Annual Report for year ending 31 December 2023

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

The Group is disrupting a £29 billion predominantly offline market with a digital first proposition through the widest range, specialist expertise, and helpful customer solutions.

CMO has created category authority by offering market-leading ranges listing over 130,000 products through its specialist websites: buildingsuperstore.co.uk, doorsuperstore.co.uk, drainagesuperstore.co.uk, goodbuilds.co.uk, insulationsuperstore.co.uk, landscapingsuperstore.co.uk, plumbingsuperstore.co.uk, roofingsuperstore.co.uk, tilesuperstore.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 and in Europe. Its business model is asset light with most products drop-shipped directly from the manufacturers to its customers.

CMO will be the destination of choice for anyone building or improving homes in the UK.

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Independent Non-Executive Chair

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Dean Murray
Chief Executive Officer

Company registration number: 13451589

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CMO at a glance

2023 performance update

Revenue reduced to

£71.5m **down 14%**

from previous year

2022: £83.1m

Gross Margins

£14.9m **down 9%**

2022: £16.5m

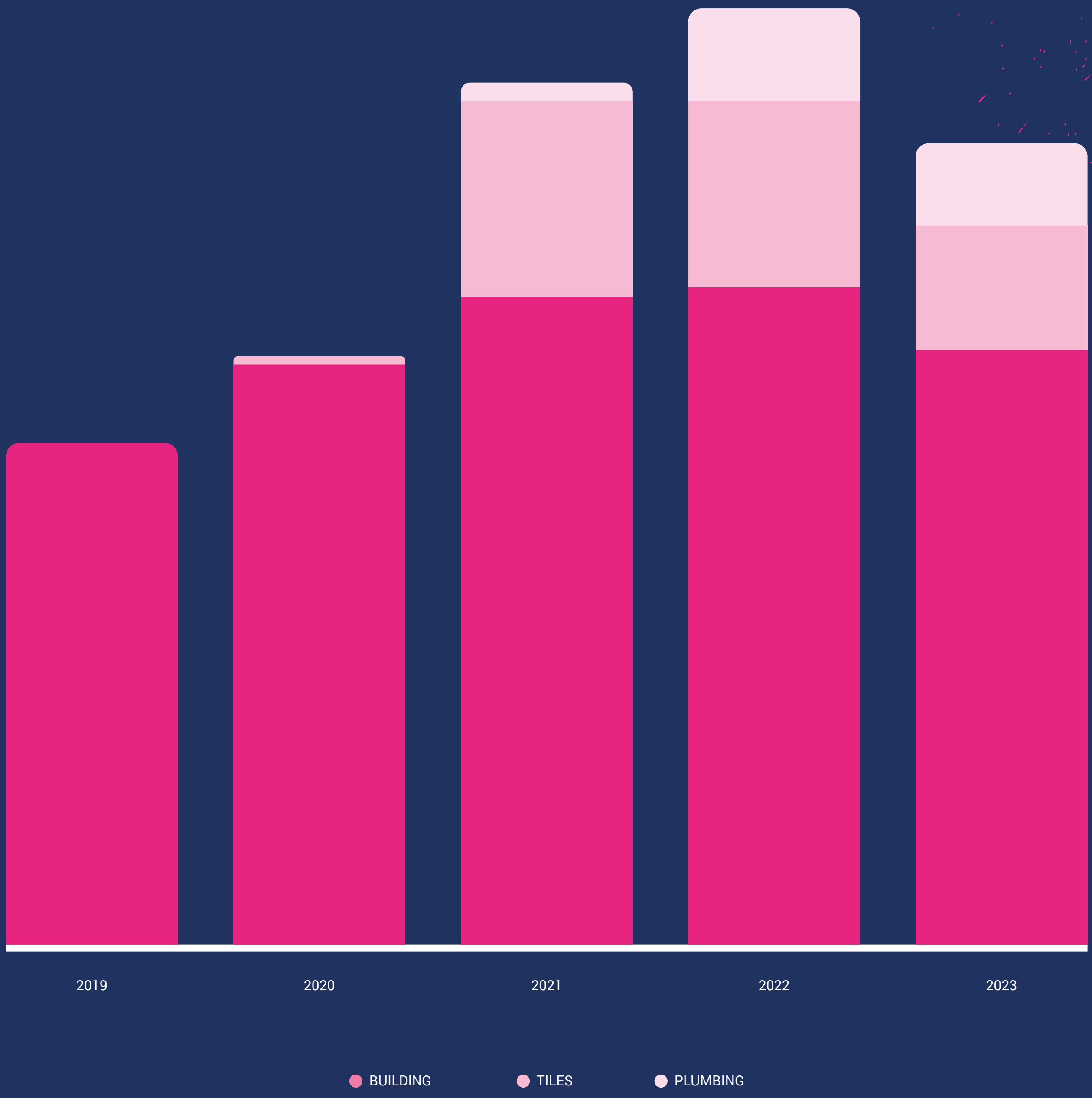
Adjusted EBITDA*

£0.9m **down 57%**

2022: £2.1m

*Adjusted EBITDA is defined earnings before interest, tax, depreciation and amortisation, foreign exchange, share option expense, and other costs as defined by management, as detailed in the Chief Financial Officer Review on page 49 of these financial statements.

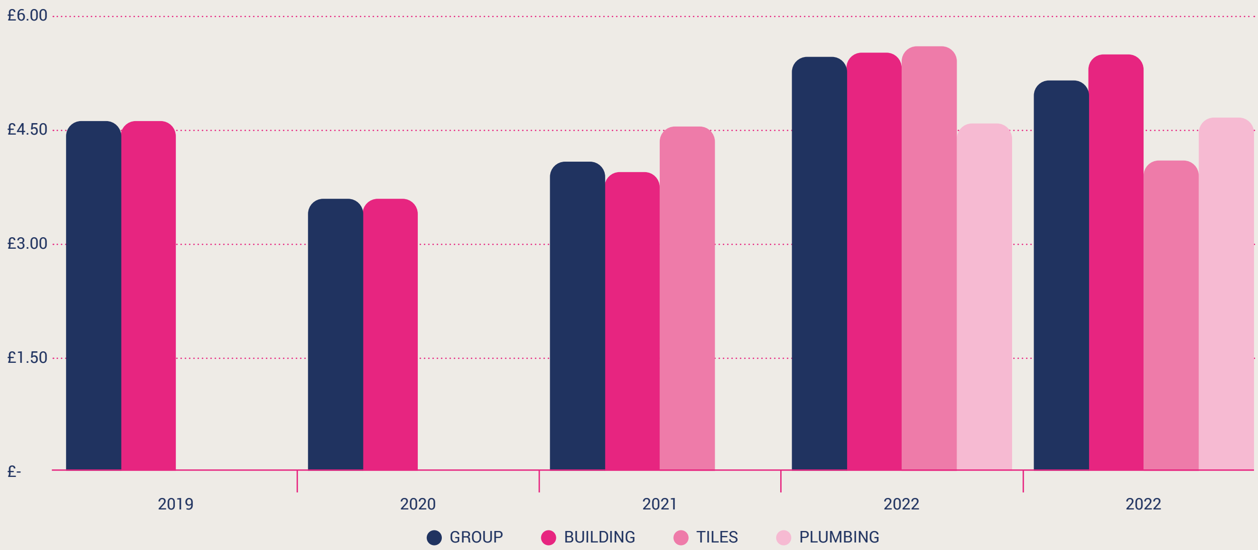
Year-on-year revenue



CMO at a glance

2023 performance update and our market Cont.

Revenue per session

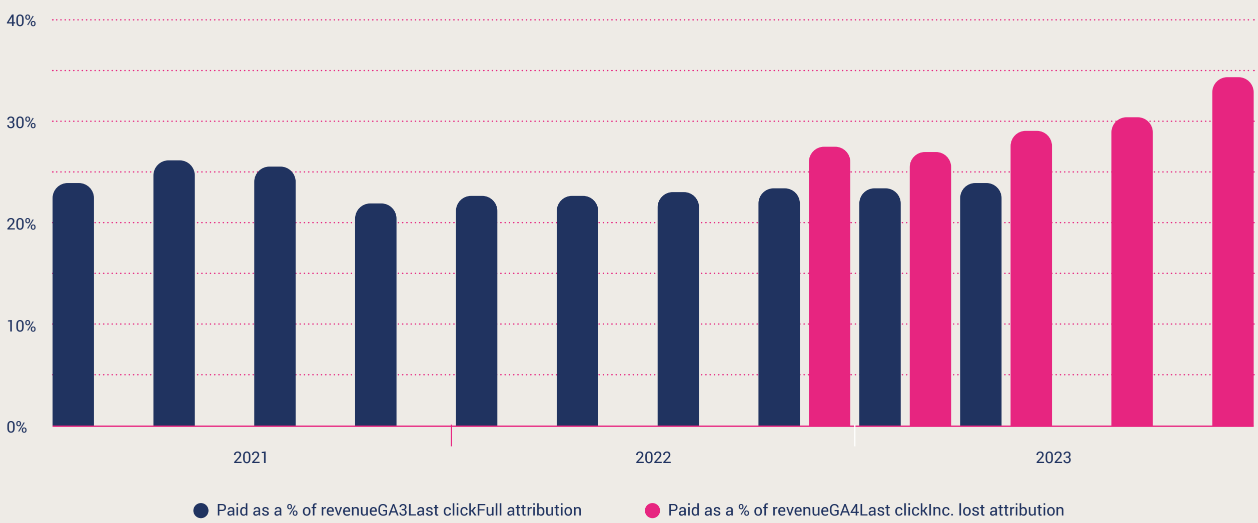


Revenue per session as a measure of overall eCommerce performance has decreased 5% at the Group level year-on-year. Building has remained flat YoY and Plumbing has grown 1%.

