commit suppliers to:

- Protect their workers, customers, and all other relevant stakeholders from safety risks related to the manufacture, distribution, and use of their products.
- Ensure that all workers, trainees, apprentices, contractors, and consultants are treated fairly and with respect to their human rights.
- Protect any personal data that belongs to CMO or its customers and handle them in accordance with UK and European (e.g. GDPR) data protection regulation.

For more information on CMO's engagement with suppliers including governance structure around supplier monitoring, engagement and supply chain policy, please visit the website.

Data Security and Privacy

Data security and privacy is a material ESG topic for CMO, its customers and shareholders.

The collection, storing and processing of customer and employee data is valuable to hackers and other third parties. This is why CMO is committed to adopting state-of-the art information security protocols and procedures. In August 2020, CMO developed and implemented its new groupwide Information Security Policy which puts day-to-day responsibility for information security with the Group Technology Director, Lewis Love, and the COO, Sue Packer.

Together with their teams, they establish and distribute information security policies, standards, and procedures across the organisation while monitoring and controlling all access to sensitive data across the Group. They also establish and distribute security incidence response procedures and monitor, analyse, and resolve security alerts. CMO has a formal security incident response plan in place which is tested annually and designates qualified persons who need to be available 24/7 to respond to security alerts. These tests include internal and external penetration tests of systems that store and process sensitive data. The plan also includes specific response procedures, business continuity procedures and data back-up protocols. It also defines roles, responsibilities, and communication procedures in the event of a security incident including the notification of appropriate authorities.

CMO regularly identifies, defines, and prioritises risks to the confidentiality, integrity, and availability of its IT system and data. By conducting an annual formal, documented risk assessment of information systems, data and network resources, this identifies and prioritises the threats and vulnerabilities to the information systems, data and network resources and assesses the likelihood and impact of these risks.

The risk assessment is used in conjunction with CMO's risk management process to identify, select, and implement appropriate and reasonable controls to protect the confidentiality, integrity, and availability of the company's IT system and data. Additionally, CMO conducts risk management on a regular basis and implements appropriate and cost-effective controls to manage or mitigate identified risks.

All of this results in an annual Information Security Risk Management Report which is distributed by the Technical Director to the board and appropriate people in its management team. This report identifies the significant risks to CMO's IT Systems and data that have been identified in the past 12 months, the risks that have been accepted as immaterial, and the actions taken to mitigate the remaining risks.

The storage of sensitive data is kept to the minimum required for business legal and regulatory purposes. All data is inventoried and audited quarterly and stored for seven years before being destroyed. Credit card numbers and similar account information is encrypted and stored using strong cryptographic protocols and the numbers are always masked on the company's IT systems, unless otherwise authorised. CMO does not store PINs, magnetic stripe data or CVC2/CVV2/CID/CAV2 numbers.

"The introduction of multi-factor authentication, migration to Azure Active Directory, and roll out of Single Sign On (SSO) shows how we continue to champion rigour and robustness in our data security across the business."

Lewis Love **Group Technology Director**

Caring for the Environment

As a company, CMO is working towards becoming more sustainable and reducing its greenhouse gas footprint (see TCFD report on page 36).

It's also actively helping to clean the air in and around Plymouth through the CMGrow initiative (page 35). But the biggest impact on the environment will be by helping CMO customers choose more sustainable products and reduce the environmental footprint of renovated and newly built properties.

To do this, the company has started to grade the products sold on CMO sites against a range of relevant environmental metrics. This will allow CMO to better work with our suppliers on improvements on the products they offer through each site and it will enable customers to make informed choices. Using these environmental metrics, CMO will introduce environmental labels on the products on each website, differentiating between 'Good', 'Better' and 'Best' sustainable choices.

Furthermore, CMO has launched dedicated landing pages for all CMO Superstores that host all products considered to be sustainable and support the CMGrow campaign. These landing pages provide a nudge to customers to choose sustainable alternatives and funnel additional donations to the tree-planting initiative.

But dedicated landing pages for sustainable products and sustainability ratings for CMO products are just the beginning. In 2023, CMO expects to launch the dedicated 'Eco Build Superstore' which will collect all the products from different superstores that are suitable for eco homes and green buildings. It will be the one-stop-shop for green homes projects and the first of its kind in the UK offering CMO a competitive advantage over larger competitors in this fast-growing market .

Today, UK homes account for around c23% of greenhouse gas emissions and a September 2021 report by the Green Finance Institute and Bankers for Net Zero1 estimated that if the UK wants to achieve its target of net zero emissions by 2050, a total of 29 million homes have to be retrofitted with improved insulation, more efficient water management, improved roofs, etc. That would amount to 1 million homes per year on average.

The report also estimates that this goal can only be achieved if retrofitting is accelerated by 10 times (i.e. a 1,000% increase in volume) in this decade. The report also points to the fragmented landscape of producers of building materials and installers of solutions as a key obstacle to the growth in retrofitting solutions. A lack of visibility of future demand means smaller producers are reluctant to invest in new technologies. The 'Eco Build Superstore' will provide much-needed visibility for demand for these sustainable building materials and appliances and become the central hub for tradespeople to get all the products they need from a large variety of specialised suppliers.

This way, the Eco Build Superstore will become the central hub that enables faster growth in the adoption of more sustainable building solutions and increased retrofit activities. It will accelerate growth for CMO trade customers (who can get everything they need for their projects in one place), suppliers (who can invest in more sustainable products knowing the demand for them in real time), and CMO.

CMGrow: Planting 5,000 trees in Plymouth

The CMGrow initiative was launched in Spring 2020 with the aim of raising £30,000 within two years to plant 5,000 trees. As at end of 2021, the initiative has raised £22k or c70% of the target.

As a result, CMO has become the biggest corporate donor of the Trees for Cities initiative – a charity that plants trees in city environments where they have a direct impact on air quality for the local community and replace trees that may have been affected by pests, which become more prevalent due to climate change. These newly planted trees can be independently verified by a third party to create offsetting certificates for the company, though currently the company does not make use of this option.

In March, the company planted the first 2,500 trees in two locations in Plymouth. These trees will remove a combined 2,500 tonnes of CO_2 over their lifetime and improve the air quality of CMO's hometown. The day was a big success as over 100 colleagues and their families and members of the community worked together to plant the trees and build stronger relationships across the team.

TREES FOR CITIES

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is the biggest environmental threat the world faces. CMO supports the recommendations of the TCFD and this report constitutes the first instalment of reporting on climate-related financial risks and opportunities. Over time, the company will work towards improving its scenario analysis of climate-related risks and opportunities and will continuously improve all risk management systems.

Governance

Governance of climate-related risks and opportunities is integrated into the CMO overall governance and risk management structures. COO, Sue Packer, has ultimate accountability for the issues of sustainability and climate change.

Oversight over the Group's ESG efforts and climate-related risks and opportunities lie with the board and specifically with the Audit and Risk Committee. Within the board, the COO of CMO is the sustainability champion and leads the efforts to develop CMO's ESG strategy, its integration into the overall business strategy, and the monitoring of progress towards its ESG goals.

Day-to-day management of CMO's efforts in sustainability is delegated to the executive management where the COO is ultimately accountable. The corporate governance statement on page 50 of this report explains the governance structure in detail.

Strategy

CMO has consulted key internal stakeholders to identify detailed strategic risks for the Group over the short-term (1 to 2 years), medium-term (3 to 5 years), and long term (more than 5 years). For each identified risk and opportunity, these internal stakeholders were asked to provide an estimated impact on business operations and financials in a low impact, medium impact, and high impact scenario. Qualitative scenarios for low, medium, and high impact are based on the expertise of internal stakeholders and reviewed by both the COO and external experts. In the future, CMO will use these identified risks to calculate quantitative scenarios for different climate transition pathways.

The following transition risks and opportunities have been identified:

- Failure to adapt products and services to changing market demands and customer preferences
- Failure to adapt existing and new property to increased energy efficiency standards
- Opportunity to gain market share as a leader in offering climate-friendly or environmentally certified building materials
- Opportunity to attract talent due to a reputation as a climate leader in the industry

The following climate-related risks and opportunities have been identified:

- Extreme weather impacting construction and building activities of CMO customers
- Extreme weather affecting CMO offices and warehouses
- Increased energy demand for data centres, warehouses, and offices to provide additional cooling in summer and heating in winter as weather extremes increase
- Disruption of power supply in data centres
- Disruption of deliveries to customers
- Increased operational cost from new climate change regulation and policy (e.g. the need to buy carbon emissions certificates for property)
- Increased operational cost from impact of climate change policy and regulation on suppliers
- Reputational impact of failing to meet climate goals
- Failure to incorporate climate risk in investment and financing decisions
- Failure to comply with climate regulation
- Lack of access to affordable finance due to poor climate credentials
- Opportunity to reduce operational costs through increased reliance on renewable energy and switching to low emissions technologies
- Opportunity to increase profit margins through increased sale of environmentally certified and climate-friendly building materials
- Increased cost advantage versus brick-and-mortar distributors where costs of running physical retail space increases due to increased demands on environmental efficiency

Risk Management

The board is responsible for establishing appropriate risk management processes for the Group and monitoring and reviewing their effectiveness in a changing environment. This also goes for the management of climate-related risks and opportunities. Climate change has been identified as a Principal Strategic Risk for the Group (see page 20) and the governance of this risk is described above.

CMO's risk management process is designed to identify and assess climate-related risks and guide the company's response to them as well as communications to external stakeholders. The Group is aware that it cannot eliminate the risks from climate change on any strategic business objectives or operations. The risk management system is designed to find the right mix of risk avoidance, mitigation, and active management, all in accordance with CMO's overall risk appetite as a business.

The risk management process has three lines of defence. The first is provided by subject matter experts who assess the potential impact of climate change on their business areas. These subject matter experts own and manage these risks on a daily basis within the Group.

A second line of defence is provided by Brand Director, Ben Hodson, and the COO who review these risk assessments and controls and develop group-wide business continuity and response plans.

The third and final line of defence is provided by the Audit and Risk Committee of the Board who review the risks and opportunities independently and assess its appropriateness with respect to the overall strategic goals of the group (see the Section 172(1) statement and corporate governance statement for details).

For all three lines of defence, the process to manage climate-related risks and opportunities has four steps:

1. Risk identification

The board, together with the executive management team, annually assesses key business objectives. Key risks identified at this stage are maintained in a Group Risk Inventory, reviewed by the executive management team, approved by the audit and risk committee, and presented to the board.

2. Risk assessment

The executive management team assesses the change in risk control measures and estimates the velocity of future changes and the impact of past and future changes in these risks on the Group.

3. Risk response

Based on the comprehensive assessment of climate-related risks, the executive management team accepts these risks or approves corrective action if needed.

4. Risk reporting

Within the organisation, risks are monitored and reported to key stakeholders and business owners of these risks (first line of defence) together with changes in risk controls. Business owners of individual risks are responsible for the implementation of risk responses on a daily basis. The Brand Director is operationally responsible for risk reporting.

Page 23

For more detail on the Group's climate-related risks

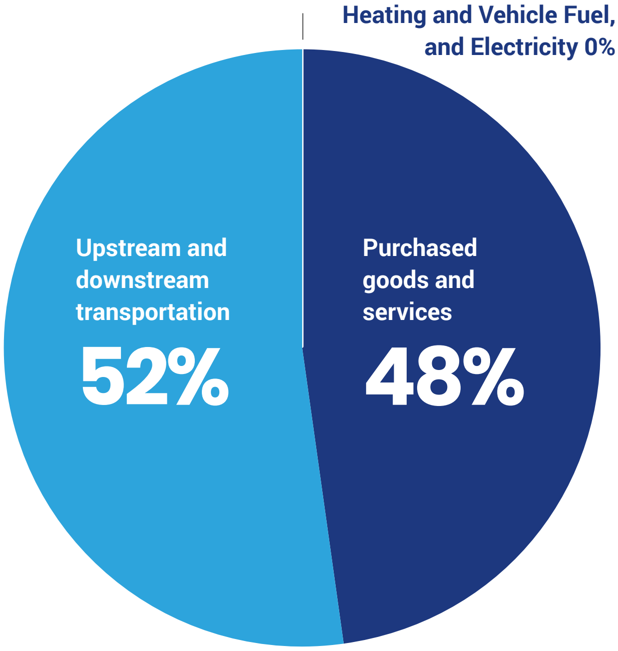
Measuring our Greenhouse Gas Footprint

As part of our TCFD reporting obligations we have engaged with Ricardo to measure our greenhouse gas emissions and establish targets that are compatible with the Science-based Target initiative (SBTi). In a first step, we have measured our scope 1 and scope 2 emissions for 2021 which will act as a baseline for our emissions reductions plan going forward. Over the coming year, we will start to measure scope 3 emissions and develop emissions reductions targets compatible with SBTi. We aim to report these targets in the next annual report.

Because we already use 100% renewable energy for the electricity supply in all our premises, our scope 1 and scope 2 footprints are low to begin with. In 2021 our total scope 1 emissions were 20 tCO_2e and our scope 2 emissions were 286 tCO_2e, most of which was due to the use of natural gas for heating. The table below provides an overview of our energy usage and greenhouse gas emissions in 2021. More details about our approach to greenhouse gas emissions and climate-related risks can be found in our TCFD report in this report on page 36.

Metrics and Targets: Carbon Footprint Update

CMO has estimated its 2021 carbon footprint, which covers the calendar year and can be seen below. This includes all direct emissions from their operations (scopes 1 and 2) and the predicted largest areas of indirect emissions (scope 3). Because CMO's Plymouth and Darlington sites already use 100% renewable energy, scope 2 emissions are low to begin with. All measurements have been independently verified by Ricardo as materially correct and in accordance with Greenhouse Gas Protocol. The results of this show the majority (99.7%) of CMO's emissions to be from scope 3 sources.



Next Steps

These are the first carbon footprint estimates CMO has made and they provide a baseline for future emissions reductions targets which are in the process of being approved by the SBTi. CMO is committed to improving the robustness of these estimates. The initial scope 3 emission estimates include purchased goods and services and upstream and downstream transportation and distribution. CMO has made a commitment to continually improve its data capture and emission calculation methodology as part of ongoing scope 3 reporting. This commitment includes calculating all relevant scope 3 emissions and conducting a hotspot analysis into the largest areas of its scope 3 footprint to widen understanding of how these can be better calculated and reduced.

As described above, the goal for the coming year is to develop a scenario analysis of climate-related risks and opportunities as well as measure the scope 3 greenhouse gas emissions and develop reduction targets for them. CMO will also work towards further integrating any analyses on climate-related risks and opportunities into its business activities.

Material environmental metrics

The table below provides the latest available data on key environmental metrics within the SASB reporting framework. All data is as of end of calendar year 2021.

Environmental Metric	SASB Code	GRI Code	Units	2021
Greenhouse gas emissions				
Scope 1		305-1-a	tCO2e	20
Scope 2 – location based		305-2-a	tCO2e	286
Scope 2 – market based		305-2-b	tCO2e	286
Scope 3		305-3-a	tCO2e	133,589
Total scope 1 + 2 emissions (market based)			tCO2e	306
Total emissions			tCO2e	133,895
Intensity measures				
Scope 1 + 2 emissions per employee			tCO2e	
Scope 1 + 2 emissions per £m revenue			tCO2e/£m	
Energy Management				
Total energy consumed	CG-MR-130a.1	302-1-e	GWh	1.433
Percentage grid electricity	CG-MR-130a.1	302-1-b	%	100
Percentage renewables	CG-MR-130a.1	302-1-b	%	47
Product sourcing, packaging and materials				
Revenue from products, third-party certified to sustainability standards	CG-MR-410a.1		£	n.a
Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products based)	CG-MR-410a.2		See below	
Discussion of strategies to reduce the environmental impact of packaging	CG-MR-410a.3	301-1	See below	

The approach to reducing hazardous chemicals and reducing packaging

Improving the sustainability of CMO products and packaging is of key importance.

As a retailer, CMO is reliant on manufacturers and brands and is working on building strategic partnerships with this sustainable improvement as one criteria of growth. Where CMO is leading in the selection of packaging, the key focus is waste and reusing materials, for packaging, that the materials selected can be recycled or composted, and above all that they produce the least amount of waste in their production, transport, and end of life.

Material Social Metrics

The Company treats the health, safety, and welfare of its staff as a priority and is proud of its high safety standards as evidenced by the low number of accidents. The ultimate goal of the company is a zero-incident rate.

CMO has committed itself to paying salaries that are higher than the living wage in the UK and significantly above minimum wage. The living wage in the UK in 2021 was £8.91 per hour, but CMO Group employees (not apprentices) earned at least £9.16 to £9.23 per hour. Apprentices were paid £6 per hour, about one third more than the UK minimum wage for apprentices of £4.30. As the living wage increases to £9.50 per hour in April 2022 and the minimum wage for apprentices to £4.81 per hour, CMO will increase the wages of its employees and apprentices accordingly.

The company actively strives to hire more women in its labour force and promote more women into leadership positions. Currently, one third of all employees, as well as one third of the executive team and the board of directors, are female. The table opposite provides the latest available data on key social metrics within the SASB reporting framework. All data is as of end of calendar year 2021.