With cost-of-living challenges impacting consumer confidence, there was a general decline on Average Order Value (AOV) primarily from new customers with AOV declining 22% compared to 2022. Encouragingly AOV from repeat customers remained flat YoY and was worth 54% more than new customers baskets.

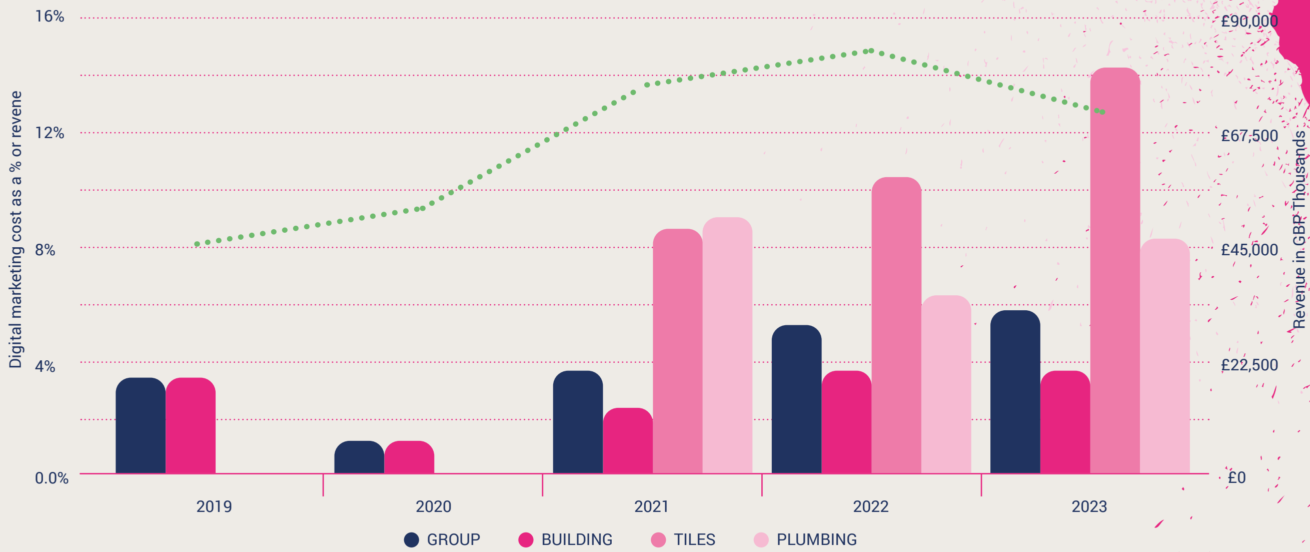
At the Group level Conversion Rate (CVR) was flat YoY. When looking at sales excluding the contribution from Tiles, orders were up 10% YoY.

Customer aquisition***



There has been an uplift in contribution from paid activity.

Digital marketing cost



The trend on digital marketing spend in the BUILDING segment remains particularly efficient and demonstrates the strength of the marketing model as the store propositions mature. The brand consolidation in H1 2023 of JTM Plumbing into PLUMBING SUPERSTORE constitutes some of the YoY uplift, along with penetration into the higher margin consumer facing Bathroom category.

TILES has seen an increase in digital marketing spend due to market forces driving up Cost Per Clicks (CPCs) in a declining market. The overall cost of marketing to revenue remains economic and in line with expectations.

Marketable database grew

18%

FY 2023 Vs 2022 and at the full year sat at 297,711 subscribers. By comparison the database grew by 13% in 2022.**

30% growth in revenue from repeat customer****

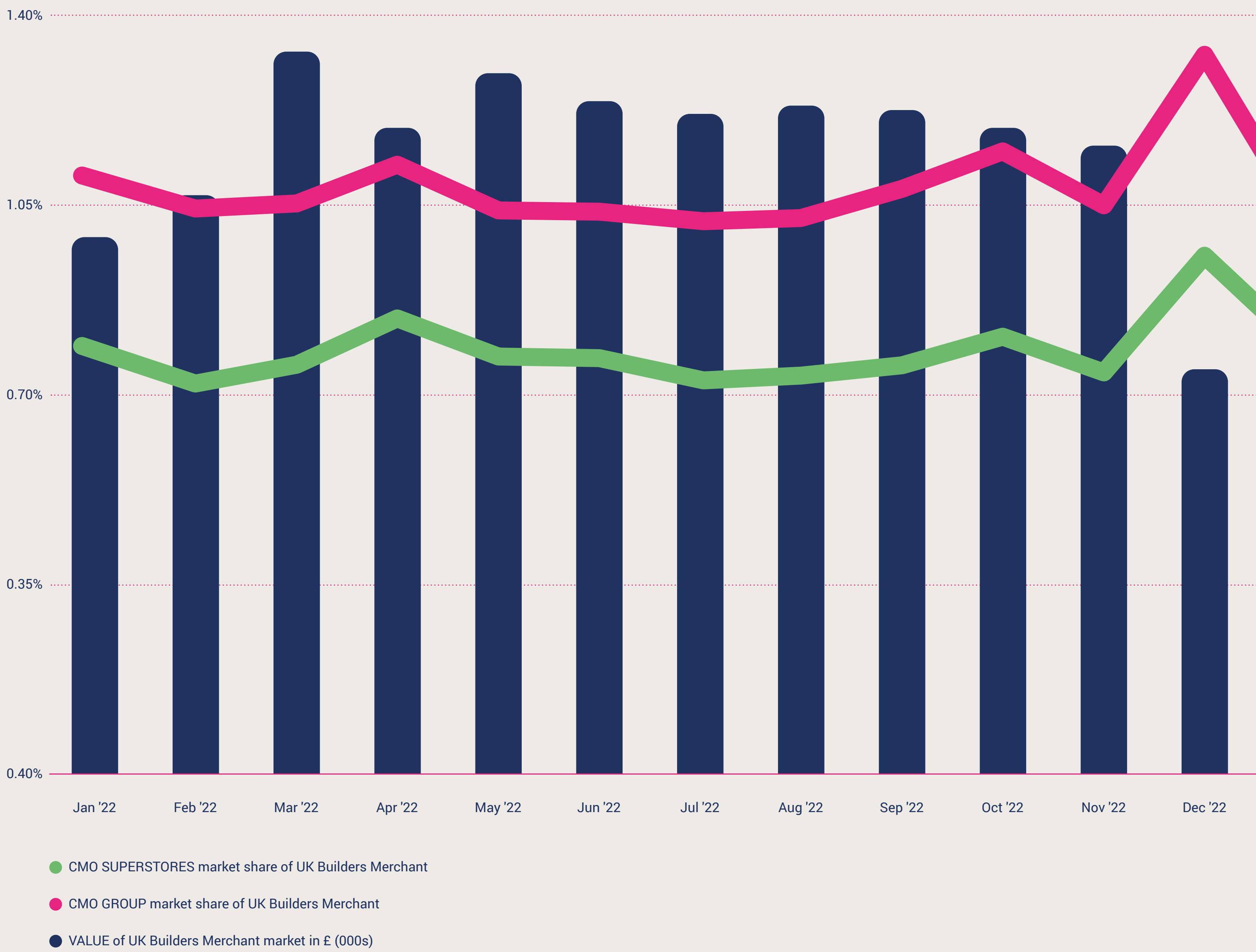
Repeat customers accounted for 54% of orders and 65% of revenue. This is up from 2022 where repeat customers accounted for 46% of orders and 50% or revenue.

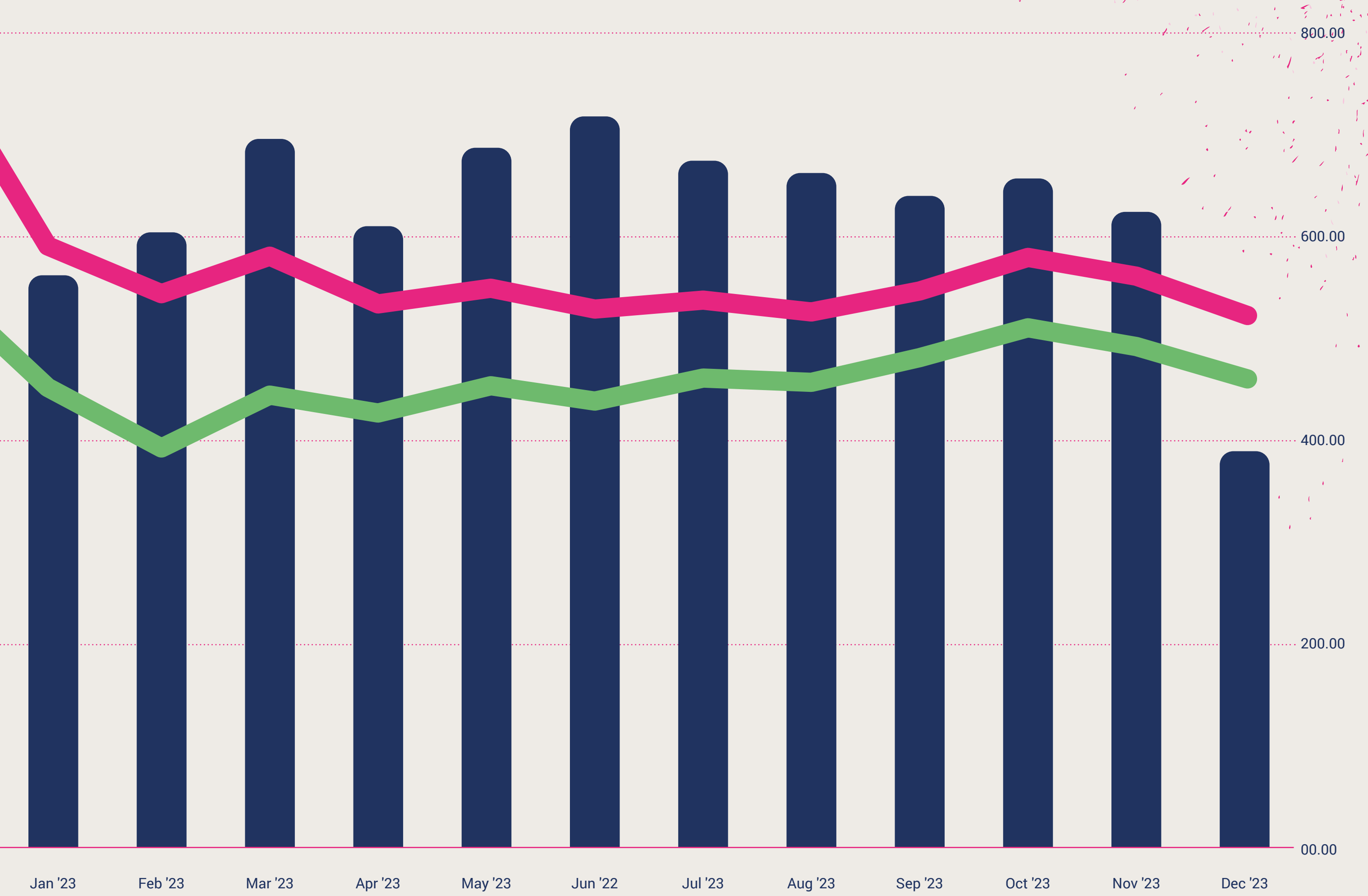
***Understanding the data. Google Analytics 4 (GA4) is Google's next-generation measurement solution and has replaced Universal Analytics (GA3) as of July 1 2023. Development and migration to GA4 was necessary due to changing technology and the regulatory ecosystem. Consequently the underlying data and measurement framework that informs GA4 is fundamentally different to GA3. ****Excludes JTM Plumbing and Click Basin.

CMO at a glance

2023 performance update and our market Cont.

Market share*





Period	Market share	% change
H1 average share - SUPERSTORES	0.75%	
H2 average share - SUPERSTORES	0.83%	10%
H1 average share - Group	0.96%	
H2 average share - Group	0.95%	-2%

*The GFK Builders Merchant Market panel was relaunched in 2023 with coverage of the market increasing from c.80% to over 90%. The updated panel data provides backdated data to January 2022.

Chairman’s Statement

Dear Shareholder, welcome to the CMO Annual Report for 2023.

2023

The well-publicised market challenges of 2022 have continued into 2023 compounded by new disruptive forces. The onset of war in Gaza and the related problems for shipping in the Red Sea and Suez Canal, together with the UK’s macro-economic inflationary pressures as much driven by the Ukraine conflict and the unwinding of COVID coupled with Brexit, have all exacerbated the impact on disposable income.

These issues have had a significant impact on the construction and building industry leading to declines in new works and reductions in mortgage approvals which as a direct driver of the repair maintenance and improvement (RMI) market has made 2023 a year of challenge for CMO. At the top line revenue reduced by 14%, with the more discretionary categories such as tiles continuing to be the most affected.

Despite these challenges and the revenue position achieved, CMO’s tile business has performed in line with the tile category and the SUPERSTORES have outperformed the sector, demonstrated by growth in their share of the Builders Merchants market. This growth once again demonstrates the effectiveness of the business model, proving that the mission to bring the widest category and product choice, backed by product expertise and helpful customer service to market through a range of specialist ecommerce propositions remains attractive to customers.

Strategy

CMO continues to progress the long-term strategy to provide customers with everything they need to build or maintain homes through a seamless and dedicated ecommerce experience.

However, the ongoing challenging market conditions necessitated further agility from the team and at the commencement of 2023 the operational focus turned to five strategic priorities to protect profit and cash. CMO has been successful in progressing the majority of them achieving growth in the gross product margin percentage, recovery in the cost of carriage, matching headcount to market demand, and delivering successful integration of JTM Plumbing into the new PLUMBING SUPERSTORE specialist vertical. This has led to a more efficient operation and provided further penetration into the c.£1.6bn online plumbing, heating, and bathrooms category. This with the relentless focus on profit rather than non-value accretive sales has proven to be a prudent and effective strategy for this period.

The belief in the model and strategy is unwavering and CMO has continued to deliver to the published strategic roadmap. Early 2023 saw the launch of the fledging consumer focussed horizontal GOOD BUILD SUPERSTORE and more recently the specialist vertical LANDSCAPING SUPERSTORE. CMO will continue to extend the customer base through effective, mainly digital marketing strategies and enhance the product offering and service through listening to customers and effecting change to deliver an even better service.

Our vision for a better world

The Board takes its governance responsibilities very seriously, the approach to which is set out in the Corporate Governance section of our Annual Report. CMO recognises that responsibilities are wide-ranging, and the team work to continuously evolve and improve governance towards the best practices required of a larger business.

The Board, alongside the wider team and other stakeholders, remains determined that the Group plays its part in addressing environmental and social challenges as our position as a leader in our field rightly demands. We continue with our programme of using science-based targets to reduce our greenhouse gas (GHG) footprint and are actively seeking ways to help customers choose more sustainable products.

More detail on our approach to these matters can be found in the Environmental, Social and Governance (ESG) section of our Annual Report.

Senior management, team, and Directorate changes

The Board comprises an experienced and skilled group of individuals and they continue to face some of the most difficult market challenges in recent times and navigate them effectively. Against this backdrop I congratulate the management team for their absolute rigour on delivery of the 2023 operational pillars. CMO is a better business primed to take advantage of economic upturn when it happens.

CMO takes great pride in its people and seeks to develop each person to their full potential. I am pleased to report that ours are talented, dedicated, and critical to our future success. On behalf of the whole Board, I thank them for their hard work particularly during these tough market conditions.

After nearly 40 years in industry and five years with the Company, Sue Packer, Chief Operating Officer, retired at the end of March 2024 and stepped down from the Board on 8 February 2024. Commercial Director Callum Tasker has been appointed to the Board as Chief Commercial Officer.

Mike Fell, Co-Founder of Key Capital Partners ("Key Capital"), the Company's largest shareholder replaced James Excell as Key Capital's representative on the Board on the 8 February 2024. Mike Fell co-founded a private equity firm Key Capital 17 years ago and was part of the original team that invested in CMO. He holds a number of other directorships of investee companies which will bring wide experience to CMO.

The Board wishes to express deep gratitude to Sue and James for their contribution to the Company.

Revenue

£71.5m

down 14% 2022: £83.1m

Adjusted EBITDA*

£0.9m

down 57% 2022: £2.1m

"The actions taken in 2023 means CMO is building a growing, sustainable, profitable business that will thrive when conditions allow."

Ken Ford

Outlook

Despite having a disruptive business model, CMO has not been able to overcome the widespread macro-economic and geopolitical challenges which have impacted the construction industry as a whole and the disposable income of our customers. Whilst cost inflation is abating and there are downward movements in interest rates, predicting the year ahead is no easier than it was last year, suffice to say that we are not anticipating rapid economic recovery.

CMO is well funded and has a strong balance sheet and a proven business model. The focus remains on successfully navigating the tough market conditions and if needs be making the necessary hard decisions to protect the business and shareholder interests for the future. The actions taken in 2023, we believe, will build a growing, sustainable, profitable business that will thrive when conditions allow.

Ken Ford

*Adjusted EBITDA is defined earnings before interest, tax, depreciation and amortisation, foreign exchange, share option expense, and other costs as defined by management, as detailed in the Chief Financial Officer Review on page 49 of these financial statements.

Chief Executive Officer's Review

Market overview

Since floating the Business on AIM in July 2021, we have not enjoyed normal market conditions for any length of time and faced both supply and demand challenges and had to contend with substantially increased cost base against a backdrop of volatile consumer confidence and declining disposable income. The challenges faced have been onerous, but whilst we are not immune to such challenges, the strength of our proposition is allowing us to navigate through what we hope to be the worst of it with our business in good shape and primed for when the economy improves.