All data is as of end of calendar year 2021. We present data for calendar year 2020 as a comparison.

Social Metric	SASB Code	GRI Code	Units	2021
Data Security				
Approach to identifying and addressing data security risks	CG-MR-230a.1			Page 33
Number of data breaches	CG-MR-230a.2	418-1		0
Labour practices				
Average hourly wage	CG-MR-310a.1	202-1	£	The company paid a living wage to all employees of at least £9.16-9.23 per hour
Percentage of employees earning living wage or above	CG-MR-310a.1	202-1	%	100
Employee turnover rate	CG-MR-310a.2	401-1-b	%	27
Voluntary turnover rate	CG-MR-310a.2		%	19
Involuntary turnover rate	CG-MR-310a.2		%	8
Total number of labour disputes	CG-MR-310a.3	419-1-a		0
Total amount of monetary losses as a result of legal proceedings associated with labour law violations	CG-MR-310a.3	419-1-a	£	0
Workforce diversity and inclusion				
Percentage of women on board	CG-MR-330a.1	405-1-a	%	33
Percentage of women in management	CG-MR-330a.1		%	29
Percentage of female employees	CG-MR-330a.1	405-1-b	%	34
Total losses as a result of legal proceedings associated with employee discrimination	CG-MR-330a.2	406-1-a	£	0
Employee health and safety				
Total number of accidents		403-9-a	Number	21
Total fatality rate		403-9-a	Number	0

Section 172(1) Statement

This section describes how CMO has taken the needs of its key stakeholders into consideration when fulfilling its duty to promote the success of the Group under Section 172(1) of the Companies Act 2006.

The principles underpinning Section 172(1) are not only considered at board level – they're embedded throughout the Group. Sometimes decisions must be made based on the competing priorities of stakeholders. The company describes below how the board seeks to understand what matters to stakeholders and carefully considers all the relevant factors when selecting the appropriate course of action.

Long-term decision-making

Online retailing is a fast-moving and ever-changing business and CMO uses this dynamic model to foster long-term growth of the business. The most direct way to do this is through capital allocation. CMO Group has invested in the acquisition of JTM Plumbing Merchants which gives CMO access to the c£800m online plumbing and heating market. The strategic intent is that the CMO customer will be able to buy everything they need to build or improve their home across our specialist verticals. CMO is constantly exploring opportunities that accelerate its category coverage and routes to market.

Stakeholder interests

CMO shareholders

As the ultimate owners of the business and the providers of equity capital, it's critical that shareholders and potential investors have a good understanding of the business and its strategy, growth, and risks.

To keep current and future investors up to date, CMO engages with them to give comprehensive updates on financial and non-financial matters in annual and interim reports and accounts during its annual general meeting (AGM). CMO also engage with investors and research analysts through capital market days and investor roadshows, where discussions take place on the financial accounts as well as corporate strategy and ESG matters.

The goal for the leadership team and the board of CMO Group is to understand investor expectations on the business and any concerns about financial health and operational performance if there are any. The board engages directly with shareholders at the roadshows, is kept informed about shareholder sentiment through regular reports by the CEO and CFO of CMO Group, and will also use the forum of the AGM with the first one taking place on 28 June 2022.

CMO colleagues

CMO wants to build a trusting, respectful, and inclusive environment where all its employees feel safe and valued for their contributions. It also wants to help them perform to the best of their abilities. After all, they're what makes CMO successful. Therefore, the company is always engaging with employees in different ways, including:

- Employee engagement surveys
- Quarterly strategic updates
- Informal weekly Group wide town halls
- The CMO Academy training platform
- Events organized by the Engagement Committee

The board is regularly informed by the executive leadership team about employee engagement, the training activities held throughout the organisation, as well as any reports of health and safety incidents.

During the last year, feedback from CMO colleagues and the impact of board decisions on them has influenced the following board discussions and decisions on renumeration and wider perk package, internal communications cadence, and working practices in relation to COVID-19.

CMO customers

CMO aims to deliver excellent service to all its customers by building strong, lasting relationships with them to understand their needs and views and listen to how the Group can improve its offering and service for them. The feedback from customers is reflected in the strategic decisions CMO makes, such as pricing models and the introduction of new business lines or service models. Key customer segments are monitored closely as they're vital to CMO's continued success.

During the last year, customer needs and feedback has influenced the following board discussions and decisions on external communications to customers, the customer first programme, and the ratio of stocked product to that sent via drop ship.

CMO suppliers

CMO aims to build lasting relationships with all suppliers, engaging with them both directly and indirectly, because they're critical to the success of the business. The board is not directly engaged with suppliers, but members of the executive team who are also on the board do so through site visits and discussions of CMO supply chain policy as part of their duties as executives of the company.

Executives of CMO regularly report on their supplier interactions and the board considers the impact on suppliers when making any strategic decisions.

Because CMO suppliers have specialist knowledge on a wide range of products, the board aims to understand any developments in global supply chains and technological innovations, as well as any cost and wage pressures, to help make its strategic decisions.

Feedback from suppliers and the impact of CMO actions on them has been considered by the board in the last year in areas such as stocked product to drop ship ratio, prompt invoice payment, and pro-active management of the courier network to balance distribution pressure.

CMO communities and the environment

CMO actively improves the environmental quality of the communities it operates in through the CMGrow initiative. This was launched in spring 2020 with the aim of raising £30,000 within two years to plant 5,000 trees together with the Trees for Cities initiative.

On a broader scale, CMO is committed to being a responsible company, minimising damage to the environment from its operations. Therefore, the Board has engaged with outside consultants to improve its ESG performance and adopt best practices on environmental, social, and governance issues.

Government and regulators

The Audit Committee of the Board oversees CMO activities and how they conform to laws and regulations. The committee is also regularly informed about environmental, social, and governance issues and how regulations may change in the future. While no political donations have been made in the past year, CMO does engage with policymakers through our membership of trade organisations such as the BMF, Trading standards primary authority, and The Tile Association.

The focus of engagement with government regulators is to understand changes in legislation, lever in expertise on emerging industry best practice, and lending CMO's voice to industry initiatives. t practice, and lending our voice to industry initiatives.

Summary overview

The following table gives an overview of the expectations of different stakeholders and how the board took those views into account.

Stakeholder	Stakeholder expectation	How the board acted
Shareholders	Our shareholders expect CMO to operate efficiently and cost-effectively to maximise long-term value creation.	Roadshows, regular reports by the CEO and CFO of CMO Group, and the AGM.
Colleagues	CMO colleagues expect to be informed of the current situation of the business as well as future challenges and opportunities and how these may affect them and their teams.	Internal comms cadence and working practices in relation to COVID-19.
Customers	CMO customers expect reliable and consistent service to support their business activities.	Ensuring due focus on relevant and timely external comms to customers in reaction to COVID-19/Brexit, the customer first programme, and the DC to drop ship ratio.
Suppliers	CMO suppliers expect to be kept informed about the business and its future direction. They want CMO to honour its obligations in a timely and efficient manner and want to have confidence in the long-term prospects of their relationship with the business.	The ratio of stocked product to that sent via drop ship, prompt invoice payment, and working pro-actively to balance pressure across CMO's courier network.
Communities and environment	Local communities want CMO to be a responsible business and support local causes and issues. They also want to be assured that CMO are not damaging the environment or having a negative impact on the quality of their lives.	CMO has engaged with specialists in the field of ESG to help set a robust measurement and understanding of its environmental impact. Raised c22k of the 30k fund raising target to plant an initial 5k trees as part of its carbon offset.
Government and regulators	The government and regulators want CMO to operate in an ethical way and comply with laws and regulations.	Maintained and improved relationships with key industry bodies, securing full Builders Merchant status with the BMF. CMO has also become partners with the Trading standards primary authority.

Chief Financial Officer's Review

Strong sales growth has been driven by strong organic revenue from CMO's superstores, continued growth in Total Tiles, and the acquisition of JTM Plumbing in October 2021. The Group continues to expand market share, acquire customers, and enhance the products offered and markets serviced.

CMO Group PLC Trading for the year to December 2021	2021 £m	2020 £m
Turnover	76.3	52.4
Cost of sales	(61.0)	(44.2)
Gross profit	15.3	8.1
GP%	20.1%	15.5%
Digital marketing	(3.3)	(1.5)
Employment	(6.0)	(3.1)
Overheads	(2.3)	(0.9)
Adjusted EBITDA	**3.7**	**2.6**
Exceptional costs	(5.8)	(0.4)
Depreciation and amortisation	(1.2)	(0.7)
Interest	(1.2)	(1.9)
Corporation tax	0.1	(0.4)
Loss for the financial year	**(4.4)**	**(0.8)**

Total revenue for the year increased by 46% from £52.4m to £76.3m driven by strong organic growth and the addition of Total Tiles and JTM Plumbing into the Group. Like-for-like sales increased 12% year on year and 30% over two years. Total Tiles reported 10% year-on-year growth and contributed £16.5m to overall sales. Sales at JTM were £1.7m during the three months of ownership.

Gross profit increased from 16% in 2020 to 20% in 2021. Gross margin improvements principally reflect higher gross margin achieved in Total Tiles and JTM but are also slightly higher in CMO.

Overhead costs have increased to 11% for the Group in 2021 compared to 8% in 2020. The majority of the increases in costs year-on-year relate to the inclusion of the acquired entities and the additional costs of operating the PLC company.

Key increases were seen in digital marketing, payroll, and property related costs. Digital marketing costs, while higher than those seen in 2020, remain below the level seen in 2019 and prior years, and are in line with core metrics. Payroll costs have increased reflecting investment in sales, customer service, and supply chain to drive and support growth. Property costs have increased due to the Group increasing its warehouse capacity by 110,000 sqft by the end of 2021, both through the businesses acquired in the year and expanding space to benefit from margin opportunities, enhance service, and mitigate supply chain disruption. The acquired businesses have higher property costs because a larger proportion of sales are made from stock compared to the CMO asset light drop ship model. Over time we will look to increase the level of drop ship sales in all acquired entities.

The Group generated adjusted EBITDA before exceptional costs of £3.7m for the year compared to £2.6m for CMO in 2020. Adjusted EBITDA is defined as earnings before interest, tax, depreciation and amortisation, share option expense, acquisition costs, and exceptional items and is stated on an IFRS basis.

Exceptional costs

The Group has reported an operating loss of £3.3m for the year, a result which includes costs which are considered to be outside the normal course of trading activities. These costs include: fees of £3.0m from the IPO in July 2021, £1.1m of which has been charged to the share premium account, the expected fair value of £0.4m relating to the Group's long term incentive plan, £1.3m relating to a fair value charge on shares granted to employees of the company, and £1.6m gross salary bonus to cover the associated tax charges on the share issue and acquisition and other costs totalling £0.6m.

On 11 June 2021, the Company acquired 100% of the share capital of CMOStores Group Limited by way of a share for share exchange. The accounting treatment in relation to the additions of CMO Group PLC as a new UK holding company of the Group fell outside the scope of IFRS 3 'Business Combinations'. The share scheme arrangement constituted a common control combination of the entities. This was as a result of all the shareholders of CMO Group PLC being issued shares in the same proportion, and the continuity of ultimate controlling parties. The directors believed that this approach presents fairly the financial performance, financial position and cash flows of the Group. The reconstructed Group was consolidated using merger accounting principles, as outlined in the Financial Reporting Standard FRS 102 ("FRS"), and the reconstructed Group treated as if it had always been in existence.

Loss for the year

The group made an operating loss of £3.3m (2020: profit of £1.5m) and a loss before tax of £4.4m (2020: loss of £0.4m). However, these results are after the exceptional items noted above. Excluding these items, the Group has achieved a consolidated operating profit of £2.5m and a profit before tax of £1.3m.

Earnings Per Share

Basic earnings per share (EPS) is calculated based on the weighted average number of shares in issue. The adjusted EPS in the table below shows the impact on EPS of items considered to be exceptional costs.

Earnings per share	2021 pence	2020 pence
Basic	(7.11)	(1.49)
Diluted	(7.11)	(1.49)
Adjusted basic earnings per share	2.28	(0.71)
Adjusted diluted earnings per share	2.28	(0.71)

Taxation

The charge for taxation was £nil (2020: £0.4m) due to the availability of brought forward losses.

Cash flow and net debt

At 31 December 2021, cash was £9.1m (net cash £6m after deducting RCF draw down of £3.1m) (2020: £6m) which is set out in the Consolidated Statement of Cash Flows on page 81. The IPO process raised new equity subscription capital (£26.2m) which was used to repay the existing loan note holders (£17.7m), existing senior debt (£3.1m) with the balance to pay IPO fees (£3.4m), and deferred consideration (£3.0m).

Working capital movements reflect higher stock holdings from both acquired businesses and increase stock holding to offset the impact of supply chain restrictions, reduction in deposit balances from customers as order fulfilment increased, and movements in prepayments and other creditors.

Bank facilities

The group has revolving credit facilities with Clydesdale Bank PLC totalling £10m of which £6m can be used for financing permitted acquisitions and £4m can be used for working capital. At the year-end £3.1m of the acquisition facility had been used for the acquisition of JTM Plumbing Limited and the group had net cash of £6.0m and unutilised bank facilities of £6.9m.

Interest and financing costs

Interest costs have reduced significantly in the period since IPO as investor loan notes were repaid as part of the process. Interest of £0.9m (2020: £1.7m) on these loans will not be incurred in the future.

Jonathan Lamb Chief Financial Officer

Going Concern and Outlook

The business activities of the Group, its current operations, and factors likely to affect its future development, performance, and position are set out in the Chief Executive's Review on page 8 and in the Chief Financial Officer's Review on page 44.

In addition, note 26 of the financial statements include an analysis of the Group's financial risk management objectives, details of its financial instruments, and its exposures to credit and liquidity risk.

The Group has a formal process of monthly reporting and review. Information is provided to the board of directors to allow sufficient time to ensure adequate resources are available to the Group to achieve its business objectives, in particular the impact of Brexit and COVID-19.

CMO aims to revolutionise the shopping experience of homeowners and tradespeople to become the go-to digital retailer of building materials and supplies - and ambition remains undiminished.

As the UK's largest online-only retailer of building materials and supplies, CMO continues to disrupt a £27 billion, predominantly offline, market with its digital-first proposition and market-leading product choice. This is supported by high-quality customer service and technical expertise with a personalised customer experience.

The Group saw positive overall trading patterns in 2021, with the majority of its categories enjoying double-digit growth in the first half of the year. As has been well documented across the wider building materials sector, supply chains have been impacted by certain delivery challenges and product shortages brought about by the combination of Brexit and COVID-19.

While CMO has not been immune to these issues, its unique digital hybrid service model – combining specialist advice and expertise with an asset-light, predominantly drop ship delivery method – has allowed the Group to mitigate and manage most of the effects through several self-help initiatives. Implemented by the Board, these include:

- improved supply chain communications to manage the order process
- increased real-time stock feeds and daily updates
- further investment in the category team to ensure customer demand for product is satisfied
- expanded warehouse capacity for key lines
- expansion of its courier network
- Increased customer communications with important guidance on planning ahead

Prevalent during H2 were the widely reported industry headwinds encompassing delays and shortages of product, compounded by increased disruption from Covid in Q4. A continued focus on demand planning and a 29% increase in warehousing capacity to support an increased stock holding mitigated the worst of this disruption and enabled us to pivot some of our lines to margin accretive own-label product. H2 revenue increased by 33% to £38m despite these supply chain and COVID 19 disruptions. However, it's estimated that during H2, the opportunity cost to the Group of these issues amounted to an opportunity cost of approximately 5% of sales.

The first half of 2022 is facing additional layers of macro level disruption. Russia's invasion of Ukraine, fuel prices at an all-time high, household inflation outstripping increases in household income, and consumer confidence has been in decline for some months. While not immune to these factors, CMO does have a tested business with the agility, diversity of product offering, dedicated and experienced team of people, and customer reach in different demographics to cope well and thrive. We have started the new financial year well reporting total sales growth of 13% for the first quarter. This growth is set against strong comparative performance, illustrated by the fact that 1 year like -for- like sales growth of 3% on a one-year basis compares to 49% on a 2 year basis. We have also continued to grow market share.

At year-end, the Group had net cash of £6 million and had bank facilities with available funding at the year end of £6.9 million. Cash generated was strong during the year at £3.7 million (2020: £3.7 million).

The Group sells throughout the UK, has a first-mover advantage, and has a spread of customers, with credit insurance covering key trade customers. The Group sources a range of products from third-party suppliers in both the UK and Europe.

The directors have a reasonable expectation that the Company and the Group have adequate resources to continue operating for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Annual Report and Accounts.

CMO Group Outlook

Moving forward, CMO's strategy remains unchanged. The Group is focused on driving profitable sales growth through organic development and acquisition in line with its strategy and remains confident in its ability to deliver shareholder value in the short, medium, and long term.

Approved by the CMO Board of Directors and signed on behalf of the board.

Jonathan Lamb Chief Financial Officer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Board of Directors

Ken Ford
Independent Non-Executive Chairman

Ken was appointed as an independent non-executive chair of CMO on 1 July 2021. Previously the Chief Executive of quoted investment bank Teather & Greenwood, Ken brings over 36 years of City experience and a strong understanding of shareholder value, strategic planning, and corporate transactions.