In 2023, GFK* reported declines in the Builders Merchant market of 14%, 20% declines in the Tiles market, with the online segment even further challenged with a drop of 29% YoY.

Results	2023	2022
Revenue	£71.5m	£83.1m
Gross margin	£14.9	£16.5m
(Loss)/ Profit Before Tax	(£2.3m)	£0.2m
EPS	(2.55p)	0.51p
Net debt/cash	(£0.6m)	£1.4m
EBITDA*	£0.9m	£2.1m

*Adjusted EBITDA is defined earnings before interest, tax, depreciation and amortisation, foreign exchange, share option expense, and other costs as defined by management, as detailed in the Chief Financial Officer Review on page 29 of these financial statements.

Strategic initiatives

Faced with this environment, we have overlayed our longer-term strategy with five shorter-term strategic priorities designed to support profit and protect cash. Success against these priorities was reported at the half year and was tangible, with a 1 percentage point increase in gross product margin, a substantial 56% improvement in carriage recovery and an overhead efficiency programme that has seen certain costs reduce by 18%.

Operations

Revenue at both the SUPERSTORES and Tiles on a like-for-like basis were down on prior year -9% and –35% respectively.

A sound performance in SUPERSTORES against the margin and carriage priorities mitigated most of the sales deficit to leave gross margin after carriage costs unchanged year-on-year at c. £10.4m, and whilst the tiles business shrank, we traded broadly in line with the pureplay market.

A change in base of the market share calculation through our market data providers blurs year on year comparison but the data indicates we achieved a 10% increase in market share in the SUPERSTORES H2 v H1. This we consider a very credible achievement and testament to the hard choices we made throughout the year.

We have made progress with the brand consolidation integrating the acquisitions JTM Plumbing into PLUMBING SUPERSTORE and we continue to progress our strategy to provide everything you need to build and improve a home through developing the vertical propositions, fine tuning our segmentation, and improving our offer across existing verticals which will benefit from brand and digital marketing benefits over time.

*GFK (an NIQ company): https://www.gfk.com/about-gfk

Implementing our strategy

The CMO strategy has historically been successful in growing the business and has again allowed us to gain market share. This strategy remains unchanged: To provide our customers the confidence they need to build and improve homes through the widest range, specialist expertise, and helpful customer solutions. We recognise that our customers prefer to shop through specialist stores offering sound advice and our strategy is to continue adding specialist stores, either organically or through acquisition.

It is fundamentally important in a multi-site retail environment that customers know who they are shopping with and the rebrand rolled out between December 2022 and January 2023, has had impressive results. Repeat customers now account for 65% of revenue up from 50% prior to rebranding, and all measures of customer engagement showed clear improvement post rebranding. We've seen the marketable database grow by 18% YoY to almost 300,000 email addresses with click through rates on email as an indicator of brand engagement increasing by 80%.

With cost-of-living challenges impacting consumer confidence we saw a general decline on Average Order Value (AOV), primarily from new customers with AOV declining 22% compared to 2022. Encouragingly AOV from repeat customers remained flat YoY and was 54% more than our new customers. Conversion Rate (CVR) was flat YoY.

Delivered in early 2023, phase 1 of our dedicated project based horizontal the GOOD BUILD SUPERSORE soft launched. This site provides homeowners with project led content that seeks to take a DIYer from project inspiration to product confidence and act as a referral channel to the SUPERSTORES. Whist the store has seen its first orders we recognise that certain changes in consumer behaviour indicate that time to purchase is drawing out as credit becomes more expensive and projects get put on hold. We are therefore focussed on developing the commercial aspects of the site to create a tighter relationship between inspiration and product basket and we anticipate a phase 2 and phase 3 development cycle.

2023 has seen PLUMBING SUPERSTORE gaining traction. JTM Plumbing has now been fully integrated and is beginning to benefit from consolidation synergies including utilising a single platform reducing operational costs and more targeted and efficient marketing focussed on a single entity. After the inevitable period of disrupted sales as search engines realign to the new site, PLUMBING SUPERSTORE is enjoying the strongest conversion rates across the Group and providing us access to a growing online category worth an estimated £1.6bn. All Click Basin products have also now been listed on PLUMBING SUPERSTORE and are trading well which continues to demonstrate the strength of the model, team, and our technology.

It remains CMO's intention to deliver on our promise of a fully supported shopping experience for homeowners and tradespeople alike, and to maintain our position as a major disruptor in the market.

I am also pleased that we have soft launched LANDSCAPING SUPERSTORE with over 6000 products at the very end of 2023 and brings our complement of SUPERSTORES to nine. Creating specialist verticals gives us category authority to dominate internet search and awareness.

CMO continues to pursue an active acquisition pipeline to speed up the achievement of its strategic goal but recognises the need for cautious cash investment until the current economic climate improves.

Primed to deliver

CMO is a better, more efficient business than it was a year ago as we fine-tune both our strategy and operations. With the prevailing market conditions, we will remain focussed on achieving profitable sales rather than driving volume. Our primary focus remains on maintaining and building margin both at the product level and after carriage, improving our refund control, driving conversion, continuing to become even more efficient on carriage costs and managing better our stockturn.

The tile market has been extremely difficult for some time now, but we have largely performed in line with the market. We have recruited a new management team who are tasked with improving this vertical's performance. They have carried out an exhaustive and thorough review covering every aspect and analysed trends for the future to ensure we have a broad range of the most attractive products for customers to acquire. A multi-point plan has been developed and is being implemented over the course of 2024, a key feature of which is to improve margin and conversion in this category.

Across the business we continually review pricing across all products to be competitive within each market and seek to constantly improve and evolve our online experience, range, and service proposition to ensure we continue to deliver on our strategic defined mission.

We are seeking further efficiencies exploring how we deliver multiple orders to the same customer in one consignment which we see as the next paradigm shift to enhance our dropship model. We expect to see a benefit in warehousing costs and greatly improved customer experience that will continue to see us disrupt the market.

Strong balance sheet

We have a strong balance sheet with ample liquidity to fund the business. The year-end cash position is £4.7m and, including unutilised bank facilities, we have available funds of £7.7m. We are controlling costs tightly and managing cash effectively.

People and culture

CMO remains extremely grateful to its loyal workforce which has continued to perform with energy and agility in pursuit of CMO's strategy and goal to disrupt its market. The protracted period of economic challenge and change we discussed last year has shown no signs of abating, yet the team continuously rises to meet the next challenge with optimism and ingenuity.

Culture is defined and set by the people in the business and is being promoted through facilitated training sessions for the wider management team which have seen excellent participation and engagement.

The speed at which we were able to restructure the operational management team early in 2024 on the announcement by our COO of her retirement is testament to CMO's culture of positivity, empowerment, and promotion from within.

The goal of share ownership throughout the business has been augmented during 2023 by a further distribution of options under the CSOP scheme launched in 2021.

Continued overleaf

Chief Executive Officer's Review
Cont.

Directorate changes

Our Chief Operating Officer, Sue Packer retired from CMO at the end of March 2024 which we announced to the market and our shareholders on 8 February 2024.

Sue has been an instrumental part of the team that has made CMO into the Company it is today. I, personally, will miss her knowledge and experience, but also wish her the happiest of retirements.

I am delighted that Callum Tasker has taken the role of Chief Commercial Officer post and joined the Board. The Board will benefit from his industry experience and long-term knowledge of CMO. We could not have a better replacement for Sue in Callum, who has worked with and alongside her for the past five years. This will provide a seamless succession.

We are also delighted that Mike Fell joined the Board replacing James Excell as Key Capital Partner's representative. We will benefit from his broad experience and counsel, and many thanks to James who has provided invaluable support and advice in his role as non-executive director.

The Board wishes to express deep gratitude to Sue and James for their contribution to the Company. In Sue's case, particularly her part in driving and delivering upon the Company's growth strategy and in James's for his advice and counsel.

Looking to the future

It's clear that the year ahead will continue to be difficult, but CMO will continue to progress and deliver on its shorter-term strategic imperatives: increasing margins; constantly monitoring the cost base and processes for further efficiencies; bedding in and incrementally improving the carriage improvements already made; and further consolidation of the acquisitions for brand promotion as well as synergistic purposes.

Our main focus will be to deliver on our strategy by growing organically whilst monitoring the market for exceptional value opportunities that will deliver incremental value to our existing categories or provide the foundation for new.

As we enter a new financial year, the board is confident that CMO's strategy will see it confidently through the year ahead, with the continuous addition of new products, new stores and technical innovation will prime it back into growth when market conditions improve. We have a strong relationship with our supportive banking partners and have renegotiated our bank facilities and covenants to ensure we have a robust financial platform to support delivery of our strategic goals.

Dean Murray

The CMO Brand

WHAT DRIVES US

We will be the destination of choice for anyone building or improving homes in the UK.

HOW WE ARE DIFFERENT

Our mission is to give our customers the confidence they need to build and improve homes through...

Specialist expertise

A clear focus on helping our customer fulfil their need

The widest range

Market leading choice ensuring we can supply everything our customer needs to build and improve homes

Helpful customer solutions

Effortless and inspirational retail that surprises and delights our customer

OUR STRATEGY

Delivered through our breadth of specialist SUPERSTORES.

OUR PROMISE

We'll help everyone get a good job done

Good Builds start with our SUPER stores®

CMO Group Strategy and Delivery

CMO's strategic vision is to be the destination of choice for anyone building or improving homes in the UK.

CMO recognises that its customers prefer to shop through specialist stores that offer the widest range, specialist expertise, and helpful customer solutions. Our strategy is to continue adding specialist verticals, either organically or through acquisition, to achieve that strategic vision and provide everything our customer needs to build or improve a home.

This strategy will be typified by new store launches and organic category expansion, all enabled through a programme of customer centric technology development.

Delivery to plan

	Progress	Outlook	KPI	Risk	Governance
Mergers and Acquisitions	We continue to monitor the market for potential M&A opportunities	Further acquisitions in the pipeline to fill key category gaps that accelerate CMO Market expansion	Revenue, Market Share, Gross Profit and EBITDA	Mergers and Aquisitions	The Group Board reviews acquisition opportunities and undertakes due diligence
Store launches	GOOD BUILDS horizontal launched Q2 2023 JTM plumbing integrated into PLUMBING SUPERSTORE Q3 2023 LANDSCAPING SUPERSTORE soft launched December 2023	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	Evolved branding for CMO Superstores fully rolled out Q1 2023 Migration of Clickbasin into PLUMBING SUPERSTORE due Q1 2024 Loyalty Engine due to launch Q2 2024 ERP and WMS in plan for 2024	All programs on target as per the strategic delivery plan	Marketing Cost, AOV and Marketing Database	Technology, Information Communication Technology (ICT), data	The Operational Board monitors project delivery

BUILDING 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.

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.

LANDSCAPING SUPERSTORE

LANDSCAPING SUPERSTORE has over 6000 specialist products allowing both homeowners and tradespeople to confidently complete a range of landscaping projects.

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.

PLUMBING SUPERSTORE

The new superstore comes after the Group's recent acquisitions of JTM Plumbing and clickbasin.co.uk. Extending the company's already comprehensive product offering and giving CMO access to the c£1.6bn online plumbing, heating and bathrooms market for both domestic and trade customers.

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.

ROOFING SUPERSTORE

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

GOOD BUILD SUPERSTORE

GOOD BUILD SUPERSTORE, a retail destination, where a homeowner can be inspired and buy everything they need for their project.

A new disruptive force in the market, driving awareness and engagement with upper funnel positioning.

TILE 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 *FROM TILE SUPERSTORE*

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.

CMO Business Model

CMO is the UK's largest online-only retailer of building materials, disrupting a £29 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.

* RMI Index November 2022, Travis Perkins.

2008 – **Founded**

2009 – **Roofing SUPERSTORE**

First commercial sale

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 – **Drainage SUPERSTORE**

First commercial sale

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 – **Insulation SUPERSTORE**

First commercial sale

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

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.

The largest pure-play in the Builders Merchant market with over 35% of the online market*

Over 40,000 people rate CMO as excellent on TrustPilot

*GFK (an NIQ company): https://www.gfk.com/about-gfk

Good Builds start with our SUPER stores®

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

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.

2022

Acquired Clickbasin.co.uk

First commercial sale by Plumbing SUPERSTORE

Good Builds start with our SUPERSTORES

In 2022, CMO added Clickbasin.co.uk to the Group portfolio, which along with JTM Plumbing Limited, drives further expansion into the c.£1.6bn online plumbing, heating, and bathroom categories.

Evolved branding launched on the CMO SUPERSTORES.

2023

Good Build SUPERSTORE first commercial sale

Evolved branding helps drive growth in repeat customer.

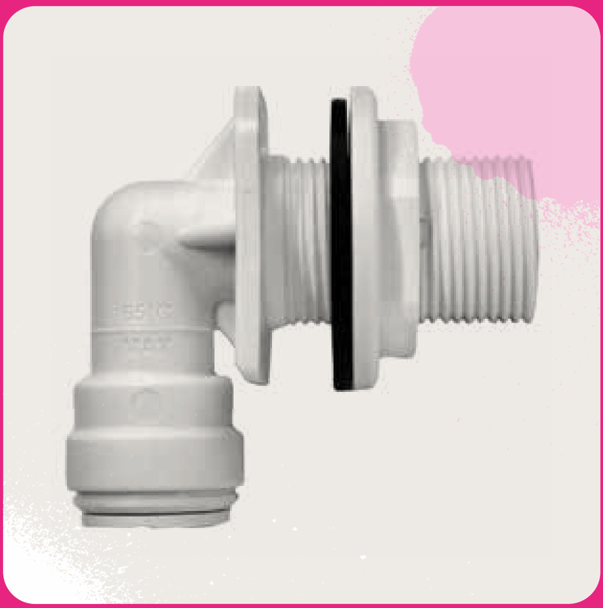
Migration of JTMPlumbing.co.uk into PLUMBING SUPERSTORE.

LANDSCAPING SUPERSTORE soft launches in December.

CMO's Key Strengths and Achievements in 2023

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

Integration of JTM Plumbing into core CMO technology stack.

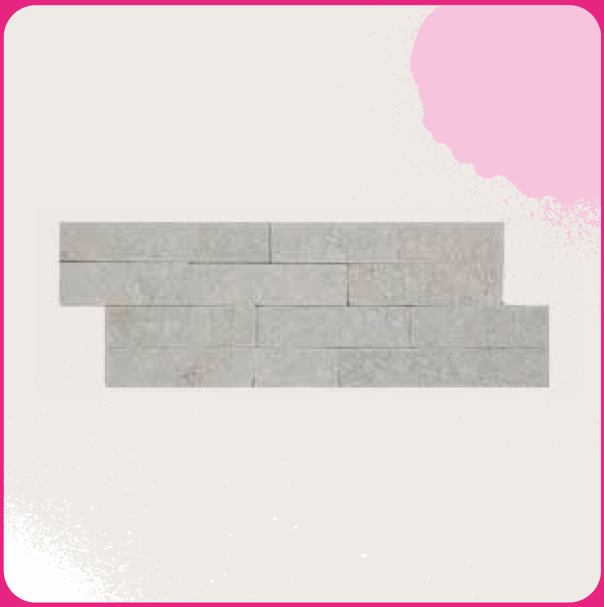


Direct shipping from manufacturer to consumer, reducing supply chain costs.

Warehouse 11% / Drop Ship 89% 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.

Leading product catalogue* with over 130,000 SKUs driving organic category authority.



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

Product expertise and exceptional customer service.

Over 40,000 customers rate us as 'Excellent' on Trustpilot.

Trustpilot

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

Since 2022 launch of 3 new verticals.

Structurally lower costs. Fully transparent pricing. Always competitive.

Refinement of stock management processes.


CLIMAFLEX®

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.

"Over the last 12 months, our partnership with CMO has continued to grow stronger and we welcome the opportunity to collaborate closely with their teams, connect with their customer base and promote our VELUX roof window solutions. I have been personally impressed by their exceptional customer service and tech capabilities, while their proactive and can-do attitude has been a driving force behind our shared success. We value working with CMO and look forward to continuing our successful partnership in the future."

Alex O'dell, VELUX Market Director GBI

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 to which the Group and its businesses may be vulnerable. 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 meeting 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 risks and issues identified is undertaken. During 2023 the Ukraine conflict, global supply challenges, and cost-of-living pressures on the UK consumer 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.

Risk	Key control	Ongoing action
Economic Environment		
Worsening economic outlook in the UK and global supply issues driving up inflationary pressures and impacting consumer discretionary spend.	Carefully controlled price increases and discounts as we balance the Group's strategy with our customers' expectations. Strong supply chain consisting of multiple suppliers across multiple locations. This helps minimise overreliance on any individual country or supplier.	Recently reviewed the salaries for a large majority of the workforce – recognising the ongoing cost-of-living crisis that many of our staff are experiencing. The team throughout the matrix structure have focused on the core pillars of margin growth, carriage cost control, overhead efficiency, and brand consolidation. Cost control and overhead efficiency allows timely response to manage the cost base where required without damaging commercial relationships.
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 employees 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. There is a yearly program of training in place for all colleagues across the Group.
Mergers and Acquisitions		
The Group's strategy includes growth through Mergers and Acquisitions. There's no guarantee that suitable targets will be available at the right price or that they 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. There would typically be a number of live conversations in the acquisitions pipeline at any one time.However, given the current M&A market backdrop, the Group has pivoted to focus on organic growth while maintaining interest in acquisitions. This is evidenced by the recent launches of Landscaping Superstore and Good Builds sites.

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 is responsible for regular system testing to insure relevant industry standards are met, or exceeded and also for 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 basis as part of the operational matrix management strategy. These are subject to monthly board review. Due focus is given to the sourcing, listing and launching of new product, providing new and accelerated routes to market.
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 continued to provide 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 is sponsored by all directors and continually monitored. The Group also runs a mentoring programme for operational board and senior managers.