A former chairman of the QCA and a Fellow of the Chartered Securities Institute, Ken is currently chairman of the SDI Group PLC and non-executive chairman of Gear4music PLC, both AIM-quoted companies.

Dean Murray
Chief Executive Officer

Dean joined CMO as Chairman in 2017, bringing over 35 years of retail experience, and became executive chairman in 2020 and CEO in 2021.

Having been on the board of Gear4music since 2012, he also served as chairman until 2015, growing revenues from under £12m when he joined to almost £160m in the year to March 2021. Until recently, Dean was also a non-executive at French Connection Group PLC and chairman at the Neville Johnson Group, with previous roles including former CFO and CEO of Myriad Childrenswear Group.

Sue Packer
Chief Operating Officer

Sue has held various senior roles in construction, manufacturing, and service for over 34 years.

Joining CMO in July 2018, initially as CFO and now COO, her role is responsible for the operational delivery of strategy, performance, and the running of day-to-day operations. Before her role at CMO, Sue acted as CFO at RS Connect Group, where she was responsible for all financial compliance matters. Previously, Sue spent five years at Vodafone Automotive UK Ltd as finance and operations director.

Jonathan Lamb
Chief Financial Officer

Jonathan joined CMO in December 2020 as chief financial officer.

As a fully ACA qualified chartered accountant, Jonathan's previous roles have included financial directorship positions at Antler and Yumi International Limited (an e-commerce womenswear retailer).

Helen Deeble CBE
Independent Non-Executive Director

Helen was appointed as an independent Non-Executive Director of CMO on 1st July 2021.

Helen was CEO of P&O Ferries for almost 12 years until 2017. She was a non-executive director, audit committee member and chair of the pension funds at Port of London Authority for six years until 2020. She is currently a non-executive director at Carnival Corporation & PLC and sits on their Remuneration Committee. Helen brings experience of senior finance and general management roles in retail, logistics, transport and leisure, in B2B and B2C environments. She is a Chartered Accountant.

James Excell
Non-Executive Director

James is a partner at Key Capital Partners LLP and was appointed as a non-executive director of CMO on 1 July 2021 as KCP's representative on the board.

Alongside CMO, James has held a number of other board roles within the KCP portfolio. Prior to joining KCP in 2016, James was a director at FTI Consulting and previously qualified as a chartered accountant (ACA-ICAEW) at Grant Thornton UK LLP.

Corporate Governance Report

The board is pleased to present its first Corporate Governance Report since the CMO Group IPO. The aim of this report is to set out CMO's approach to corporate governance, the work of the board, and the board committees since listing.

The board strongly believes that corporate governance is more than just a set of guidelines. It's a framework that helps to improve long-term success and performance. It also ensures a shared understanding of how decisions are made at CMO for the benefit of our stakeholders.

In line with the requirements of the AIM Rules for Companies, the Group has decided to apply the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the "Code"). Applying this code will give details to shareholders, both through this Annual Report and in an annually updated compliance statement available on the Group's website, on the Group's compliance with the Code.

The Group also takes steps to apply the principles of the UK Corporate Governance Code, as far as it can be applied practically, given the size of the Group and the nature of its operations.

As chairman, it's my responsibility to ensure our board acts as a cohesive team and serves the Group as a critical friend of management. I'm delighted with the way the board has come together through the IPO process, and I'm confident it adds real value to the thinking of management. We intend to undertake a review of the board's effectiveness for the first time since listing in 2022, which will help to further shape the ways in which we work.

We're of the view that our approach to corporate governance is appropriate for a business of our size and scale. However, we recognise that our corporate governance framework needs to remain responsive to the demands of the business as it continues to mature and grow, in both scale and complexity.

I hope this report is of interest to all our shareholders and other stakeholders.

Ken Ford Chairman of the Board

> **"…we recognise that our corporate governance framework needs to remain responsive to the demands of the business as it continues to mature and grow, in both scale and complexity."**
>
> Ken Ford

Compliance Statement

During the year ended 31 December 2021, the board has reviewed its compliance with the QCA Code and has reviewed and approved a compliance statement.

This sets out how the Group complies with the Code's ten principles and explains any areas in which the Group's practice and policies deviate from the Code. The compliance statement can be viewed on the Investor Relations section of the CMO website.

This Corporate Governance Report is structured against the ten focal areas of the QCA Code, as set out below. The board is of the view that, through disclosure on both websites and in this Annual Report and Accounts, the Group complies with all applicable provisions of the QCA Code, with the exception of Principle 7 in respect of the evaluation of board performance. This is due to the Group having only been listed as a public limited company in mid-2021.

As set out in the Board and Committee Effectiveness section of this Report, the board intends to implement a formal annual internal Board and Committee evaluation within 12 months of listing.

Principle	Annual Report section
Establish a strategy and a business model which promote long-term value for shareholders	Strategy and Business Model sections (page 12 to 19)
Seek to understand and meet shareholder needs and expectations	Our governance structure (page 52) Section 172(1) Report (page 42)
Take into account wider stakeholder and social responsibilities and their implications for long-term success	Section 172(1) Report (page 42)
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Internal Controls and Risk Management (page 57) Audit Committee Report (page 58)
Maintain the board as a well-functioning, balanced team led by the Chair	Our governance structure (page 52)
Ensure that, between them, directors have the necessary up-to-date experience, skills, and capabilities	Board composition (page 56)
Evaluate board performance based on clear and relevant objectives for continuous improvement	Board and Committee effectiveness (page 57)
Promote a corporate culture that's based on ethical values and behaviours	Purpose, values and culture (page 55)
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Our governance structure (page 52)
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Audit Committee Report (page 58) Remuneration Report (page 60) Section 172(1) Report (page 42)

Our Governance Structure

The board has adopted a Matters Reserved for the Board document setting out its main responsibilities. This document was last reviewed in July 2021.

CMO sees the board as having the following main roles:

Setting CMO purpose, strategy, values, and culture	The board sets out the Group's purpose, and strategy in delivering on that purpose, in the Strategic Report on pages 2-47. It believes the Group's values and culture are key differentiators in allowing us to deliver its strategy. As a Board, we're responsible for determining its values and corporate culture.
Setting and oversight of the execution of strategy	The board is responsible for setting and overseeing the execution of CMO Group's strategy within a framework of effective risk management and internal controls.
Oversight of operations	The board monitor management's execution of CMO's strategy and financial performance. While the ultimate focus is on long-term value generation, the Group also needs to deliver on short-term objectives and it looks to make sure management strikes an appropriate balance between the two.
Shareholder and stakeholder engagement	The board is committed to communicating openly with CMO shareholders to ensure its strategy and performance are clearly understood and encourage shareholder participation in face-to-face meetings. Communications are held with them through the Annual Report and Accounts, full-year and half-year announcements, trading updates and the annual general meeting (AGM). A range of corporate information (including all announcements and presentations) is also available to shareholders, investors, and the public on the corporate website. CMO actively engages with key stakeholders throughout the year to ensure the Board understands the views on some of its most critical decisions and incorporates them into its decision-making process. For details of who is considered a key stakeholder, and how the Group engage with them, please see the Section 172(1) Statement on page 42.


Since the IPO, the board has met on a scheduled basis on four occasions, alongside a number of meetings held on an ad-hoc basis to discuss specific events, such as the draft interim results, or potential transactions.

The board ordinarily meets 10 times per year, with regular briefings between scheduled meetings. The board is of the view that this meeting frequency allows it to fulfil its role in setting and monitoring strategy effectively and to gain sufficient insight into the day-to-day operations of the Group. We'll consider further ways of ensuring the board is able to continue to effectively engage with shareholders and other key stakeholders.

The board also delegates certain matters to its board committees so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The composition, responsibilities, and activities of each of the Board Committees are set out on page 57. The terms of reference of each committee are available on the website.

In the forthcoming priorities for 2022, the board will be looking at:

- **Mergers and Acquisitions**
- **New Superstores**
- **Technology enablers**

Board and committee attendance

The table below sets out the Board and Committee attendance for 2021. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual director during the year.

If any directors are unable to attend a meeting, they're encouraged to communicate their opinions and comments on the matters to be considered to the chairman of the board or the relevant committee chairman.

	Board	Audit Committee	Remuneration Committee
Ken Ford	4 of 4 (100%)	1 of 1 (100%)	1 of 1 (100%)
Dean Murray	4 of 4 (100%)	-	-
Sue Packer	4 of 4 (100%)	-	-
Jonathan Lamb	4 of 4 (100%)	-	-
Helen Deeble	4 of 4 (100%)	1 of 1 (100%)	1 of 1 (100%)
James Excell	4 of 4 (100%)	1 of 1 (100%)	

Purpose

Why we do what we do

Values

The qualities we embody

Culture

How we work together

The key strategy is centered around building a sustainable and profitable business that will deliver long-term value to all shareholders.

The board believes CMO's corporate culture continues to serve as one of its key competitive advantages in delivering on that strategy. Encouragement is given to all employees at all levels of the Group to take responsibility for their work and to actively contribute toward the development and delivery of the Group's strategy.

Regarding the board's role, it recognises the importance of setting a tone from the top and has met with a number of staff at various levels of the business. As a board, it wants to ensure that it's actively engaged with the ongoing development of CMO corporate culture, and it will be looking to develop several cultural metrics for reporting to the board over the course of 2022. These metrics will allow it to review the progress we're making in embedding CMO's cultural aspirations.

The board's aim is to promote a culture within the Group of ethical values and behaviours. It also has a number of due diligence processes in place to ensure that suppliers meet Group standards and values. It has internal policies covering a range of ethical behaviours, such as anti-bribery and anti-corruption policies, which serve to promote and preserve the right corporate behaviours.

As part of the CMO induction process, new employees receive training on all corporate policies and the expectations of the Group when it comes to ethical values and behaviours. This is refreshed on a regular basis for all employees.

There's also an active programme of employee engagement, including Employee Engagement Surveys, quarterly strategic updates, informal weekly Group wide town halls, The CMO Academy training platform, and events organised by the Engagement Committee throughout the year. Such engagement shapes the way in which CMO develops its products and how it delivers its services. There's also a whistleblowing policy and hotline available for all employees.

Our Board Composition

The successful delivery of CMO's strategy depends upon attracting and retaining the right talent.

This starts with having a high-quality and diverse board. Balance is an important requirement for the composition of the board, not only in the number of executive and non-executive directors, but also the skill, knowledge, and expertise each director brings.

As at 31 December 2021, the board comprised an independent non-executive chairman, three executive directors, and two non-executive directors, one of whom is deemed independent by the board. A short biography of each of the directors in office at the date of this report is set out on pages 48 to 49.

The role of the chairman is to run the business of the board, ensuring appropriate strategic focus and direction in the board's discussions, and to facilitate relationships and engagement with shareholders. The chairman also holds responsibility for ensuring the Group is appropriately governed, and that it embraces the principles of good corporate governance and the values that underpin those principles.

Upon appointment, each director receives a tailored induction to the Company, including meeting with relevant members of staff, advisers, and other key stakeholders. This allows each director to gain further insight into the Group, its strategy, culture, and operations. Directors are also encouraged to identify any development opportunities they feel are necessary to help them undertake their role to the best of their ability.

Ken Ford and Helen Deeble are considered by the board to be independent. The board is of the opinion that both Ken and Helen act in an independent and objective manner and are free from any relationship that could affect their judgement.

Notwithstanding any cross-directorships, the board is satisfied that it has a suitable balance between independence (of both character and judgement) and knowledge of the Group, allowing it to perform its duties and responsibilities effectively.

There are procedures in place to monitor and deal with any conflicts of interest, with current commitments of any directors being disclosed at every board meeting. As such, the board is aware of the other commitments and interests of its directors. Any changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the board.

Election and re-election of Directors

Under the Company's Articles of Association, directors are required to stand for election at the first AGM after their appointment. All directors will therefore stand for re-election at the forthcoming AGM.

As the 2022 AGM will be the Company's first AGM since IPO listing, all directors will submit themselves for election by shareholders. The Board considers that, during the year ended 31 December 2021, each director that's served in 2021 has performed effectively and continues to demonstrate commitment to the role. Therefore, it believes it's in the best interests of shareholders that each director is elected at the AGM.




Succession Planning

Succession planning for both board and senior management positions is remitted to the board.

The board has decided at the current time not to constitute a Nomination Committee, but this position will remain under continual review.

The board is considered to be of an appropriate size given the size and scale of the Group, and that the skills, experience, and competencies of its members are appropriate. The board is fully confident that the senior management team possess the right range of capabilities to drive the business forward in 2022 and beyond. A focal area for the board in succession planning in 2022 will be on further developing the talent pipeline within the business to produce the next generation of senior leaders.

It is the current intention of the Board to appoint a further independent non-executive director within 12 months of Admission.

Board and Committee Effectiveness

The board continually strives to improve its effectiveness and recognises that an annual Board Performance Evaluation review is an important tool in reaching that goal.

The directors are aware of the importance to monitor performance through board evaluations and that feedback leads to improving its effectiveness.

As the Group only listed in July 2021, the board has, to date, not conducted a Performance Evaluation review. However, it remains the intention of the board to undertake this evaluation in 2022 and, once completed, will report the outcomes to shareholders via the compliance statement, available on the website, and through the 2022 Annual Report.

The board anticipates the review will focus on board composition, board dynamics and behaviours, how the board fulfils its remit and responsibilities and suggested areas for the board to focus on to deliver long-term value.

Internal Controls and Risk Management

The Group has a comprehensive system of internal controls in place, designed to ensure that risks are mitigated, and the Group's objectives are attained.

The board recognises its responsibility to present a fair, balanced, and understandable assessment of the Group's position and prospects.

It's accountable for reviewing and approving the effectiveness of internal controls operated by the Group, including financial, operational and compliance controls, and risk management. The board recognises its responsibility of the Group's risk management process and system of internal control and oversees the activities of both the Group's external auditors and risk management function (supported by the Audit Committee).

A review of the Group's risk management approach is further discussed in the Strategic Report. For further detail see pages 20 to 23.

Report of the Audit Committee

Dear Shareholders,

On behalf of the board, I'm pleased to present my report as chair of the Audit Committee (the 'Committee') for the financial year to 31 December 2021. This report provides shareholders with an overview of the activities carried out by the Committee during the year.

As of 31 December 2021, the Committee members include me, Helen Deeble, as the chair, Ken Ford, and James Excell. As a chartered accountant and having previously served as a non-executive director on an audit committee, the board is of the view I have sufficient and relevant financial experience to chair the Committee.

At the date of this report, there have been no subsequent changes to the Committee's membership.

The Committee's Terms of Reference require it to meet as often as the Committee Chair requests, as well as at regular intervals to deal with routine topics and at least three times per financial year.

Only Committee members have the right to attend Committee meetings, although members of the executive team, alongside representatives from the external auditor, have a standing invitation to meetings.

The focal areas of the Committee since IPO have been as follows:

- Review of the Company's interim results
- Review of the Company's risk management and internal control processes and procedures
- Change of auditor
- Review of the Company's full-year results and Annual Report and Accounts (post-year end)

The Committee reports to the board on how it discharges its responsibilities and makes recommendations, all of which have been accepted during the year 2021.

Attendance at Committee meetings throughout 2021 is set out in the Corporate Governance Statement on page 50.

Committee Responsibilities

The Audit Committee is responsible for:

- Monitoring the integrity of the Group's financial statements and reviewing significant financial reporting issues
- Reviewing the effectiveness of the Group's internal control and risk management systems
- Monitoring the need for an internal audit function
- Overseeing the relationship with the external auditors, agreeing on the scope of the audit, and reviewing the audit findings

Additionally, the committee will also advise the board on the group's overall risk appetite and strategy. This can include regularly reviewing and updating the risk assessment processes in place, including remuneration and compliance functions, and assisting in overseeing the implementation of the adopted strategy.

Post-year end, the Committee also reviewed and approved the year-end results and accounts. They considered the integrity of the published financial information and whether the Annual Report and Accounts as a whole are fair, balanced, and understandable while providing the information needed to assess the Group's position and performance, business model, and strategy.

The duties of the Committee are set out in full in its terms of reference which are available on the Group's website. The terms of reference will be subject to an annual review by the Committee.

Financial Reporting

On behalf of the board, the Committee is responsible for reviewing, and recommending to the board, summary financial statements, substantial financial returns to regulators, and any financial information in other documents, such as price-sensitive announcements.

As part of this process, the Committee will review the appropriateness of accounting policies and practices, and review the significant issues and judgements considered concerning the financial statements, including how each was addressed. The Committee sets out the significant areas the Committee considered concerning the FY 2021 Annual Report and Accounts in further detail below.

The Committee also evaluated the budget for FY 2022 and longer-term forecasts, as well as applicable sensitivities, and concluded that the going concern premise is appropriate. The Strategic Report was also examined by the Committee, which concluded it provided a valuable, fair, balanced, and understandable overview of the business.

This year, following the IPO process, the Audit Committee conducted a tender for the future provision of external audit services. This complies with legislation and Financial Reporting Council (FRC) on best practice, in particular ensuring independence in respect of potential audit firms.

This concluded in the appointment of Saffery Champness LLP. Saffery Champness LLP replaced Bishop Fleming LLP who has admirably served as Group auditor for the last 2 years. The Board would like to place on record their thanks to Bishop Fleming LLP for their work as Group auditor.

External auditor

Saffery Champness LLP has been the Group's external auditor ('auditor') since 29th November 2021. The Audit Committee monitors the relationship with Saffery Champness LLP to ensure that auditor independence and objectivity is maintained.

Management and the chair of the Audit Committee liaise with the auditor throughout the year to ensure that if there are areas of significant risk or other matters of audit relevance, they're regularly communicated.

The auditor prepares a plan for its audit of the financial statements that sets out the scope of the audit, areas to be targeted, and the audit timetable. The plan is then reviewed by the Audit Committee. Following the audit, the auditor presents their findings to the Audit Committee for discussion. No major areas of concern were highlighted by the auditor during the year.

The Committee will decide, ahead of time, on the scope of the yearly audit, concentrating on areas of audit risk and the appropriate level of audit materiality. The Committee will meet with the auditor to examine fees, internal controls, accounting standards, and areas where key accounting estimates and judgments must be made.

The auditor will present the results of the audit work to the Committee, highlighting any issues that were uncovered during the audit or that the Committee has previously highlighted as important or material in the context of the Company's financial statements.

Without management present, the Committee will meet with the auditor at least once a year to address its responsibilities and any issues that arise from the audit.

Internal audit

The Committee notes the Company does not have a dedicated internal audit function. While the Committee will continue to keep this position under continual review, we've concluded that, given the Company's current size and scale, and the current complexity of the business, it remains appropriate to not constitute an independent audit function.

Risk Management and Internal Controls

The board, assisted by the Audit Committee, is responsible for regularly reviewing the operation and effectiveness of the Group's internal controls. The internal control system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Group's key internal control procedures include a review of the Group's strategy and the performance of subsidiaries. This involves a comprehensive system of reporting based on variances to annual budgets, key performance indicators, and regular forecasting.

The Audit Committee in partnership with the board is responsible for reviewing the risk management and internal control framework and ensuring it operates effectively. The Committee is satisfied that the internal control systems in place operated effectively during the reporting period.

Helen Deeble CBE
Chair of the Audit Committee

Report of the Renumeration Committee

Chairman's Introduction

I'm delighted to have been appointed as Chair of the Remuneration Committee and am pleased to present the Remuneration Committee report for the year ended 31 December 2021, which provides information about the Remuneration Committee, the remuneration policies approved and applied by the Board, and the remuneration of directors during the year.

The board and the committee are focused on ensuring that remuneration is appropriate for a listed business and that structures in place support the strategy of the group. We're reviewing the arrangements for all staff to ensure these enable us to recruit and retain high performing individual across the group as well as aligning fully with all stakeholders' interests. Consistent with this, a CSOP has been recently introduced, which is accessible to all staff.

Helen Deeble CBE
Chair of the Remuneration Committee

Committee composition

The Remuneration Committee is chaired by Helen Deeble CBE. Its other member is Ken Ford. As per good practice, the Committee comprises solely of non-executive directors, both of whom are deemed by the Board to be independent.

Under its terms of reference, the Remuneration Committee will meet at least twice a year and otherwise as required.

Responsibilities of the Committee

The role of the Committee is to determine and agree the framework for the remuneration of the Executive Directors and other designated senior executives with the board and, within the terms of the agreed framework, determine the total individual remuneration packages of such persons including, where appropriate, bonuses, incentive payments and share options or other share awards. The Committee is responsible for developing an approach to remuneration that supports and promotes long-term value generation.

The remuneration of non-executive directors will be a matter for the executive members of the board and the chairman. No director will be involved in any decision as to his or her own remuneration.

The terms of reference for the Committee are available on the website.

Key activities since IPO

- Approval of 2021 salary increases for the executive directors and certain senior managers
- Approval of the 2021 discretionary bonus scheme for certain senior managers and executive directors
- Approval of the CMO Group PLC Long Term Incentive Plan scheme rules and performance targets
- Consideration of the terms and conditions for Executive Directors
- Approval of the scheme rules and implementation of the CMO Group PLC Company Share Option Plan

Remuneration policy

The Remuneration Committee's policy is to attract and retain individuals of the highest calibre by offering remuneration competitive with comparable publicly quoted companies, and to drive the Group's financial performance by providing arrangements which fairly and responsibly reward individuals for their contribution to the success of the Group. Long-term equity-based remuneration linked to financial performance and share price targets represent a significant proportion of executive directors' potential remuneration, which aligns the interests of the individuals with those of the shareholders.

The principal duties of the Remuneration Committee are to:

- Determine and agree with the board the framework or broad policy for the remuneration
- Within the terms of the agreed remuneration policy, determine the total individual remuneration package of the Company's chair and each executive director including, where appropriate, bonuses, incentive payments and share options or other share award
- Review the ongoing appropriateness and relevance of the directors' remuneration policy;
- Approve the design of, and determine targets for, all share incentive plans and any performance-related pay schemes operated by the Company, determine each year whether awards will be made and approve performance outcomes and maximum value of individual awards
- Oversee any major changes in employee benefit structures throughout the Company or Group;
- Be exclusively responsible for establishing the selection criteria for any remuneration consultants who advise the Committee

The Group is committed to achieving sustained improvements in performance. This depends crucially on the individual contributions made by the executive team and by employees at all levels. The Committee believes that an effective remuneration strategy plays an essential part in the future success of the Group and the remuneration policy supports the delivery of this strategy and aligns the interests of directors and shareholders. This is achieved by competitive remuneration packages and longer-term share-based incentive plans which focus on delivering key business objectives, profitable growth and strong shareholder returns.

The Committee monitors the market competitiveness of the overall remuneration package for each member of the Group's senior management team in order to ensure the Group is able to retain and attract new talent as required.

The table below summarises the key elements of the executive directors' remuneration under their current service contracts.

Purpose and link to strategy	Operation	Maximum potential value	Performance conditions
Base Salary Competitive fixed salary that attracts and retains key individuals reflecting their experience and role.	Salaries will be reviewed annually in line with the financial year.	Base salaries are set at appropriate level based on comparable sized listed companies.	NA
Pension and Benefits Supports recruitment of high calibre executive directors.	The policy is to provide a contribution to a defined contribution benefit scheme as a proportion of basic salary. Executive directors receive benefit of family private health cover and travel expenses for business related travel.	Pension funding for executive directors is aligned with the wider workforce.	NA
Long Term Incentive Plan Supports the recruitment and retention of executive directors and aligns interests with shareholders.	LTIP awards are granted annually. LTIP awards will vest at the end of a three year period, subject to continued employment and satisfaction of performance conditions. Malus and clawback provisions apply.	Maximum opportunity equal to between 175% and 200% of base salary.	50% of the LTIP award is based on annual financial performance in the period, with stretch targets needing to be met for maximum award. The remainder of the award is based on share price development during the period.
Chairman and non-executive director fees	No additional fees are paid to non-executive directors or the chairman of the company for membership or chairmanship of committees. Non-executive directors do not participate in any variable remuneration, pension or benefits arrangements.	Base fees for non-executive directors are set with reference to market rates. Fees paid for the year are set out on page 62.	NA

Directors' remuneration table

The remuneration of the Directors for the year to 31 December 2021 is set out in the table below:

Director	Appointed	Salary / fees	Pension	Bonus	Share Based Awards	Total remuneration
Executive Directors						
Dean Murray	11 June 2021	114,167	1,243			115,410
Jonathan Lamb	11 June 2021	120,000	1,209	421,658	594,359	1,137,226
Sue Packer	11 June 2021	130,000	1,318	438,470	618,056	1,187,843
Non-Executive Directors						
Ken Ford	1 July 2021	25,000				25,000
Helen Deeble	1 July 2021	25,000				25,000
James Excell	1 July 2021	25,000				25,000

CORPORATE GOVERNANCE

As well as the remuneration above the executive directors benefit from Family healthcare provision.

The bonus referred to in the table above is to cover the associated tax charges on the share issue.

Share based awards in the table above represent fair value of the shares at the award date.

The Company adopted the LTIP on 1 July 2021 and the Board made the initial awards on 1 July 2021 to those individuals set out in the table below. The LTIP is intended to recruit and retain executive directors and senior employees of the Group through the offer of Options to acquire Ordinary Shares in the Company. The LTIP is structured on the basis set out below and is subject to a 3-year vesting period and to the performance conditions as set out in the table on page 61 .

Name	Date of grant	Number of ordinary shares under option	Exercise price	Latest exercise date
Dean Murray	1 July 2021	196,970	1 pence	1 July 2031
Sue Packer	1 July 2021	172,349	1 pence	1 July 2031
Jonathan Lamb	1 July 2021	159,091	1 pence	1 July 2031

Director shareholdings

Executive Directors	Beneficially owned shares at 31 December 2021
Dean Murray	2,178,530
Jonathan Lamb	726,177
Sue Packer	1,694,412

Non-Executive Directors	Beneficially owned shares at 31 December 2021
Ken Ford	113,635
Helen Deeble	18,939
James Excell	18,939


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Report of the Directors

The directors present their report and the audited financial statements of CMO Group PLC ('the Group') and its subsidiaries (together 'CMO' or 'the Group') for the year ended 31 December 2021. The Strategic Report, which is set out on pages 2 to 47, provides a comprehensive review of the development, performance, and future prospects of the Group.

The following matters are reported by the directors following the Companies Act 2006 requirements in force at the date of the Annual Report.

Information contained elsewhere in this Annual Report.

Information required to be included in this report can be found elsewhere in the Annual Report as indicated in the table below and is incorporated into this report by reference:

Information	Page(s)
Group Strategy and Delivery	Strategic Report (page 12)
Principal Risks and Uncertanties	Strategic Report (pages 20 to 23)
Business relationships with suppliers, customers and others	Section 172(1) Statement (page 42)
Corporate Governance Statement	Corporate Governance Statement (page 50)
Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk, foreign currency risk, and financial instruments	Notes to the Accounts (from page 82)
Streamlined Energy and Carbon Reporting	Environmental, and Social Governance

Business Model

CMO is the UK's market-leading online supplier of building materials and supplies. Through its eight specialist websites, the Group provides the convenience of online retail, technically trained customer support, and an extensive range of products delivered direct to the customer's home or building site.

CMO has developed a customer acquisition strategy based on maximising non-paid marketing channels, such as search engine optimisation (SEO) and email. This has resulted in the Group's proportion of organic traffic being more than the average level for businesses with much greater budgets.

Principal activities

The Group disrupts a £27 billion, predominantly offline, market with a digital-first proposition and market-leading product choice, supported by high-quality customer service and technical expertise. The Group currently operates eight specialist Superstore websites:

- roofingsuperstore.co.uk
- drainagesuperstore.co.uk
- insulationsuperstore.co.uk
- doorsuperstore.co.uk
- JTMplumbing.co.uk
- tileandfloorsuperstore.co.uk
- cmotrade.co.uk
- totaltiles.co.uk

Business Review

The Group is obligated to provide a fair review of the Group's business throughout the reporting period. The Strategic Report contains the information needed to meet these criteria. The Group's results can be seen on page 76 in the Consolidated Statement of Comprehensive Income.

Results and dividends

The Group's results for the year are set out in the Consolidated Statement of Comprehensive Income on page 76. The directors do not recommend the payment of a dividend.

Significant events since the end of the financial year

There have been no significant events affecting the Group since 1 January 2022.

Political donations

No political donations have been made during this financial year.

Research and development

The Group undertakes a continuous programme of research and development (R&D) expenditure. R&D expenditure is capitalised only when the end product is technically and commercially feasible and when sufficient resource is available to complete the development, as disclosed in note (k) to the accounts.

Branches outside the uk

The Company has no subsidiaries outside of the UK.

Directors

The Directors names and biographies can be found on pages 48 to 49. Details of the Company's Directors who served, or were appointed during the year, including their dates of appointment, titles, functions, and committee memberships and chairmanships, can be found on pages 53 of this Annual Report.

Director indemnities

The Company has agreed to protect its Directors against third-party claims brought against them and has put in place Directors and officers insurance coverage.

Share capital and substantial shareholdings

Full details of the authorised and issued share capital of the Group are set out in note 23 of the Financial Statements. At 1 April 2022, the latest practicable date before the approval of this document, the Group had been notified of the following interests amounting to 3% or more of the voting rights attaching to the Company's issued share capital:

Key Capital Partners	26.8%
BGF Investment Management Limited	7.31%
Chelverton Asset Management Limited	6.95%
Jupiter Asset Management Limited	6.60%
Canaccord Genuity Group Inc	6.27%
BMO Asset Management Limited	5.42%
J O Hambro Capital Management Limited	4.26%
Rathbone Investment Management Limited	3.39%

Going concern

The financial statements on pages 75 and 113 were produced on a going concern basis. As part of their enquiries, the Directors examined budgets, estimated cash flows, and other relevant information (including financial performance sensitivities) for the 12 months after the adoption of the Consolidated Financial Statements for the fiscal year ended 31 December 2021.

The Board of Directors believes that the Group has sufficient resources to continue operations for the foreseeable future. Full details of these are set out in note (c) in the financial statements.

Auditors

Saffery Champness LLP was appointed as auditor for the year ended 31 December 2021 and have indicated their willingness to continue in office. A resolution to reappoint Saffery Champness LLP as the auditor will be put to the forthcoming Annual General Meeting.

Statement as to disclosure of information to the auditor

The directors who were in office at the date of approval of these financial statements have confirmed that, as far as they are aware, there is no relevant audit information of which the auditor is unaware.

Each of the directors has confirmed they have taken all the steps required as directors to make themselves aware of any relevant audit information and establish that it has been communicated to the auditor.

Website publication

The board of directors is responsible for making the annual report and financial statements available on the Group's website. Financial statements are provided in compliance with UK legislation regulating financial statement production and distribution, which may differ from legislation in other countries.

The directors are responsible for the upkeep and integrity of the Group's website, while the board of directors is responsible for the continuous integrity of the financial statements included.

Report of the Directors Cont.

Annual general meeting

The Annual General Meeting will be held on 28 June 2022. The Notice convening the meeting, and information about the proposed resolutions, accompanies this Annual Report and Accounts.

Equal Opportunities

The Group is committed to eliminating discrimination and encouraging diversity. Its aim is that each employee is able to perform to the best of their ability. The Group will not make assumptions about a person's ability to carry out their work, for example on their ethnic origin, gender, sexual orientation, marital status, religion or beliefs, age or disability.

Disabled Employees

In the event of an employee becoming disabled, every effort is made to retain them in order that their employment with the Group may continue. It is the policy of the Group that training, career development and promotion opportunities should be available to all employees.

Statement Of Directors Responsibilities

The directors are responsible for preparing the Group Strategic Report, the Director's Report, and the financial statements following applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year.

Under that law, the directors have elected to prepare the Group and parent company financial statements following applicable law and International Financial Reporting Standards (IFRSs), following the provisions of the Companies Act 2006.

Under Company law, the directors must not approve the financial statements unless they're satisfied they give a true and fair view of the state of affairs of the Group and the profit or loss of the Group for the period.

In preparing these financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently
- Make judgements and accounting estimates that are reasonable and prudent
- State whether applicable IFRSs, in conformity with the requirements of the Companies Act 2006, have been followed, subject to any material departures disclosed and explained in the financial statements
- Prepare the financial statements on the going concern basis unless it's inappropriate to presume the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions, disclose with reasonable accuracy at any time the financial position of the Group, and enable them to ensure the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are also responsible for ensuring they meet their responsibilities under the AIM rules and for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Approval

The Director's Report was approved by the board of directors on 24th May 2022 and signed on its behalf by:

Jonathan Lamb Chief Financial Officer


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Independent Auditor's Report

for the Year Ended 31 December 2021

Opinion

We have audited the financial statements of CMO Group PLC (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2021 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated cash flow statement and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice)

In our opinion the financial statements:

- give a true and fair view of the state of affairs of the group and of the parent company as at 31 December 2021 and of the group's loss for the year then ended;
- the Group's financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Our approach to the audit

We tailored the scope of our audit to ensure that we obtained sufficient evidence to support our opinion on the financial statements as a whole, taking into account the structure of the Group and the company, the accounting processes and controls and the industry in which the Group operates.

The parent company, CMOStores.Com and Total Tiles Limited are the only significant components of the Group and were subjected to full scope audits team performed by the Group engagement team.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumption and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Goodwill

At 31 December 2021, goodwill of £19,413,122 is recognised on the Group statement of financial position. £16,859,824 arose from historic business combinations and a further £2,553,298 was recognised during the year in relation to the acquisition of JTM Plumbing Limited by the parent company.

Goodwill is assessed annually for impairment in accordance with IAS 36 Impairment of Assets. This is a judgemental process which requires significant estimates and assumptions to be made by management. Our audit procedures focus on the reasonableness of the assumptions made by management, and the robustness of the forecasting procedures undertaken for the purposes of the impairment review.