Environmental, Social, and Governance (ESG)

Risk	Key control	Ongoing action
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 Sustainable Accounting Standards Board (SASB) reporting standards for non-financial risks and opportunities, and will explore the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD)for understanding its climate related risks and opportunities. The Group intends to adopt the IFRS Sustainability Disclosure Standards once they have been finalised (expected for annual reporting periods on or after January 1st 2024).	The Group presents its second 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 and Scope 3, building on the methodologies and understanding of the data YoY. The Group has raised £30k of a £30k commitment to Trees for Cities to plant 5,000 trees to offset its greenhouse gas impact and provide material benefit to urban spaces. The first 2,500 trees were planted in March 2022. The second phase of planting is being planned for Winter 2024.

Dependence on manufacturers, suppliers and service providers

Risk	Key control	Ongoing action
The Group does not carry out its own manufacturing or fulfilment activities. Instead, it has a number of manufacturers, suppliers and service providers involved in the production and shipping of its products. Accordingly, the Group is dependent on the capacity of these manufacturers, suppliers and service providers. Moreover, the Group may be exposed to changes in the pricing of these companies. This could have an adverse impact on the Group's profit margins or force it to increase its selling price, both of which may have a material adverse effect on the Group's business, results of operations, financial condition and prospects.	The Group manages concentration risk by its catalogue width ensuring multiple suppliers for key products and manages service levels through working relationships with suppliers and in house stock holdings.	The Group's supply chain team works closely with its suppliers including visits to build and maintain relationships, discuss any operational issues and agree costs to allow the Group to set pricing in line with margin targets.


Good
builds
start
here™

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.

CEO overview

At CMO, we are 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. Becoming a more sustainable business is also good for our financial bottom line.

We believe that when focussing on the material issues that have a proven impact on business outcomes, corporate responsibility and sustainable business management are key to prudent risk management. This is why we focus our activities on the top five material issues we have identified for our business:

1. Labour management:

This includes all facets of the relationship with our colleagues starting with employee health and safety measures and extending to providing a positive and inclusive work environment where everybody is treated equally. At CMO Group, we aim to not only provide a safe work environment but one where our colleagues stay with us on our journey for a long time and where we are recognised in the communities we operate in as a great place to work.

2. Data security and data protection:

As an online business, data security and data protection are of the utmost importance for CMO Group. In 2020 we materially improved our data protection and cybersecurity capabilities, and we are proud of our state-of-the-art systems and infrastructure.

3. Product sourcing and packaging:

We source our products from hundreds of suppliers. This requires us to increasingly 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 we believe that being at the forefront of the transition to more sustainable building materials and appliances will help us win new customers and reduce costs.

4. Energy use and carbon emissions:

Energy is used mostly in the transport and shipping of our products to customers, and we are working towards reducing the energy footprint of our operations overall. This saves costs and it prepares us 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 we sell are already subject to this scheme (e.g. steel, ceramics).

5. Chemical safety:

Some of the products we sell may come in contact or contain hazardous chemicals. We strive to replace all products that contain hazardous chemicals in our stores with adequate replacements where possible.

These material ESG issues have been identified in cooperation with different stakeholders and ESG experts and we follow the standards set by the Sustainable Accounting Standards Board (SASB) which is in the process of being replaced by the proposed IFRS Sustainability Disclosure Standards. As a result of the close relationship between existing SASB standards and the proposed IFRS standards, we intend to adopt the IFRS standards once they have been finalised (expected for annual reporting periods on or after January 1st 2024).

In this report we discuss our progress during the last year in the two material ESG issues we focused on throughout 2023:

- Our efforts to better measure our greenhouse gas emissions and reduce our GHG footprint both directly and indirectly.
- Labour practices and our efforts to increase employee engagement and a shared set of values and behaviours.

Investors can find information about a third material ESG issue, data security and data protection, on page 26 of this report.

On pages 36 to 42 we report the full set of key ESG metrics in line with the SASB recommendations for multiline and specialty retailers & distributors. We also provide a comparison to previous years in those tables.

Dean Murray
CEO

Strategy

We have consulted key internal stakeholders to identify detailed strategic risks for our group over the short-term (one to two years), medium-term (three to five years), and long term (more than five 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, we 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 our customers
- Extreme weather affecting our 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 our 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 switch to low emissions technologies
- Opportunity to increase profit margins through increased sale of environmentally certified and climate-friendly building materials
- Increased cost advantage vs. brick and mortar distributors where costs of running physical retail space increases due to increased demands on environmental efficiency

Governance

Governance of climate-related risks and opportunities is integrated into our overall governance and risk management structures.

During the year the 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 Group is the sustainability champion and leads the efforts to develop our ESG strategy, its integration into our overall business strategy and the monitoring of progress towards our ESG goals.

Day-to-day management of our efforts in sustainability is delegated to our executive management where our COO is ultimately accountable. Our corporate governance statement on page 56 of this report explains our governance structure in detail.

Sue Packer retired from the Group at the end of March 2024. For the reporting year 2024 this remit will move to the CFO, Jonathan Lamb.

Risk Management and Task Force on Climate-related Financial Disclosures (TCFD)

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 32) and the governance of this risk is described above.

Our risk management process is designed to identify and assess climate-related risks and guide our response to them as well as our communication to external stakeholders. The Group is aware that we cannot eliminate the risks from climate change on our strategic business objectives and our operations. Thus, our risk management system is designed to find the right mix of risk avoidance, mitigation, and active management, all in accordance with our overall risk appetite as a business.

Our risk management process has three lines of defence. The first line of defence 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 within the Group.

A second line of defence is provided by the Brand Director and the CFO 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 reviews the risks and opportunities independently from a top-down perspective and assesses its appropriateness with respect to the overall strategic goals of the group (see our Section 172 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 regular basis. The Brand director is operationally responsible for risk reporting.

Climate change is the biggest environmental threat the world faces and CMO Group supports the recommendations of the TCFD and this report constitutes our third instalment of reporting on climate-related financial risks and opportunities. Over time, we will work towards improving our scenario analysis of climate-related risks and opportunities and we continuously improve our risk management systems.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Alignment with UN Sustainable Development Goals

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 our ESG efforts we have identified and aligned to nine of the 17 SDGs:

3 GOOD HEALTH AND WELL-BEING

3. By providing building materials that confirm 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 like 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 GENDER EQUALITY

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 CLEAN WATER AND SANITATION

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 allows to modernise existing drainage and sanitation installations as well as build 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 AFFORDABLE AND CLEAN ENERGY

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

8 DECENT WORK AND ECONOMIC GROWTH

8. CMO provides equal pay to all employees with comparable qualifications and pays salaries that are above the living wage threshold in the UK. The company also offers 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 REDUCED INEQUALITIES

10. CMO has strict non-discrimination policies in place when it comes to hiring, remuneration, and promotion of employees across gender, ethnic background, age, and other diversities. The company 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 SUSTAINABLE CITIES AND COMMUNITIES

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

12 RESPONSIBLE CONSUMPTION AND PRODUCTION

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

13 CLIMATE ACTION

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.

Carbon footprint overview

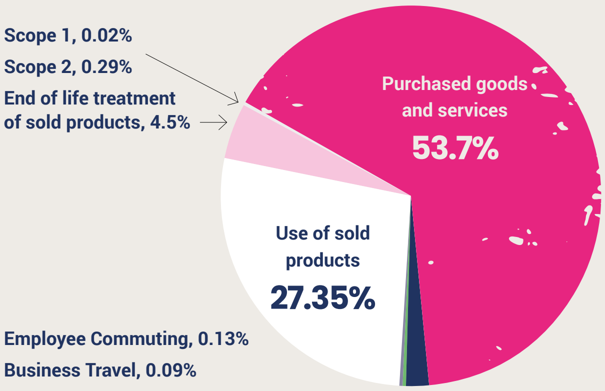
As a company we are working towards becoming more sustainable and reducing our Greenhouse Gas footprint (see TCFD statement on page 32). We are also actively helping to clean the air in urban locations through our 'CM Grow' initiative on page 43.

CMO has continued to work with Ricardo* to calculate its scope 1, 2 and 3 GHG Inventory for 2023. Building upon the work done for the 2021 and 2022 ESG report, several updates to the calculations and methodology have been implemented to improve the accuracy of the footprint. This emphasis on continuous improvement will now be embedded for subsequent years of emissions reporting.

Of the 15 categories of Scope 3 reporting, 10 are applicable to CMO. CMO has been able to calculate emissions for all 10 of these categories, with nuances as stated below:

- Purchased Goods and Services – only accounts for cost of goods sold (purchased services have been excluded from 2023 reporting at the request of CMO). It is intended to include these next year.
- End of life treatment of sold products (only tiles, insulation and windows estimated).
- Operational waste – calculated but involved significant estimations (CMO to decide whether to report this figure externally).

Total emissions: 52,5141 tCO2e



Location-based total and excludes Category 5 (waste generated in operations) emissions.