Due to the significance of goodwill to the consolidated statement of financial position and the high level of estimation uncertainty surrounding the assumptions used, the carrying value of goodwill has been determined to be a key audit matter.

We performed the following procedures:

- Reviewed managements impairment model for assessing the carrying value of goodwill
- Assessed the integrity of the model including reviewing the mechanical accuracy and considering the accuracy of management's forecasting by assessing historical forecasts to actual outturn
- Obtained corroborative evidence for data used in the preparation of the model and significant judgements applied by management and assessing for evidence of contradictory information
- Performed sensitivity analysis around all key judgements including the discount rate
- Reviewed and challenged the allocation of cash generating units, obtaining support for any changes during the period
- Ensured disclosures made in the financial statements were in accordance with IFRS

Based on our procedures, we did not identify any material misstatements in the carrying value of goodwill.

Accounting for the acquisition of JTM Plumbing

The parent company acquired the issued share capital of JTM Plumbing Limited during the year. The relevant separate identifiable intangible assets were identified as part of a Purchase Price allocation exercise resulting in goodwill of £2,553,298 being recognised on the balance sheet of the group.

Due to the significance of the identifiable intangible assets and goodwill recognised on the acquisition of JTM Plumbing Limited to the statement of financial position and the inherent subjectivity in determining the valuation of separate identifiable intangibles assets and goodwill, it has been determined to be a key audit matter.

We performed the following procedures:

- Obtained management acquisition workings for the new business combination and agreed to supporting documentation including tracing consideration paid to bank statements
- Reviewed the purchase agreement to ensure consistency with the acquisition workings
- Assessed the allocation of the Purchase Price to information prepared by management's expert, a professional third party
- Assessed the competence and capability of management's expert in identifying and valuing acquired intangibles
- Reviewed and challenged the assumptions used in the valuation of acquired intangible assets and assessed against the recognition criteria within IAS 38 Intangible assets
- Evaluated presentation and disclosures in accordance with IFRS standards

Based on our procedures, we did not identify any material misstatements in the accounting for the acquisition for JTM Plumbing Limited.

Independent Auditor's Report Cont.

for the Year Ended 31 December 2021

Accounting for the insertion of a new parent company in the consolidated financial statements

During the period CMO Group PLC acquired the issued share capital of CMOStores Group Limited by way of a share for share exchange. Merger accounting principles have been applied to account for the reconstructed group as if it had always been in existence.

Due to the material and complex nature of the group reconstruction, the treatment, presentation and disclosure of this is considered a key audit matter.

We performed the following procedures:

- Obtained management assessment of the group reconstruction and confirmed that the application of merger accounting is appropriate
- Obtained and reviewed management's consolidation workings to ensure that the accounting entries have been recorded correctly
- Obtained the share for share exchange documentation and verified the amount of issued share capital in CMO Group PLC
- Evaluated the presentation and disclosures in the financial statements

Based on our procedures, we consider that the group reconstruction has been accounted for appropriately and that the approach taken by management to apply merger principles reflects that substance of the transaction and reconstructed group.

The carrying value and provisioning of inventory

The group and its trading subsidiaries hold significant reserves of inventory so that they can satisfy customer orders promptly. At 31 December 2021 the Group held inventory with a carrying value of £5.474m and the value of the inventory provision was £493k.

Due to the significance of inventory to the balance sheet and the judgement applied in determining the appropriate provision, valuation and provisioning for inventory was considered to be a key audit matter.

We performed the following procedures:

- Attended the year-end stock count, reviewing and challenging the processes and, a sample test of the count took place
- Checked stock items selected during the stock count agreed through to the final stock listing
- Agreed the unit value of a sample of stock items included at year end was recorded at the lower of purchase price and post year-end sales value
- Performed a review of the year end stock list for scrapped and obsolete stock via discussions with management and review of post year-end sales reports
- Reviewed Goods Received Notes and Goods Delivery Notes around the year end to ensure stock was recognised in the correct period
- Performed detailed analytical work, comparing stock days to prior periods and expectations, investigating any significant variances

Based on our procedures, we did not identify any material misstatements in the carrying value of inventory. We consider that inventory valuation and provisioning is appropriate.

Capitalisation of computer software and development costs

Computer software and development costs have been capitalised as Intangible assets within the statement of financial position of CMOStores.Com, Total Tiles Limited and JTM Plumbing Limited. The carrying value of these intangible assets at 31 December 2021 was £965,989.

The capitalisation of software and development costs is inherently subject to a large amount of management judgement, including whether the costs meet the requirements of IAS 38 and hence this area is considered to be a key audit matter.

We performed the following procedures:

- Reviewed management's accounting policy for the capitalisation of computer software and development costs against the requirements of IAS 38 Intangible assets to ensure that the criteria for capitalisation were met
- Agreed a sample of additions during the year and costs brought forward to underlying documentation
- Ensured the related amortisation policy is appropriate in accordance with IAS 38 and has been accurately applied during the year

Based on our procedures, we did not identify any material misstatements in relation to the capitalisation of computer software and development costs or the carrying value at the year-end. We consider that accounting treatment and carrying value at the year-end is appropriate.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our audit opinion. Our overall objective as auditor is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We consider a misstatement to be material where it could reasonably be expected to influence the economic decisions of the users of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, as set out below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

We determined a materiality of £766,000 for the Group and £530,700 for the Company financial statements. Group materiality is based on 1% of Group revenue and Company materiality is based on 2% of gross assets per management accounts at the planning stage.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Performance materiality was set at 80% of materiality.

We set a level of triviality of £38,000 which is 5% of planning materiality, and any uncorrected audit differences below this level were not reported to management, unless warranted under qualitative grounds.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and the parent company's ability to continue to adopt the going concern basis of accounting included:

- Obtained and checked the logical and mathematical accuracy of the detailed cash flow forecasts prepared by management to support the going concern assumption
- Reconciled the opening forecast position to the latest management accounts
- Performed sensitivity analysis on key assumptions used in the cash flow forecasts
- Considered how the impact of the global economy and the ongoing Coronavirus pandemic has been factored into the forecasts including mitigating actions taken to reduce the impact and the timing of any resulting impacts
- Assessed disclosures in the financial statements regarding the impact of the ongoing Coronavirus pandemic and the appropriateness of preparing the financial statements of the company on the going concern basis

Independent Auditor’s Report Cont.

for the Year Ended 31 December 2021

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Strategic Report and the Directors’ Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors’ Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors’ Report.

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

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

Responsibilities of directors

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

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

Auditor’s responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent company by discussions with directors and by updating our understanding of the sector in which the group and parent company operate.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006, the AIM Rules for Companies and UK Tax legislation.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of group and parent company financial statement disclosures. We reviewed the parent company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities

This description forms part of our auditor's report.

Use of our report

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

Jamie Cassell **Senior Statutory Auditor**
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

71 Queen Victoria Street
London
EC4V 4BE

24th May 2022

Financial Statements

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2021

	Note	2021 Total £	2020 Total £
Revenue	2	**76,339,771**	**52,351,399**
Cost of Sales		(60,996,550)	(44,222,088)
Gross Profit		**15,343,221**	**8,129,311**
Administrative Expenses		(13,907,838)	(6,651,461)
Exceptional payroll expense	6	(2,938,374)	-
Costs associated with AIM listing	3	(1,765,053)	-
Operating (loss) / profit	3	**(3,268,044)**	**1,477,850**
Finance income	7	-	761
Finance expense	8	(1,153,508)	(1,868,816)
Loss before tax		**(4,421,552)**	**(390,205)**
Income tax credit / (expense)	9	65,600	(371,096)
Loss for the year		(4,355,952)	(761,301)
Other comprehensive income for the year		-	-
Total comprehensive income		(4,355,952)	(761,301)

Earnings per share		**pence**	pence
Basic	10	(7.11)	(1.49)
Diluted	10	(7.11)	(1.49)
Adjusted basic earnings per share	10	2.28	(0.71)
Adjusted diluted earnings per share	10	2.28	(0.71)

Consolidated Statement of Financial Position

as at 31 December 2021

	Note	2021 £	2020 £
ASSETS			
Non-current assets			
Property, plant and equipment	11	1,580,744	453,257
Right-of-use assets	12	337,390	582,889
Goodwill	13	19,413,122	16,859,824
Other intangible assets	14	2,691,735	1,670,036
Deferred tax assets	9	128,860	145,732
		24,151,851	19,711,738
Current assets			
Inventories	16	5,474,054	3,342,655
Trade and other receivables	17	2,942,236	1,223,206
Cash and cash equivalents	18	9,075,944	6,050,394
		17,492,234	10,616,255
Current liabilities			
Trade and other payables	19	(19,895,920)	(11,296,995)
Loans and borrowings	20	(2,839)	(392,185)
Lease liabilities	12	(311,192)	(269,125)
Current tax liabilities	9	(159,735)	(302,202)
		(20,369,686)	(12,260,507)
Net current liabilities		(2,877,452)	(1,644,252)
Non-current liabilities			
Loans and borrowings	20	(3,088,142)	(23,017,336)
Lease liabilities	12	(140,499)	(465,468)
		(3,228,641)	(23,482,804)
Net assets / liabilities		**18,045,758**	**(5,415,318)**
EQUITY			
Share capital	23	719,697	101
Share premium	24	25,873,451	-
Retained earnings	24	(8,454,138)	(5,415,419)
Share option reserve	24	419,748	-
Merger reserve	24	(513,000)	-
		18,045,758	**(5,415,318)**

The financial statements were approved and authorised for issue by the Board on 24th May 2022.

Signed on behalf of the board of directors
R Lamb, Director

The notes on pages 82 to 113 form part of these financial statements.
Company registration number: 13451589.

Company Statement of Financial Position

as at 31 December 2021

	Note	2021 £
Non-current assets		
Investments in subsidiaries	15	513,101
Current assets		
Cash and cash equivalents	18	57,192
Trade and other receivables	17	27,718,085
		27,775,277
LIABILITIES		
Current liabilities		
Trade and other payables	19	(212,656)
Loans and borrowings	20	-
		(212,656)
Net current assets		27,562,621
Non-current liabilities		
Loan and borrowings	20	(3,088,142)
		(3,088,142)
Net assets		**24,987,580**
Equity		
Share capital	23	(719,697)
Share premium	24	(25,873,451)
Share option reserve	24	(419,748)
Retained earnings brought forward	24	-
Loss for the year	24	2,025,316
		(24,897,580)

As permitted by s408 of Companies Act 2006, the company has not presented its own income statement and related notes. The company's loss for the year was £2,025,316.

The financial statements were approved and authorised for issue by the Board on 24th May 2022.

Signed on behalf of the board of directors
R Lamb, Director

The notes on pages 82 to 113 form part of these financial statements.
Company registration number: 13451589.

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2021

	Note	Share capital	Share Premium	Merger Reserve reserve	Share option	Retained earnings	Total
		£	£	£	£	£	£
Balance at 1 January 2020		**101**	**-**	**-**	**-**	**(4,654,118)**	**(4,654,017)**
Loss for the year		-	-	-	-	(761,301)	(761,301)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(761,301)**	**(761,301)**
Balance as at 31 December 2020		**101**	**-**	**-**	**-**	**(5,415,419)**	**(5,415,318)**
Balance at 1 January 2021		**101**	**-**	**-**	**-**	**(5,415,419)**	**(5,415,318)**
Loss for the year		-	-	-	-	(4,355,952)	(4,355,952)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(4,355,952)**	**(4,355,952)**
Issue of shares	23	719,596	25,873,451	-	-		26,593,047
Creation of merger reserve	24	-	-	(513,000)	-	-	(513,000)
Transfer to / from profit and loss account	24	-	-	-	(1,317,233)	1,317,233	-
Transfer to / from share option reserve	24, 29	-	-	-	1,736,981	-	1,736,981
Total for the year		**719,596**	**25,873,451**	**(513,000)**	**419,748**	(3,038,719)	(23,461,076)
Balance as at 31 December 2021		**719,697**	**25,873,451**	**(513,000)**	**419,748**	**(8,454,138)**	**(18,045,758)**

Company Statement of Changes in Equity

for the Year Ended 31 December 2021

	Note	Share capital £	Share Premium	Share option reserve £	Retained earnings	Total
Balance at 1 January 2021		-	-	-	-	-
Loss for the period		-	-	-	(2,205,316)	(2,025,316)
Issue of share capital	23	719,697	25,873,451	-	-	26,593,148
Transfer to / from share option reserve	29	-	-	419,748	-	419,748
Total comprehensive income for the period		**-**	**-**	**-**	**(2,205,316)**	**(2,205,316)**
Balance as at 31 December 2021		**719,697**	**25,873,451**	**419,748**	**(2,205,316)**	**24,987,580**

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2021

	Note	2021 Total £	2020 Total £
Cash (outflow) / inflow from operating activities	**31**	**(1,857,167)**	**3,955,876**
Cash flow from investing activities			
Payments to acquire intangible fixed assets		(603,385)	(472,036)
Payments to acquire tangible fixed assets		(90,871)	(24,594)
Cash outflow on business combination		(2,186,810)	(503,301)
Interest received		-	761
Net cash flow from investing activities		**(2,881,066)**	**(999,170)**
Cash flow from financing activities			
Receipts from issue of shares		26,179,897	-
Receipts from borrowings draw downs		3,088,142	1,282,000
Repayment of borrowings		(3,230,533)	(390,400)
Repayment of shareholder loans		(17,747,577)	-
Repayment of lease liabilities		(340,999)	(218,554)
Interest paid		(185,147)	(56,838)
Net cash flow from financing activities		**7,763,783**	**616,208**
Net increase in cash and cash equivalents		**3,025,550**	**3,572,914**
Cash and cash equivalents at 1 January		**6,050,394**	**2,477,480**
Cash and cash equivalents at 31 December		**9,075,944**	**6,050,394**

Notes to the Financial Statements

for the Year Ended 31 December 2021

1. Summary of significant accounting policies

(a) General information and basis of preparation of the financial statements

CMO Group PLC is a public company limited by shares incorporated in the United Kingdom and registered in England and Wales. The address of the registered office is given in the company information on page 102 of these financial statements.

CMO Group PLC was incorporated on 11 June 2021 and began trading on 23 June. The period to 31 December 2021 is the first period of accounts for the Company.

The principal activity of the Group is the provision of construction materials through the Group's websites, with a digital-first proposition and market-leading product choice, supported by high-quality customer service and technical expertise.

The financial statements are presented in pound sterling which is the functional currency of the Group. Monetary amounts in the financial statements are rounded to the nearest £1.

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") including standards and interpretations issued by the International Accounting Standards Board and in accordance with UK adopted international accounting standards. They have been prepared using the historical cost convention. The parent company financial statements have been prepared in accordance with Generally Accepted Accounting Practice in the UK ("UK GAAP") Financial Reporting Standard ("FRS")101.

Financial reporting standard 101 (FRS 101) disclosure exemptions

The parent company has taken advantage of the following disclosure exemptions under FRS 101:

- The requirements of International Accounting Standards ("IAS") 7 Cash Flows
- The requirements of paragraph 17 and 18A of IAS 24 Related Party Disclosures
- The requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a Group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- The requirements to disclose information relating to the entities objectives, policies and processes for managing capital (IAS 1)
- The requirement to disclose information relating to new IFRS standards which have been issued but which are not yet effective, including an assessment of the possible impact that it will have when it is adopted for the first time (IAS 8)
- The requirements to disclose certain information relating to business combinations completed during the reporting period under IFRS 3

The preparation of the financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the financial statements. If, in the future, such estimates and assumptions which are based on management's best judgement at the date of the financial statements, deviate from the actual circumstances, the original estimates and assumptions will be modified as appropriate in the year in which the circumstances change. Where necessary, the comparatives have been reclassified or extended from the previously reported results to take into account presentational changes. The Group and company financial statements are presented in sterling which is the functional currency of the company and rounded to the nearest £.

(c) Going concern

The Group operating loss of £3,268,044 (2020: profit of £1,477,850) is after costs which are considered to be outside the normal course of trading activity. These costs include: fees of £2,855,885 from the IPO in July 2021, £1,090,829 of which has been charged to the share premium account, the expected fair value of £419,748 relating to the Group's long term incentive plan, the cost of £1,317,233 relating to a fair value charge on shares granted to employees of the company and £1,631,141 gross salary bonus to cover the associated tax charges on the share issue and acquisition and other costs totalling £0.6m. Excluding these items, the Group has achieved a consolidated operating profit of £2,483,933 and a profit before tax of £1,330,425.

The directors are continuing to identify acquisitions as well as focussing on the continuation of the organic growth experienced in recent years. New acquisitions have been brought onto the Group's platforms and significant synergies are expected to be achieved over the coming year from the recent acquisitions. The directors expect continued growth in gross profits and operating profits in 2022.

The balance sheet has improved significantly following the listing in the year. Borrowings have reduced by £16,994,240 as shareholder loans were settled on listing. This wills significantly reduce the interest charges in the 2022 financial statements.

Net assets have increased by £23,461,076 year on year. The groupGroup has net current liabilities of £2,877,452 (2020: £1,644,252) at the year end, however this was expected by the directors whilst the GroupGroup continues to reinvest in growth. The directors have secured a rolling cashflow facility to support future growth plans which provides headroom to ensure that there are sufficient cash resources to enable the groupGroup to meet all liabilities as they fall due. Therefore, the directors are satisfied that it is appropriate to adopt the going concern principle when producing these financial statements.

(d) Basis of consolidation

The Group financial statements consolidate the financial statements of the company and its subsidiary undertakings drawn up to 31 December 2021. Control is achieved when the Company:

- Has the power over the investee
- Is exposed, or has rights, to variable returns from its involvement with the investee
- Has the ability to use its power to affect its returns

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

The Group owns 100% of all share capital and voting rights of subsidiary companies.

No income statement is presented for the company as permitted by section 408 of the Companies Act 2006. The company made a loss after tax for the financial year of £2,025,316 (2020: £nil).

The results of subsidiaries acquired during the year are included in the income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by the Group.

On 11 June 2021, the company acquired 100% of the share capital of CMOStores Group Limited by way of a share for share exchange. The accounting treatment in relation to the additions of CMO Group PLC as a new UK holding company of the Group fell outside the scope of IFRS 3 'Business Combinations'. The share scheme arrangement constituted a common control combination of the entities. This was as a result of all the shareholders of CMO Group PLC being issued shares in the same proportion, and the continuity of ultimate controlling parties. The directors believed that this approach presents fairly the financial performance, financial position and cash flows of the Group. The reconstructed Group was consolidated using merger accounting principles, as outlined in the Financial Reporting Standard FRS 102 (FRS), and the reconstructed Group treated as if it had always been in existence. There was no difference between the nominal value of the shares issued in the share exchange and the book value of the shares obtained.

The purchase method of accounting is used to account for business combinations that result in the acquisition of subsidiaries by the Group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measure initially at their fair values at the acquisition date. Any excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between the company and its subsidiaries, which are related parties, are eliminated in full.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

(e) New standards, amendments and interpretations

Adoption of new and revised standards

During the financial year, the Group has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

Standard	Effective date, annual period beginning on or after
Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	1 January 2021
Covid 19-Related Rent Concessions Beyond 30 June 2021 (Amendment to IFRS 16 Leases)	1 April 2021

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

Standards issued but not yet effective:

At the date of authorisation of these financial statements, the following standards and interpretations relevant to the Group and which have not been applied in these financial statements, were in issue but were not yet effective. As yet, none of these have been endorsed for use in the UK and will not be adopted until such time as endorsement is confirmed.

Standard	Effective date, annual period beginning on or after
Reference to the Conceptual Framework (Amendments to IFRS 3 Business Combinations)	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)	1 January 2022
Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets)	1 January 2022
Annual improvements 2018-2020 cycle	1 January 2022
IFRS 17 - Insurance Contracts	1 January 2023
Amendments to IFRS 17 - Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)	1 January 2023
Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)	1 January 2023
Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)	1 January 2023
Classification of Liabilities as Current or Non-Current: amendments to IAS 1	1 January 2024

The directors are evaluating the impact that these standards will have on the financial statements of the Group.

(f) Revenue recognition

Revenue relates to the sale of construction materials through the Group's websites. The performance obligations of each transaction are to deliver the goods to the customer. The majority of the goods will be distributed directly by the Group's supply partners, while some will be issued from CMO stores.

Revenue is recognised at the fair value of the consideration received or receivable net of VAT and trade discounts. Revenue is reduced for estimated customer returns, rebates and other similar allowances. Revenue is recognised at the point the product is dispatched to the customer. This is the point at which performance obligations have been completed.

It is the Group's policy to sell its products to the retail customer with a right to return within 14 days. The Group uses the expected value method to estimate the value of goods that will be returned because this method best predicts the amounts of variable consideration to which the Group will be entitled. The refund liability due to customers on return of their goods is recognised as a component of trade payables and other liabilities.

Deferred income

Sales are made through the Group's websites with payment required from the customer at point of order for the majority of customers. Revenue is recognised at the point the product is dispatched to the customer. Deferred income is recognised as a creditor where customers have paid for the goods, but they have not yet been dispatched. The amount received in advance of delivery at year end is disclosed in the trade payables note as deferred income.

(g) Foreign currency translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the end of the reporting period. All differences are taken to the statement of profit or loss and other comprehensive income.

(h) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a first in first out (FIFO) basis. Net realisable value is the amount that can be realised from the sale of the inventory in the normal course of business after allowing for the costs of realisation. An allowance is recorded for obsolescence and slow moving items.

(i) Property, plant and equipment

Property, plant and equipment are initially recorded at cost of purchase or construction and are subsequently accounted for at cost less depreciation and impairment. They are then depreciated on a straight-line basis, except for land, which is not depreciated. Estimated useful lives of major classes of depreciable assets are as follows:

Leasehold improvements	5 years
Fixtures, fittings, and equipment	4-5 years
Other property, plant, and equipment	5 years

Repairs and maintenance costs are recognised as expenses as incurred. Assets acquired under leases are depreciated over the shorter of the lease terms or their estimated useful lives.

Property, plant and equipment is reviewed annually for impairment. Any impairment identified is charged in the statement of profit or loss and other comprehensive income. The estimated useful lives, residual values, and depreciation method are reviewed at the end of each accounting period.

(j) Intangible assets – goodwill

Goodwill is recorded as an intangible asset and is the surplus of the cost of acquisition over the fair value of identifiable net assets acquired. Goodwill is reviewed annually for impairment. Any impairment identified as a result of the review is charged in the statement of profit or loss and other comprehensive income.

(k) Intangible assets - other

Intangible assets acquired separately from a business are capitalised at cost. They are subsequently accounted for at cost less depreciation and impairment.

Intangible assets acquired on business combinations are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition.

Identifiable development expenditure to develop customised software for IT system is capitalised as intangible assets, provided they meet the following recognition requirements:

- The development costs can be measured reliably
- The project is technically and commercially feasible
- The Group intends to and has sufficient resources to complete the project
- The Group has the ability to use or sell the software
- The software will generate probable future economic benefits

Costs not meeting these criteria are classified as research expenditure and are expenses as they are incurred. Directly attributable costs include employee costs incurred on software development.

Intangible assets are amortised on a straight line basis over their useful lives. The useful lives of intangible assets are as follows:

Intangible type	Useful life
Development costs	3 years
Computer software	4-5 years

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

Customer relationships	2-5 years
Trademarks	3-10 years

The estimated useful lives, residual values, and depreciation method are reviewed at the end of each accounting period. Trade names are not amortised over an expected useful life but are reviewed for impairment along with other non-financial assets.

(l) Impairment of non-financial assets

At the end of each reporting period, the company reviews the carrying amounts of its non-financial assets to determine whether there is an indication of impairment. For impairment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at the cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of a related business combination and represent the lowest level within the Group at which management monitors goodwill.

Cash-generating units to which goodwill has been allocated (determined by the Group's management as equivalent to its operating segments) are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's (or cash-generating unit's) carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use.

To determine the value-in-use, management estimate expected future cash flows from each cash-generating unit and determines a suitable discount rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect current market assessments of the time value of money and asset-specific risk factors.

Impairment losses are recognised in the Statement of Comprehensive Income. Impairment losses for cash-generating units reduce first the carrying amount of any goodwill allocated to that cash-generating unit and then reduce the carrying value of other assets. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment loss is reversed if the asset's or cash-generating unit's recoverable amount exceeds its carrying amount.

The business as a whole is considered a single cash generating unit as the business only generates income from online sales.

(m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and time, call and current balances with banks and similar institutions, which are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value. This definition is also used for the statement of cash flows.

(n) Borrowings and interest expense

All borrowings are initially recorded at the amount of proceeds received, net of transaction costs. Borrowings are subsequently carried at amortised cost with the difference between the proceeds, net of transaction costs and the amount due on redemption, being recognised as a charge to the income statement over the period of the relevant borrowing.

Interest expense is recognised on the basis of the effective interest method and is included in finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(o) Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable (other than financial assets or liabilities at fair value through profit or loss) are added to or deducted from the fair value as appropriate on initial recognition. Subsequent to initial measurement, financial assets and financial liabilities are measured as below:

Financial assets

Financial assets are subsequently classified into the following specified categories:

- Financial assets at fair value through profit or loss, including held for trading
- Fair value through other comprehensive income
- Amortised cost

The classification depends on the nature and purpose of the financial asset (i.e. the Group's business model for managing the financial assets and the contractual terms of the cash flows) and is determined at the time of initial recognition, as follows:

Financial assets are classified as at fair value through other comprehensive income if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets, and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. They are measured at amortised cost if they are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets not held at amortised cost or fair value through other comprehensive income are held at fair value through profit or loss.

At present the Group only has financial assets held at amortised cost.

Financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements.

Equity instruments are any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments are recognised at proceeds received net of issue costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss (FVTPL) or financial liabilities at amortised cost, which are subsequently measured using the effective interest method.

At present the company only has financial liabilities held at amortised cost.

The Group and Company derecognise a financial liability when its contractual obligations are discharged or cancelled or expired.

Impairment of financial assets

Trade and other receivables

The Group makes use of a simplified approach in accounting for trade and other receivables and records the loss allowance as lifetime expected credit losses. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial instrument. In calculating this, the Group uses its historical experience, external indicators, and forward-looking information to calculate the expected credit losses.

The Group assesses impairment of trade receivables on a collective basis as they possess shared credit risk characteristics based on grouping debt by days overdue.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on trade receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime expected credit losses (ECL) for trade receivables. The expected credit losses on these financial assets are estimated using factors that are specific to the debtors.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(i) Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

Information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group) Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 30 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(ii) Write-off policy

The Group writes off a financial asset when there is information indicating the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

(p) Taxes

Income taxes include all taxes based upon the taxable profits of the company. Other taxes not based on income, such as property and capital taxes, are included within operating expenses or financial expenses according to their nature.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts, in the financial statements. Deferred tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred income tax assets and liabilities are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

(q) Pensions

The Group operates a defined contribution pension scheme. Contributions to scheme are charged to the statement of profit or loss and other comprehensive income in the period to which the contributions relate. The assets of the scheme are held separately from those of the Group. The Group has no legal or constructive obligation to pay further contributions to the fund in the event that the fund does not hold sufficient assets to pay all employees the benefits relating to employee service.

(r) Provisions

Provisions are recognised where a legal or constructive obligation has been incurred which will probably lead to an outflow of resources that can be reasonably estimated. Provisions are recorded for the estimated ultimate liability that is expected to arise, taking into account the time value of money. A contingent liability is disclosed where the existence of the obligations will only be confirmed by future events or where the amount of the obligation cannot be measured with reasonable reliability.

(s) Leases

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use or the end of the lease term. The estimated useful lives of right-to-use assets are determined on the same basis as those of property. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It's remeasured when there's a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(t) Ordinary dividends

Ordinary dividends proposed by the board of directors are not recorded in the financial statements until they have been approved by the shareholders at the Annual General Meeting.

(u) Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to profit or loss over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

The fair value of the award also takes into account non-vesting conditions. These are either factors beyond the control of either party (such as a target based on an index) or factors which are within the control of one or other of the parties (such as the Company keeping the scheme open or the employee maintaining any contributions required by the scheme).

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to persons other than employees, profit or loss is charged with fair value of goods and services received.

Long-term incentive plan

The Group has a long-term incentive plan and also initiated a broader employee share ownership plan prior to year end.

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date.

The fair value determined at grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each reporting date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non-market based vesting conditions. The impact of the revision of the original estimates, if any, is recognised in the profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

(v) Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management are required to make judgements, estimates, and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historically known factors and experience and include the following:

Lease Liabilities

The Group makes judgements to estimate the incremental borrowing rate used to measure lease liabilities based on expected third party financing costs when the interest rate implicit in the lease cannot be readily determined. In addition, where considered applicable and material the Group provides for dilapidations on the leaseholds at rates it estimates as appropriate to cover the anticipated dilapidation cost over the term of the lease, these are included within the lease liability calculation. Lease liabilities totalled £451,691 at 31 December 2021 (2020: £734,591) as detailed in note 12.

Deferred tax assets

The extent of which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The forecasted taxable profits of the Group support the carrying value of the deferred tax assets. At 31 December 2021 the deferred tax assets totalled £128,860 (2020: £145,732) as detailed in note 9.

Fair value of share options issued

The directors have estimated the fair value of shares issued to employees by CMOStores Group Limited when accounting for the benefits awarded to them. This is accounted for through other reserves. The expense has been recognised in CMOStores.com Limited as it is the company of their employment. The valuation of the shares was based upon the expected trading price following the listing of CMO Group PLC on 8 July 2021, taking into account the likelihood of the listing being successful and ownership of the other shares. Please see note 29 for further detail.

Capitalisation of development costs

Labour costs incurred in developing the company's website meet the criteria of costs associated with the development of an internally generated intangible asset and are capitalised accordingly. Development costs are amortised straight line over 3 years which is estimated to be an appropriate useful economic life for a technological asset. Amounts capitalised in the year to 31 December 2021 totalled £523,888 (2020: £447,190). These are included within computer software and development costs in note 14.

Separable intangibles

Separable intangibles recognised on consolidation have been identified and valued as appropriate. Separate intangibles (as well as intangible assets that do not qualify for separate recognition, i.e. goodwill) with indefinite useful economic lives are subject to an annual impairment test to ensure that their carrying values are not overstated. Judgements are made as to which intangibles should be recognised on consolidation and estimates are made with regard to forecasted cash flows when impairment tests are performed.

The directors believe the categories of material intangibles that are identifiable in accordance with IFRS 3 are trade names, trademarks, customer relationships and website platforms. An exercise was then undertaken and value the intangible assets acquired so as to allocate the purchase consideration in excess of the net tangible assets into other intangibles and goodwill. Valuing the intangibles includes selection of appropriate valuation methodology, analysing relevant data and costs, comparisons with competitors, and identifying an appropriate useful economic life. The key metrics include costs, attrition rates, discount rates, and market comparatives.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

(v) Judgements and key sources of estimation uncertainty (continued)

Values for separable intangibles are contained within note 14.

Carrying value of goodwill, trade names, and investments in subsidiaries

The carrying value of goodwill is tested using a discounted cash flow test. The forecast is prepared using differentiated growth rate and margin assumptions. Management uses judgement to determine an appropriate discount rate based on the weighted average cost of capital. Future cash flows are estimated based on expected future performance of the business.

The carrying value of investments in subsidiaries is tested for impairment using a similar discounted cashflow method to that used to test the carrying value of goodwill.

The assumptions made on growth rates and discount rates can have a significant impact on the forecast recoverable value. Both the tests for goodwill and investments support that no impairment is required and sensitivity analysis has been completed on discount rates to support this. Further details are in note 13.

Liabilities for sales returns

The seasonality of the business means there is a little trade and very low levels of delivery after the first two weeks of December. Consumers have a 14-day right to cancellation and trade customers have none unless faulty products are supplied. This means that cancellations and returns are at their lowest at the financial year end. CMO makes comfortable provision for the movement in returns but there is clearly degree of estimation.

2. Revenue

An analysis of the company's revenue for the year, from continuing operations, is as follows:

	2021 £	2020 £
Revenue from the sale of goods	**76,339,771**	**52,351,399**

All revenue is derived from the UK. Although the business derives revenue from 6 main product groups (being roofing, insulation, drainage, doors, tiles, and plumbing) management considers these to be a single segment being online sales.

The Group has one single business segment being online retail of building products and therefore all revenue is derived from the sale of goods as stated in the principal activity. The Group does not operate different geographical segments within the UK as sales are made online and goods are shipped directly from the supply chain network in most cases.

The chief operating decision maker, who is responsible for allocating resources and assessing performance, has been identified as the management team comprising the executive directors who make strategic decisions.

3. Loss for the year

Loss for the year has been arrived at after charging (crediting):

	2021 £	2020 £
Depreciation of owned property, plant and equipment and right-of use assets	474,649	321,304
Depreciation of leased property, plant and equipment	8,871	13,420
Amortisation of intangible assets	698,161	548,473
Acquisition and other costs	635,741	55,818
LTIP	419,748	-
Wages and salaries	5,431,846	2,823,367
Social security	512,484	308,746
Cost of defined contribution scheme	144,905	63,619
Costs associated with AIM listing	1,765,053	-
Depreciation expense on right-of-use assets	245,499	157,092
Interest expense on lease liabilities	58,099	48,071

Costs associated with AIM listing include consultancy, legal and professional fees incurred in relation to the listing of CMO Group PLC on 8 July 2021.

Staff cost is detailed in note 6.

Lease expenditure is detailed in note 11.

4. Auditor's remuneration

Group	2021	2020
	£	£
Fees payable for the audit of the Parent Company and the group financial statements	33,000	8,000
Audit of the subsidiary company financial statements	85,000	40,000
	118,000	48,000
Fees payable to the company's auditor for other services:		
Taxation compliance	-	4,000
Taxation advisory	**-**	**13,500**

Company	2021	2020
	£	£
Fees payable for the audit of the Company's and the Group's financial statements	33,000	8,000

5. Directors' remuneration

	2021	2020
	£	£
Remuneration	2,516,932	597,097
Company contributions to defined contribution pension schemes	3,770	7,324
	2,520,702	**604,421**

Included within directors' payments is £1,317,233 relating to a fair value charge on shares granted to employees of the company in July 2021 (2020: £nil) and £1,223,341 gross salary bonus to cover the associated tax charges on the share issue (2020: £nil).