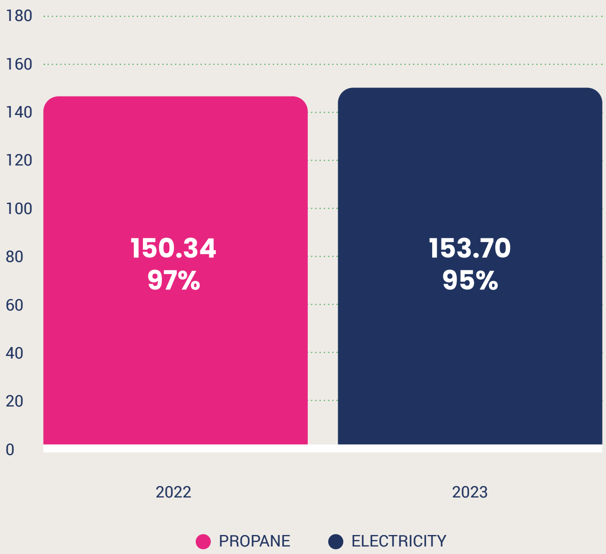
Emissions metrics reporting – scope 1 & 2

CMO's scope 1 and 2 emissions for the 2023 calendar year can be seen below, where the calculations are partially reliant on estimated data1. This includes all direct emissions from its operations (scopes 1 and 2).

All measurements have been independently verified by Ricardo as materially correct and in accordance with the five principles of the Greenhouse Gas Protocol.

The key environmental metrics are presented within the SASB reporting framework and in line with Streamlined Energy and Carbon Reporting (SECR) requirements.

- An increase in Scope 2 emissions was driven by the UK electricity grid emissions factor being slightly higher in 2023 when compared to 2022. Actual reported kWh of electricity consumption for the Ipswich site decreased in 2023 compared to 2022.
- Scope 2 electricity was estimated using floor space and Chartered Institution of Building Services Engineers (CIBSE) benchmarks. For Ipswich electricity and propane consumption, actual consumption was used.



*Independence and competence
Ricardo Energy & Environment is one of the world's leading energy and climate change consultancies, with over 1,000 internationally respected experts specialising in offering independent advice and auditing services in the fields of energy, air quality, resource efficiency, transport, sustainability, and economics. Its experts have been involved in ground-breaking technical and policy development across the environmental spectrum for the last 40 years, and they continue to play a lead role as advisors to governments, policy makers and major corporations.

Material environmental metrics

The table below provides the latest available data on key environmental metrics within the SASB reporting framework and in line with Streamlined Energy and Carbon Reporting (SECR) requirements. All data is as of end of calendar year 2022. We present data for calendar year 2021 as a comparison.

Environmental Metric	SASB Code	GRI Code	Units	2023	2022	2021
Greenhouse gas emissions						
Scope 1		305-1-a	tCO2e	8.10[2]	5.00	10.60
Scope 2 – location based		305-2-a	tCO2e	153.70[3]	150.40	286.00
Scope 2 – market based		305-2-b	tCO2e	271.0[4]	150.40	286.00
Total scope 1 + 2 emissions (market based)			tCO2e	279.10	150.40	296.60
Energy Management						
Total energy consumed	CG-MR-130a.1	302-1-e	GWh	0.78	0.70	1.41
Percentage grid electricity	CG-MR-130a.1	302-1-b	%	100	100	100
Percentage renewables	CG-MR-130a.1	302-1-b	%	n.a	n.a	n.a
Intensity measures						
Scope 1 + 2 emissions per employee			tCO2e	1.33	0.90	n.a
Scope 1 + 2 emissions per £m revenue		305-4-a	TCO2e/£m	3.90	1.87	n.a

1. For Darlington and Plymouth, electricity invoices could not be obtained, so kWh consumption was estimated using CIBSE benchmarks and floor area (m2). For Ipswich, actual kWh consumption of electricity could be obtained. For propane that is consumed for the operation of forklifts, the quantity purchased was provided and converted to kWh consumption.
2. Decrease in Scope 1 driven by a reduction in consumption of propane gas.
3. Increase in location-based Scope 2 driven by an increase in the emissions factor associated with the generation of UK grid electricity.
4. For 2023 reporting, the market-based reporting methodology has now been refined to use the residual mix fuel factor published by the Association of Issuing Bodies (AIB) instead of the UK grid average factor. This represents the procurement of a non- renewable electricity contract. Previous estimates did not account for this.

Scope 3 emissions

Of the 15 categories of Scope 3 reporting, 10 have been identified that are applicable to CMO. CMO has been able to calculate emissions for all 10 of these categories, with nuances as stated below:

- Category 5 (waste generated in operations) consists of data uncertainties, so even though estimated, there is the possibility of a significant error margin skewing the results. It is the decision of CMO to decide whether emissions from this category should be disclosed for reporting purposes. This was omitted for 2022 reporting.
- Category 12 (end of life treatment of sold products) only accounts for the disposal of insulation, tiles and windows. It is recommended that the calculations consider the disposal of ALL sold products, including energy consuming products. Currently, obtaining data on this is challenging for CMO.

The scope of Category 1 (purchased goods and services) should be expanded to also include purchased services, such as maintenance services, consultancy fees, etc.

Scope 3 category	Name	2023 emissions (tCO2e)	2022 emissions (tCO2e)
1	Purchased goods and services	34,375.76	38,781.9*
2	Capital goods	40.2	4.9
3	Energy and fuel related activities	51.3	59.0
4&9	Transportation and distribution	1,003.9	38,221.9
5	Waste generated in operations	Not reported externally	Not reported externally
6	Business travel	46.2	38.6
7	Employee commuting	70.8	171.0
8	Leased assets	n.a.	n.a.
10	Processing of sold products	n.a.	n.a.
11	Use of sold products	14,397.0	13,684.8
12	End of life treatment of sold products	2,366.7	1,582.0**
13	Leased assets	n.a.	n.a.
14	Franchises	n.a.	n.a.
15	Investments	n.a.	n.a.
	Total scope 3	**52,351.8**	**92,548.0*****

* The 2022 Category 1 emissions total has been re-stated due to an improvement in EPD emissions calculations for insulation.
** The 2022 Category 12 emissions total has been re-stated due to an improvement in EPD emissions calculations for insulation.
*** The 2022 Scope 3 total has been re-stated as a result of the above caveats.

Notes on methodology and metrics

1. The market-based reporting methodology for Scope 2 has now been refined to use the residual mix fuel factor published by the Association of Issuing Bodies (AIB) instead of the UK grid average factor. A brief explanation of this is below:

   - Market-based reporting, unlike location-based reporting (which uses the UK grid average emissions factor to calculate emissions), uses emissions factors specific to the contractual instrument you have in place. I.e., if you have REGOS or are on a 100% renewable electricity tariff, you would use an emissions factor of zero, resulting in zero emissions. If these are not applicable, you would then use a supplier specific fuel mix factor (e.g., an average published by Octopus Energy, etc.). If you are unable to retrieve this, you would then implement the UK residual mix factor, which is representative of residual grid generation once claimed generation from other parties is removed (i.e., removing renewable generation which has been claimed by someone else).

2. EPD calculations for Categories 1 & 12 for insulation have been recalibrated. Therefore, the figures for 2022 for these categories have been re-stated.

3. The methodology for transportation and distribution calculations has been refined and in 2023 incorporates estimated mass of products. The 2022 calculations assumed that CMO owned the vehicles and were 100% responsible for the operation of these. With the weight per delivery now provided, the 2023 calculations now take into account that CMO do not own these vehicles and there will be other business' products being transported alongside CMO's, resulting in the emissions for 2023 being much lower and more representative of CMOs operations.

Material Social Metrics

STRATEGIC REPORT

The Company treats the health, safety and welfare of its staff as a priority and is proud of its high safety standards as evidences 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 National Living Wage in the UK from 1st April 2023 was £10.42 per hour, but CMO Group employees (not apprentices) earned at least £10.50 per hour with that increase rolled in on January 1st 2023. Apprentices were paid £9.94 per hour, about 88% more than the UK minimum wage for apprentices of £5.28.

With the National Living Wage increasing to £11.44 per hour in April 2024 (+9.8%) and the minimum wage for apprentices rising to £6.40 per hour (+21.2%). CMO will review and increases wages of its employees and apprentices accordingly.

CMO believes in equality and strives to neither positively or negatively discriminate in its hiring and development practices. The Group clearly recognises the benefits that a diverse and blended workforce brings, and the table below provides the latest available data on key social metrics within the SASB reporting framework. All data is as of end of calendar year 2023. We present data for the prior 2 years as a comparison.

Social Metric	SASB Code	GRI Code	Units	2023	2022	2021
Data Security						
Approach to identifying and addressing data security risks	CG-MR-230a.1			Pages 26 and 30		
Number of data breaches	CG-MR-230a.2	418-1		0	0	0
Labour practices						
Average hourly wage	CG-MR-310a.1	202-1	£	The company paid a living wage to all employees of at least £10.50 per hour	The company paid a living wage to all employees of at least £9.67 per hour	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	100	100
Employee turnover rate including voluntary and involuntary leavers	CG-MR-310a.2	401-1-b	%	21	29	36
Total number of labour disputes	CG-MR-310a.3	419-1-a		0	0	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	0	0
Workforce diversity and inclusion						
Percentage of women on board	CG-MR-330a.1	405-1-a	%	33	33	33
Percentage of women in management	CG-MR-330a.1		%	38	40	41
Percentage of female employees	CG-MR-330a.1	405-1-b	%	38	37	37
Total losses as a result of legal proceedings associated with employee discrimination	CG-MR-330a.2	406-1-a	£	0	0	0
Employee health and safety						
Total number of accidents		403-9-a	#	10	12	24
Total fatality rate		403-9-a	#	0	0	0

Outcomes and Next steps

The CMO society

A key focus continues to be building a shared culture throughout CMO to provide the right environment for colleagues to thrive personally and professionally which in turn drives business performance. CMO continues to develop their behavioural narrative and as a key step forward have broadened the feedback loops throughout the business. At the end of 2023 CMO launched a new mechanism to enable colleagues to provide feedback on all aspects of the business. This is helping to inform CMOs People Strategy, providing key insights as to how far CMO is on their cultural journey, and helping development of their internal communication processes and tools.