The remuneration of the highest paid director included above was:

	2021	2020
	£	£
Remuneration	1,186,525	118,712
Company contributions to defined contribution pension schemes	1,318	-
	1,187,844	**118,712**

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

6. Staff costs

The average monthly number of employees, including directors, during the year was as follows for the group:

	2021 Number	2020 Number
Management	16	11
Sales and administration	187	101
	203	**112**

The Company had 6 employees for the period since listing.

The aggregate payroll costs for the group (including directors' remuneration) were as follows:

	2021 £	2020 £
Wages and salaries	5,431,846	2,823,367
Social security	512,484	308,746
Exceptional payroll expense	2,938,374	-
Cost of defined contribution scheme	144,905	63,619
	9,027,609	**3,195,732**

The exceptional payroll expense includes £1,317,233 relating to a fair value charge on share options granted to employees of the company in July 2021 (2020: £nil), £1,223,341 gross salary bonus to cover the associated tax charges on the share issue (2020: £nil) and £397,800 employers national insurance staff cost (2020: £nil).

7. Finance income

	2021 £	2020 £
Interest income on bank deposits	**-**	**761**

8. Finance expense

	2021 £	2020 £
Interest on bank overdrafts and loans	185,146	129,554
Interest on lease liabilities	58,099	48,072
Interest and fees on other borrowings	910,263	1,691,190
Total interest expense	**1,153,508**	**1,868,816**

9. Income taxes

Income tax recognised in profit or loss	2021 £	2020 £
Tax expense comprises:		
Current tax (income)/expense in respect of the current year	-	-
Deferred tax (credit) /expense in respect of the current year	(65,600)	371,096
Tax receipt in the income statement	**(65,600)**	**371,096**

The tax on the loss for the year is lower (2020: lower) than the standard rate of corporation tax in the UK of 19% (2020: 20%). The differences are reconciled below:

	2021 £	2020 £
Loss before tax	4,421,552	(390,205)
Corporation tax at standard rate	(840,095)	(74,139)
Effect of expenses that are not deductible in determining taxable profit	744,327	26,488
Other movements	257,085	(27,336)
Deferred tax not recognised	(90,370)	504,765
Fixed asset differences	63,759	33,531
Deferred tax credit from unrecognised temporary differences from a prior period	(55,916)	(28,241)
Effect on deferred tax balances due to the changes in tax rates or laws	(144,390)	(63,972)
Adjustments recognised in the current year in relation to the current tax of prior years		
Income tax expense recognised in profit or loss	**(65,600)**	**(371,096)**

Deferred tax not recognised reflects £390,292 (2020: £480,664) in respect of interest that has been disallowed as a result of the corporate interest restriction and may not be available to offset against future tax charges.

Factors that may affect future tax rates

On 3 March 2021, it was announced that the main rate of corporation tax was to increase from 19% to 25% for the financial year beginning 1 April 2023. This was substantively enacted on 24 May 2021. Accordingly, this rate will be used to measure deferred tax assets / liabilities in the current and future periods.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

9. Income taxes (continued)

Current tax assets and liabilities

	2021 £	2020 £
Income tax payable	-	-
Prior year liabilities	159,735	302,202

Deferred tax balances

Deferred tax assets/(liabilities) arise from the following in the current year:

	At 1 January 2021 £	Recognised in P&L £	Other movement £	At 31 December 2021 £
Temporary differences				
Accelerated tax depreciation	(133,190)	(27,449)	48,728	(111,911)
Business combinations	-	(457,600)	-	(457,600)
Unpaid loan note interest	195,061	(195,061)	-	-
Unused tax losses and credits:				
Tax losses	83,861	614,510	-	698,371
	145,732	**(65,600)**	**48,728**	**128,860**

Deferred tax assets/(liabilities) arose from the following in the prior year.

	At 1 January 2020 £	Recognised in profit or loss £	At 31 December 2020 £
Temporary differences			
Accelerated tax depreciation	(25,358)	(107,832)	(133,190)
Business combinations	(118,932)	118,932	-
Unpaid loan note interest	614,773	(419,712)	195,061
Unused tax losses and credits:			
Tax losses	73,276	10,585	83,861
	543,759	**(398,027)**	**145,732**

The directors are confident, following the listing of group and settlement of shareholder loans, that the underlying positive EBITDA in the business will translate into taxable profits in the future years and therefore feel it's appropriate to recognise these deferred tax assets.

10. Earnings per share

The calculation of the basic and diluted earnings per share is based on the following data:

	Notes	2021 £	2020 £
Earnings			
Net profit attributable to equity holders of the parent for the purpose of basic earnings per share calculations		(4,355,952)	(761,301)
Effect of dilutive potential ordinary shares		-	-
Earnings for the purposes of diluted earnings per share		(4,355,952)	(761,301)
Add back: Exceptional payroll expense	6	2,938,374	
Add back: Costs associated with AIM listing	3	1,765,053	
Add back: Costs incurred directly related to acquisitions and share option expenses		1,048,550	397,555
Earnings		**1,396,025**	**(363,746)**
Number of shares		**'000**	**'000**
Weighted average number of ordinary shares for the purposes of basic earnings per share		61,272	51,177
Effect of dilutive potential ordinary shares		-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share		**61,272**	**51,177**

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

11. Property, plant, and equipment

	Leasehold improvements	Freehold Property	Fixtures, fittings and equipment	Motor Vehicles	Other plant, property and equipment	Assets under course of construction	Total
		£		£	£		
Cost or valuation							
At 1 January 2020	270,539	-	349,071	-	38,859	-	658,469
Additions	-	-	24,594	-		-	24,594
Acquisitions through business combinations	-	-	64,551	-	101,281	-	165,832
Balance at 1 January 2021	270,539	-	438,216	-	140,140	-	848,895
Additions	-	11,008	52,569	24,995	1,046	1,253	90,871
Disposals	-	-	-	-	-	-	-
Acquisitions through business combinations	-	1,268,792	2,243	-	3,603	-	1,274,638
Balance at 31 December 2021	**270,539**	**1,279,800**	**493,028**	**24,995**	**144,789**	**1,253**	**2,214,404**
Accumulated depreciation and impairment							
At 1 January 2020	97,468	-	108,594	-	11,944	-	218,006
Depreciation expense	68,237	-	101,624	-	7,771	-	177,632
Balance at 1 January 2021	165,705	-	210,218	-	19,715	-	395,638
Depreciation expense	68,235	4,491	127,645	3,270	34,381	-	238,022
Balance at 31 December 2021	**233,940**	**4,491**	**337,863**	**3,270**	**54,096**	**-**	**633,660**
Carrying amount							
At 31 December 2021	36,599	1,275,309	155,165	21,725	90,693	1,253	1,580,744
At 31 December 2020	104,834	-	227,998	-	120,425	-	453,257

Company

The company held no property, plant or equipment in the year.

12. Right-of-use assets

The Group leases properties. The average lease term on the properties is 3.4 years (2020: 4.4 years). There are no options to purchase at the end of the lease lives. In all cases, the lease obligations are secured by the lessor's title to the leased assets.

Set out below are the carrying amounts of right-to use assets recognised and the movements during the year:

	Properties	Total
	£	£
At 1 January 2020	436,321	436,321
Acquisition on business combination	303,660	303,660
Disposal	(177,106)	(177,106)
Depreciation disposal	177,106	177,106
Depreciation expense	(157,092)	(157,092)
At 31 December 2020	**582,889**	**582,889**
At 1 January 2021	582,889	582,889
Additions	-	-
Disposal	-	-
Acquisitions on business combination	-	-
Depreciation expense	(245,499)	(245,499)
Depreciation disposal	-	-
At 31 December 2021	**337,390**	**337,390**

Set out below are the carrying amount of lease liabilities and the movements during the year:

	2021	2020
	£	£
At 1 January	(734,591)	(567,993)
Additions	-	-
Interest expense	(58,099)	(48,071)
Payments	340,999	218,554
Acquisition on business combination	-	(337,081)
At 31 December	**(451,691)**	**(734,591)**
Current	(311,192)	(269,125)
Non-current	(140,499)	(465,468)

Amount recognised in profit and loss:	**2021**	**2020**
	£	£
Depreciation expense on right-of-use assets	245,499	157,092
Interest expense on lease liabilities	58,100	48,071

None of the Group's property leases contain variable payment terms.

At 31 December 2021 the Group has no leases classified as short term where the right-of-use asset and corresponding lease liabilities are not recognised on the statement of financial position.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

13. Goodwill

	2021	2020
	£	£
Cost		
Balance at 1 January	16,859,824	13,570,540
Additional amounts recognised from business combinations occurring during the year	2,553,298	3,289,284
Balance at 31 December	**19,413,122**	**16,859,824**
Carrying amount		
At 1 January	16,859,824	13,570,540
At 31 December	**19,413,122**	**16,859,824**

Goodwill with a carrying amount of £19,413,122 (2020 - £16,859,824) has an indefinite useful economic life. Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating unit (CGU) that is expected to benefit from that business combination. Management has identified three CGU's operating within the single operating segment and goodwill is allocated to those CGU's as follows.

The carrying value of goodwill has been allocated to CGU's as follows:	2021	2020
	£	£
CMOstores	13,570,540	13,570,540
Total Tiles	3,289,284	3,289,284
JTM Plumbing	2,553,298	-
Balance at 31 December	**19,413,122**	**16,859,824**

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The Group acquired JTM Plumbing Limited on 1 October 2021, creating £2,553,298 of Goodwill. The acquisition adds further capability towards the Group strategic goal of providing everything you need to build and improve a home and cost and sales synergies.

The directors have assessed the trading of the Group at the balance sheet date and subsequently to the date of signing these accounts and they have not witnessed a material adverse trading of the Group since 1 January 2022.

Details of this review are contained within the accounting policies of these accounts.

Goodwill impairment tests

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill. The recoverable amount of the CGU is determined from value in use calculations and the review performed assesses whether the carrying value of goodwill is supported by the net present value (NPV) of projected cash flows derived from its underlying assets.

The key assumptions for the value in use calculations for all three CGUs are those regarding discount rates, growth and expected changes to selling prices, and direct costs during the period. Management uses a discount rate of 10%, being a prudent approximate weighted average cost of capital (WACC). The growth rates are based on a combination of historical performance, maturity of product groups and expectations on new product performance. Changes in selling prices and direct costs (and hence margin) are based on past practices and expectations of future changes in the market. The goodwill impairment has been tested using figures in line with market expected Group growth rates for 2022 and 2023 and then no further growth past 2023.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years using growth rates described above. The rate used to discount the forecast cash flows for each of the three CGU's is 10% (2020 – 10%). Management has performed a sensitivity analysis and has noted that, should the discount rate increase, only at the point where it reaches 33% (2020 - 17%) would the NPV fall short of the net assets at the balance sheet date. The Group has conducted an analysis of the sensitivity of the impairment test to changes in the growth assumptions used to determine the recoverable amount for each of the group CGUs to which goodwill is allocated. The directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of goodwill is based, would not cause the aggregate carrying amount to exceed the aggregate carrying amount to exceed the aggregate recoverable amount in the CGU.

The directors concluded that the carrying value of goodwill does not exceed the NPV of its projected cash flows.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

14. Other intangible assets

	Trade names £	Customer relationships £	Computer software and development costs £	Total £
Cost				
Balance at 1 January 2020	351,712	1,241,000	1,163,607	2,756,319
Additions	-	-	472,036	472,036
Acquired through business combinations	262,000	164,000	176,000	602,000
Disposals	-	-	(57,483)	(57,483)
Balance at 1 January 2021	**613,712**	**1,405,000**	**1,754,160**	**3,772,872**
Additions	-	-	603,385	603,385
Acquired through business combinations	62,000	1,052,000	2,475	1,116,475
Disposals	-	-	-	-
Transfers	-	-	-	-
Balance at 31 December 2021	**675,712**	**2,457,000**	**2,360,020**	**5,492,732**
Accumulated amortisation and impairment				
Balance at 1 January 2020	-	1,092,361	462,002	1,554,363
Amortisation expense	-	148,639	399,834	548,473
Balance at 1 January 2021	**-**	**1,241,000**	**861,836**	**2,102,836**
Amortisation expense	31,366	134,600	532,195	698,161
Balance at 31 December 2021	**31,366**	**1,375,600**	**1,394,031**	**2,800,997**
Carried forward at 31 December 2021	644,346	1,081,400	965,989	2,691,735
Carried forward at 31 December 2020	613,712	164,000	892,324	1,670,036

Other intangible assets with indefinite useful economic lives

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of other intangible assets with indefinite useful economic life.

Trade names with a carrying amount of £351,712 (2020 - £351,712) have an indefinite useful economic life. These asset values reflect the fair value at acquisition. Management consider these trade names have attained recognition in the marketplace and the Group will to continue to operate under these trade names, which will play a role in developing and sustaining customer relationships for the foreseeable future. As such, the directors consider the useful economic life of these trade names to be indefinite and have been tested for impairment. The key assumptions for the value in use calculations are those regarding discount rates, growth and expected changes to selling prices, and direct costs during the period. Management uses a discount rate of 10%, being a prudent approximate weighted average cost of capital (WACC). The growth rates are based on a combination of historical performance, maturity of product groups and expectations on new product performance. Changes in selling prices and direct costs (and hence margin) are based on past practices and expectations of future changes in the market. The goodwill impairment has been tested using figures in line with market expected Group growth rates for 2022 and 2023 and then no further growth past 2023.

Subsequent trade names acquired through business combinations have finite useful economic lives. The directors consider these to be between 3-10 years and the trade names are amortised over this period.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

15. Investments

Group subsidiaries

Details of the group subsidiaries as at 31 December 2020 are as follows:

Name of subsidiary	Principal activity	Registered office	Proportion of ownership interest and voting rights held 2021	2020
CMOStores Group Limited	Intermediate holding company	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%	100%
CMOStores Holdings Limited	Intermediate holding company	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%	100%
Total Tiles Limited	The retail of tiles	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%	100%
JTM Plumbing Limited	Retail of plumbing equipment	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%	-
CMOStores.com Limited	The retail of roofing, drainage and isulation supplies	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%	100%

CMOStores Group Limited is a direct investment of the parent company. All other subsidiaries are indirect holdings.

JTM Plumbing Limited was acquired by CMOStores Group Limited on 1 October 2021 as explained in note 28.

Company investment in subsidiary.

	2021 £
Cost	
At 1 January	-
Additions	513,101
Carrying value	
At 31 December	513,101

16. Inventories

	Group 2021 £	Group 2020 £	Company 2021 £
Goods held for resale	**5,474,054**	**3,342,655**	**-**

The cost of group inventories recognised as an expense in the year amounted to £54,058,382 (2020: £40,009,099). This is included in cost of sales.

The carrying value of inventories are stated net of impairment losses totalling £492,717 (2020: £73,972).

17. Trade and other receivables

	Group 2021 £	Group 2020 £	Company 2021 £
Trade receivables	621,630	300,774	-
Allowance for impairment	(90,130)	(55,168)	-
	531,500	245,606	
Other receivables	1,600,898	826,366	9,245
Amounts owed from Group undertakings	-	-	27,283,326
Prepayments and accrued income	809,838	151,234	425,514
Total	**2,942,236**	**1,223,206**	**27,718,085**

The directors consider the carrying amount of trade and other receivables approximates their fair value. The group's exposure to credit risk relating to trade and other receivables is disclosed in the financial risk management and impairment note.

The Group's trade receivables have provisions for credit losses and impairment and are aged as follows:

CMOStores.com Limited

A provision for credit loss and impairment of £90,130 (2020: £55,167) has been set against trade receivables. The amount of receivables past due but not impaired at the balance sheet date was £16,252 (2020: £4,317).

The receivables are aged as follows: debt aged 30 days and over 22% and those up to 29 days 78%.

Total Tiles Limited

A provision for credit loss and impairment of £nil (2020: £nil) has been set against trade receivables. The amount of receivables past due but not impaired at the balance sheet date was £5,644 (2020: £516).

The receivables are aged as follows: debt aged 30 days and over 32% and those up to 29 days 3%.

JTM Plumbing Limited

A provision for credit loss and impairment of £nil (2020: £nil) has been set against trade receivables. The amount of receivables past due but not impaired at the balance sheet date was £nil (2020: £931).

The receivables are aged as follows: debt aged 30 days and over 2% and those up to 29 days 98%.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

18. Cash and Cash equivalents

For the purposes of the statement of cash flows, cash, and cash equivalents include cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Group 2021 £	Group 2020 £	Company 2021 £
Cash and bank balances	9,075,944	6,050,394	57,192
	9,075,944	**6,050,394**	**57,192**

19. Trade and other payables

	Group 2021 £	Group 2020 £	Company 2021 £
Trade payables	10,960,914	7,954,446	23,088
Amounts due to group undertakings	-	-	-
Deferred consideration	5,490,944	-	-
Accrued expenses	887,079	534,174	189,568
Deferred income	1,710,447	1,669,395	-
Social security and other taxes	824,818	918,841	-
Other payables	21,718	220,139	-
	19,895,920	**11,296,995**	**212,656**

The directors consider the carrying amount of trade and other payables approximates their fair value.

The Group's exposure to credit risk relating to trade and other payables is disclosed in the financial risk management and impairment note.

Deferred income represents the cash on deposit from customers awaiting delivery of goods purchased.

20. Loans, Borrowings and Other Payables

	Group 31 December 2021	Group 31 December 2020 £	Company 31 December 2021 £	Company 31 December 2020 £
Non-current				
Deferred consideration	-	2,934,954	-	-
Bank borrowings	3,088,142	2,840,133	3,088,142	-
Hire purchase contracts	-	2,374	-	-
Shareholder loan notes	-	17,239,875	-	-
	3,088,142	**23,017,336**	**3,088,142**	**-**
Non-current				
Other payables	-	-	-	-
Bank borrowings	-	390,400	-	-
Hire purchase contracts	2,839	1,785	-	-
Other borrowings	-	-	-	-
	2,839	**392,185**	**-**	**-**

The directors consider the value of all financial liabilities to be equivalent to their fair value

Bank loans

The Group and Company have drawn down from a RCF Acquisition Facility of £6,000,000. Under this facility the amount available reduces by £250,000 a quarter from two years after the date of draw down, this being September 2023. This facility is denominated in pounds sterling with a nominal interest rate of 3.85% plus Bank of England base rate, and with the final instalment due on 30 September 2027. The carrying amount at the year end is £3,088,142 (2020: £nil).

Bank and other loans at 31 December 2020 were held in the Company's immediate subsidiary CMOstores Group Limited settled upon the AIM listing of CMO Group PLC on 8 July 2021.

Facility A loan was denominated in pounds sterling with a nominal interest rate of 3.45% plus LIBOR, and with the final instalment due on 31 March 2022. The carrying amount at year end is £nil (2020 - £500,533).

Facility B loan was denominated in pounds sterling with a nominal interest rate of 3.95% plus LIBOR, and with the final instalment due on 31 March 2022. The carrying amount at year end is £nil (2020 - £1,480,000).

Facility C loan was denominated in pounds sterling with a nominal interest rate of 4.45% plus LIBOR, and with the final instalment due on 31 March 2022. The carrying amount at year end is £nil (2020 - £1,250,000).

These facilities were secured by fixed charge over key-person life assurance policies in relation to certain directors.

Bank arrangement fees of £160,000 relating to the acquisition of CMOstores.com Limited were capitalised in bank borrowings in 2017 and were amortised over the term of the facilities. Amortisation of £31,000 (2020 - £32,000) has been charged to interest cost in the year. The remainder of the balance was cleared upon the listing of CMO Group PLC and 8 July 2021.

Other loans

Other borrowings, relating to loan notes, with a carrying amount of £nil (2020 - £17,239,875) were denominated in pounds sterling with nominal interest rates between 6% and 10%.

The loan notes were secured by fixed and floating charge over all of the company's assets. The loans and borrowings classified as financial instruments are disclosed in the financial instruments note.

The Group's exposure to liquidity and cash flow risk in respect of loans and borrowings is disclosed in the financial risk management and impairment note.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

21. Other Lease liabilities

Group

Disclosures relating to right-of-use asset liabilities are given in note 11.

Leases

	2021 £	2020 £
Current	2,839	1,785
Non-current	-	2,374
	2,839	**4,159**

	2021 £	2020 £
Maturity analysis Not later than one year	2,839	1,785
Later than one year and not more than five years	-	2,374
	2,839	**4,159**

The average effective interest rate for the lease liabilities in the year was 4.5% (2020 – 4.5%).

22. Retirement benefit plans

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plans are held separately from those of the Group in funds under the control of trustees. The total expense recognised in the statement of profit or loss and other comprehensive income of £144,905 (2020 - £63,619) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As the end of the year £9,882 (2020: £8,540) contributions were payable to the scheme and are included in creditors.

23. Share capital

	31 December 2021 No.	£
Ordinary shares of £0.01 each	71,969,697	719,697

During the year, the following shares were issued:

Date	Class	No	£
11 June 2021	Ordinary shares of £0.01	5,000,000	50,000
01 July 2021	Ordinary shares of £0.01	46,310,056	463,101
08 July 2021	Ordinary shares of £0.01	20,659,641	206,596
		71,969,697	**719,697**

£1.32 per share was paid for shares issued on 8 July 2021. All other issues were at par value.

Shares issued on 11 June 2021 and 1 July 2021 were issued as part of a shares for share exchange with the shareholders of CMOStores Group Limited.

24. Reserves

Share premium reserve

The share premium account includes any premiums received on the issue of share capital net of commissions payable on listing of £1,090,829.

Merger reserve

The merger reserve reflects the difference between the investment in subsidiaries recognised in CMO Group PLC and the share equity of CMOstores Group Limited at the point of the share for share issue on 1 July 2021.

Share option reserve

The share option reserve contains the fair value expense on share options issued to company employees recharged to other group companies. Upon vesting of the options, the reserve clears to retained earnings.

The share option reserve also contains the fair value of share options granted under the Group's Long-Term Incentive Plan.

Retained earnings

This reserve contains all current and prior year accumulated profits and losses.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2021

25. Financial instruments

	Group 2021 £	Group 2020 £	Company 2021 £
Financial assets			
Cash and cash equivalents	9,075,944	6,050,394	57,192
Trade and other receivables	2,132,398	1,071,972	9,245
	11,208,342	**7,122,366**	**66,437**
Financial liabilities			
Trade and other payables	17,360,655	8,907,995	212,656
Borrowings	2,839	23,409,521	-
	17,363,494	**32,317,516**	**212,656**
Categorisation			
Financial assets that are debt instruments measured at amortised cost	2,132,398	1,071,972	9,245
Financial assets that are cash and cash equivalents	9,075,944	6,050,394	57,192
Financial liabilities measured at amortised cost	**17,363,494**	**32,317,516**	**212,656**

The directors consider the value of borrowings to be equivalent to their fair value

26. Financial risk management and impairment of financial assets

Group

The Group considers the major financial risks of the business to be linked to liquidity and cyclical changes in the economy. The Group mitigates these risks by carefully managing cash, stock, and debt levels through forecasting and budgeting. The Group also maintains close contact with its funders keeping them informed of developments and changes within the business. The experience of management enables the Group and Company to respond to changes in the economy and to adapt their strategy accordingly.

Credit risk

The Group's principal financial assets are cash balances and trade and other receivables. As a result of the focus on trade, the Group offers limited credit to customers who meet certain criteria relating to their size, liquidity, and potential for repeat business. At the end of 2021 the debtor balance was significantly less than the cash on deposit from customers awaiting delivery.

Trade receivables: The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped on the days past due. The Group has only offered trade credit since 1 October 2019 and so expected losses are based on the payment profile since that date. Trade receivables are written off (i.e. derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements are considered indicators of no reasonable expectation of recovery. At 31 December 2021 and 31 December 2020, no expected credit losses were identified.

Liquidity risk

The Group is in a net current liability position. The Group maintains a programme of cash management that is designed to ensure that adequate funds are available for operations and planned expansions. The Group also maintains and good and open relationship with its bank. Due to the nature of the business and the credit terms agreed with suppliers, the Group is able to operate in a net current liabilities position.

As at 31 December 2021, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-Current	
	Within 6 months £	6 to 12 months £	1 to 5 years £	Later than 5 years £
Financial liabilities				
Bank loans	-	-	588,142	2,500,000
Other borrowings	-	-	-	-
Lease obligations	1,420	1,419	-	-
Right-of-use asset obligations	153,518	157,674	140,499	-
Trade and other payables	20,297,655	-	-	-
	20,452,593	**159,093**	**728,641**	**2,500,000**

This compares to the maturity of the Group's non-derivative financial liabilities in the previous reporting period as follows:

Financial liabilities				
Bank loans	257,409	255,040	2,852,124	-
Other borrowings	-	-	21,067,954	-
Lease obligations	1,001	1,001	2,683	-
Right-of-use asset obligations	1,254,154	157,288	542,775	-
Trade and other payables	11,296,995	-	-	-
	12,809,559	**413,329**	**24,465,536**	**-**

Cash flow risk

Cash flow risk is the risk of exposure to variability in cash flows such as fluctuations in future interest payments on a variable rate. The Group has bank borrowings of £3.1m (2020: £3.2m), subject to variable interest rates. Management consider that the Group has sufficient funds to pay interest due.

The Group is subject to banking covenants whereby total debt must not exceed rolling 12-month operating EBITDA pre-exceptional costs by a factor which declines over time and at 31 December 2021 was 3.5 and, subject to a de minimis cash balance, must maintain debt cover whereby rolling 12 month CFADS (cash flow available for debt service) is at least 1 times the rolling 12 month debt servicing cost.

Market risk

The Group is exposed to market risk through its use of financial instruments and specifically to interest rate risk, which results from its financing activities.

Interest rate risk

The Group's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer term borrowings are therefore usually at fixed rates. At 31 December 2021, the Group is exposed to changes in market interest rates through bank borrowings at variable interest rates. Other borrowings are at fixed interest rates.

The following table illustrates the sensitivity of profit to a reasonably possible change in interest rates of +/- 0.5% (2020: +/- 0.5%). These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on a change in the average market interest rate for each period and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Profit for the year

	+0.5%	-0.5%
31 December 2021	(13,558)	13,558
31 December 2020	(16,153)	16,153

Capital risk management

The Group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The capital structure of the Group consists of net debt (borrowings disclosed in note 19 after deducting cash and bank balances) and equity of the Group (comprising capital, reserves and retained earnings). The Group is not subject to externally imposed capital requirements.

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27. Related party transactions

Key management personnel

The directors do not consider any employees other than statutory directors, whose remuneration is disclosed in note 5, to be key management personnel.

Transactions with directors

At 31 December 2020, 3 directors held loan notes with the group and company with a value of £90,966. These balances have been cleared during 2021. This is recognised within other borrowings and explained further in note 20. These loan notes had a nominal interest rate of 10%. At 31 December 2020 the amounts due to these related parties totalled £127,626.

At 31 December 2020, 1 non-executive director held loan notes with the group and company of 648,956. This balance was cleared during 2021. This is recognised within other borrowings and explained further in note 20. These loan notes had a nominal interest rate of between 6% and 10%. At 31 December 2020, the amounts due to this related party totalled £883,108.

Summary of transactions with previous controlling party

The previous ultimate controlling party holds loan notes with the group and company of £nil (2020 - £8,649,940). This is recognised within other borrowings and explained further in note 20. These loan notes had a nominal interest of 10%. At 31 December 2021, the amounts due to this related party totalled £nil (2020 - £12,260,767).

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28. Business combinations

On 1 October 2021, the Group acquired 100% of the equity instruments of JTM Plumbing Limited, a UK based business, thereby obtaining control to expand the product offerings. For the period 1 January to 30 September 2021, JTM Plumbing Limited, generated revenue of £5,362,275 and profit after tax of £356,543, these results were accounted for in accordance with FRS102.

For the 3-month period to 31 December 2021, the subsidiary generated revenue of £1,694,636 and incurred a profit after tax of £177,913. Had JTM Plumbing Limited been consolidated from 1 January 2021, the consolidated statement of comprehensive income would have included revenue of £7,056,911 and profit of £534,456.

	Asset carrying values £	Fair value adjustment on transition to IFRS £	£
Fair value of consideration transferred			
Amounts settled in cash			3,000,000
Fair value of deferred consideration			2,555,990
Total Consideration			**5,555,990**
Recognised amounts of identifiable net assets			
Property, plant and equipment	1,277,382	-	1,277,382
Intangible assets	2,663	1,114,000	1,116,663
Total non-current assets	**1,280,045**	**1,114,000**	**2,394,045**
Inventories	743,900	-	743,900
Trade and other receivables	223,648	-	223,648
Cash and cash equivalents	813,190	-	813,190
Total current assets	**1,780,738**	**-**	**1,780,738**
Trade and other payables	989,619	-	989,619
Amounts falling due after more than one year	100,000	-	100,000
Deferred tax provision	82,472	-	82,472
Total liabilities	**1,172,091**	**-**	**1,172,091**
Net assets acquired	**1,888,692**	**1,114,000**	**3,002,692**
Goodwill			**2,553,298**

Consideration transferred

The purchase agreement included a payment on completion and an element of deferred consideration based on both the target net asset value and an earn out. The agreement includes an adjustment to the deferred consideration calculated based upon the net current assets of JTM Plumbing Limited at 30 September 2021. The deferred consideration is payable in instalments. The first instalment is payable on agreement of the new asset position as set out in the draft accounts for JTM Plumbing Limited for the period to 30 September 2021. The second instalment is payable 90 days after the first anniversary of completion with no qualifying criteria. The third instalment is based on achieving a target earn out and is payable on agreement of achievement of the earnout out on or before 120 days after 30 September 2022. The directors consider the fair value of the deferred consideration to be the equivalent to the carrying value.

29. Share based payments

Grant of shares

On 8 July 2021 279 shares in the immediate subsidiary company, CMOStores Group Limited were issued to directors of CMOStores.com Limited in recognition of past service to the Company on a discretionary basis.

The 279 shares were granted and exercised at price of £nil each.

The share awards have been valued according to their market value. The valuation of the shares was based upon the expected trading price following the listing of CMO Group PLC on 8 July 2021, taking into account the likelihood of the listing being successful and ownership of the other shares. This has resulted in a fair value charge of £1,317,233, which is payable to CMOStores Group Limited.

The fair value was calculated based upon the expected enterprise value of the group on listing with guidance from consultants. A deduction was made to the recognise the risks associated with the listing not completing. The fair value represents the increased percentage shareholding of those issued shares.

This is a related party transaction. The fair value of the shares that were issued to directors is set out in the Director's Remuneration note 5.

Long-term incentive plan

The company has put in place a long term incentive plan ("LTIP") where shares are issued based on meeting share value and EBITDA performance conditions. The performance conditions are split with 50% related to growth in the Group's share price above the £1.32 per share value at listing and 50% based on EBITDA growth compared to expectations. The calculated fair value of the shares for the year was £419,748 (2020: £nil) and has been posted to the share option reserve. The fair value has been calculated by reference to the extent to which the performance conditions have been satisfied in the reporting period and the estimated market value of the share awards for all members of the LTIP at the date of exercise with the total charge to the share option reserve spread evenly over the 3 year vesting period.

Employee share ownership plan

An additional share ownership plan was initiated on 14 December 2021. The shares can be purchased by employees based upon the share value at the start of the scheme at the end of a 3-year vesting period. The fair value of these options is considered to be immaterial by the directors given the proximity of the start of the scheme to the year-end; the 3-year vesting period and exercise price.

30. Control

There is no ultimate controlling party of CMO Group PLC.

31. Reconciliation of profit to cash flow from operating activities

	2021 £	2020 £
Loss for the year	(4,355,952)	(761,301)
Finance income	-	(761)
Finance costs	1,153,508	1,868,816
Tax (credit) / expense on loss on ordinary activities	(65,600)	371,096
Operating (loss) / profit	**(3,268,044)**	**1,477,850**
Depreciation and impairment of property, plant and equipment and right of use assets	483,520	334,724
Loss on disposal of property, plant and equipment and right of use assets	-	-
Amortisation and impairment of intangible fixed assets	698,161	548,473
Share based payment charges	1,317,233	
Loss on disposal of intangible fixed assets	-	-
(Increase) in inventories	(1,387,499)	(3,958)
(Increase) in trade and other receivables	(1,495,382)	(27,466)
Increase in trade and other payables	1,794,844	1,626,253
Cash (outflow)/ inflow from operating activities per Statement of Cash Flows	**(1,857,167)**	**3,955,876**

32. Changes in liabilities arising from financing activities

Non-cash changes

	At 1 January 2021 £	Financing cash flows £	Interest £	New leases £	Reclass £	At 31 December 2021 £
Long-term borrowings	20,080,008	(18,075,114)	1,083,248	-	-	3,088,142
Short-term borrowings	390,400	(390,400)	-	-	-	-
Lease liabilities	4,159	(1,320)	-	-	-	2,839
Right-of-use asset liabilities	734,591	(340,999)	58,099	-	-	451,691
Total liabilities from financing activities	**21,209,158**	**(18,807,833)**	**1,141,347**	**-**	**-**	**3,542,672**

Non-cash changes

	At 1 January 2020 £	Financing cash flows £	Interest £	New leases £	Reclass £	At 31 December 2020 £
Long-term borrowings	17,775,843	1,282,000	1,412,565	-	(390,400)	20,080,008
Short-term borrowings	390,400	(390,400)	-	-	390,400	390,400
Lease liabilities	15,741	(11,582)	-	-	-	4,159
Right-of-use asset liabilities	567,993	(218,554)	48,071	337,081	-	734,591
Total liabilities from financing activities	**18,749,977**	**661,464**	**1,460,636**	**337,081**	**-**	**21,209,158**

33. Post balance sheet event

There are no post balance sheet events to disclose.

Good builds start here™

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