Going green

The Greenhouse Gas (GHG) emissions from the products CMO sells is the main contributor to its GHG footprint as identified in the emissions reporting of this section. CMO believes that it can have the biggest impact on the environment by helping its customers choose more sustainable products and reduce the environmental footprint of both renovated and newly built properties as well as providing practical information on the circular economy and mining of existing housing stock for the built environment.

To enable this goal CMO previously reported on how they are working towards providing a grading system for all products that are listed against a range of relevant environmental metrics to introduce a credible and authentic classification and labelling system.

The work undertaken in 2023 has demonstrated that the most rigorous way to grade products consistently across the scope of categories that CMO sells and plans to sell as part of the Groups vision, is using Environmental Product Declarations (EPDs). Unfortunately, the adoption of EPDs within the supply side of construction materials remains low.

CMO will continue to seek to influence the adoption of EPDs within the sector but recognises that the journey to drive enough coverage to provide a fair comparison across their multi-category and store business will take a considerable amount of time.

As an outcome of this analysis CMO is developing a supplier sustainability grading program driven by how their partners build sustainability into their everyday business actions to enable consumers to make informed sustainable choices as they look to build and improves homes. This revised approach to categorising and labelling will form the cornerstone of the ECO BUILD SUPERSTORE.

Reducing waste

As a retailer, CMO is reliant on manufacturers and brands and is working on building strategic partnerships with sustainable improvement as one criteria of growth. CMOs goal in 2024 is leading in the selection of packaging, the key focus is waste and reusing materials, 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.

Working towards carbon neutral

CMO launched their 'CM Grow' initiative in Spring 2020 with the aim to raise £30,000 within two years to fund the planting of 5,000 trees. The goal was twofold:

1. To offset some of CMOs carbon footprint as related to Scope 1 and 2 GHG emissions.
2. Bring some green back into socially deprived urban spaces, which is known to have a material improvement on people's health and wellbeing.

CMO is proud to report that it has raised the full amount through a spectrum of fundraising initiatives including customers, suppliers, and staff. They are now working with their charitable partner 'Trees For Cities' to find a suitable urban location to plant the trees. These newly planted trees can be independently verified by a third party to create offsetting certificates for the company. Alongside this a key goal remains enhancing our measurement of scope 3 emissions and developing emissions reduction targets in line with Science Based Targets initiative ("SBTi") standards.

CMGrow: Planting 5,000 trees in Plymouth

TREES FOR CITIES


Good
start


Builds
here

Section 172(1) Statement

This section describes how the Board 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. This section 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. To respond to this, is critical from a long-term value generation perspective that CMO constantly explores opportunities that accelerate its category coverage and routes to market.

Therefore, the Board continues to consider and pursue possible organic and acquisitive strategies. Over the reporting period, the Group developed and launched the GOOD BUILD SUPERSTORE, integrated JTM Plumbing into PLUMBING SUPERSTORE and soft launched LANDSCAPING SUPERSTORE. The strategic intent is that the CMO will be the destination of choice for anyone building or improving homes in the UK.

Stakeholder interests

CMO shareholders

As the ultimate owners of the business and the providers of equity capital, it is 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, including through our annual and interim reports and accounts and through our 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 this taking place on 27th June 2024.

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 organised by the Engagement Committee

The board is regularly informed by the executive leadership team about the overarching outcomes of such employee engagement, the training activities held throughout the organisation, as well as any reports of health and safety incidents. This in turn has influenced Board discussions and decisions on continuing to build and develop the Group's culture and values.

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 internal communications, culture, and values.

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 board discussions and decisions on trend data, carriage pricing, promotional mechanisms and external communications to customers.

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 receives feedback and insight from the executive directors on the board. 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, invoice payment times, 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 CM Grow 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. An update to this initiative can be found on page 43 of this report.

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. We report more fully on ESG matters in the ESG section of this Annual Report and Accounts on pages 28 to 43.

Government and regulators

The Audit Committee of the Board, on behalf of the Board, oversees our regulatory and legal compliance risks, and how these risks are actively managed to ensure the Group conforms to all applicable laws and regulations. The Committee is also regularly informed about environmental, social, and governance issues and how the law and 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, leverage expertise on emerging industry best practice, and to lend CMO's 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, profitably, 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.	As detailed above, we have a number of mechanisms to support and foster internal communications and engagement. The Board has continued to review current working practices in a post COVID world to ensure that they are appropriate for the expectations of our workforce; and have considered the measures that the Group is taking to ensure that our employees are treated fairly in the current difficult macro-environment.
Customers	CMO customers expect reliable and consistent service to support their business activities.	Ensuring due focus on relevant and timely external comms to customers, suitable carriage pricing, and the delivery and mechanic of promotional offers.
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 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.
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.

Chief Financial Officer's Review

The Group continues to expand market share, acquire customers and enhance both products offered, and markets serviced.

Overview

Total revenue for the year reduced by 14% to £71.5m driven mainly by challenging market conditions particularly in tiles and the cost-of-living pressures reducing demand in consumer markets. Gross profit totalled £14.9m (2022: £16.5m) which represented a gross margin of 20.8%, a 0.9% improvement compared with 2022 when gross margin totalled 19.9%. Adjusted EBITDA was £0.9 (2022: £2.1m), as defined on page 49.

CMO Group PLC Trading for the year to December 2023	2023 £m	2022 £m
Revenue	**71.5**	**83.1**
Cost of sales	(56.6)	(66.6)
Gross profit	**14.9**	**16.5**
Gross profit	**20.8%**	**19.8%**
Administrative expenses	(16.6)	(15.9)
Operating (loss)/ profit	**(1.7)**	**0.6**
Finance income	0.0	0.0
Finance expense	(0.6)	(0.4)
(Loss)/ profit before taxation	**(2.3)**	**0.2**

Closing cash at 31 December 2023 was £4.7m (2022: £6.2m) and net debt, being cash less the balance drawn on the revolving credit facility, was £0.6m (2022: net cash £1.4m).

Revenue

Group sales for 2023 were £71.5m (2022: £83.1) reflecting particularly challenging market conditions in tiles where revenue fell 31% against a backdrop of a decline in online market volume of 29%. Building and plumbing reported market share gains while reporting reduced sales.

Revenue	Building	Plumbing	Tiles	Tiles
2023	**53.0**	**7.3**	**11.2**	**71.5**
2022	**59.1**	**8.1**	**16.0**	**83.3**
	-10%	**-9%**	**-31%**	**-14%**

We adapted our strategy to prevailing market conditions to ensure a focus on margin at the expense of sales where necessary to manage risk, including actively declining trade sales where credit insurance was not available. This strategy included a focus on recovery of carriage costs to protect against margin dilution in a competitive market as well as prioritising variable and overhead cost efficiency.

Gross profit

Gross margin has benefitted from this approach gaining 1% to 20.8% compared to 2022 (19.8%) despite sales declines in some higher margin verticals. Net carriage costs have reduced 56% in 2023 compared to 2022 demonstrating the success of this ongoing initiative.

Variable costs and overheads

Variable costs have reduced in the period reflecting lower activity levels and a focus on cost efficiencies. In the face of increasing cost per click dynamics we modifies out approach to digital marketing during the year to focus on session quality and high intent traffic. This has driven operational improvements and enabled costs for 2023 to be maintained in line with 2022.

Overhead efficiency has also been a key component of our response to the challenging market conditions and remains a core focus. We have enhanced the ecommerce infrastructure, launched new SUPERSTORES and had a full year of trade for Clickbasin (acquired June 2022) during the period. However, despite inflation peaking at over 10% in the first quarter and remaining a significant contributor to increasing costs, we have taken action to manage costs, including headcount reductions. Administrative expenses have increased slightly to £16.6m (2022: £15.9m) of which fixed overhead costs, including payroll, infrastructure, legal and professional fee have remained consistent with 2022 at £6m (2022: £6m).

EBITDA

The Group generated Adjusted EBITDA of £0.9m (2022: £2.1m) for the year. Adjusted EBITDA is defined by management as earnings before: interest; tax; depreciation and amortisation; foreign exchange; share option expenses; restructuring, redundancy and non-recurring payroll expenses; integration of acquisitions into the superstore environment; one off infrastructure costs; acquisitions expenses; and certain professional fees and expenses. In respect of the Adjusted EBITDA calculation cost adjustments have been identified and defined by management.

The calculation of Adjusted EBITDA is based on the following data:

Earnings	31 Dec 2023	31 Dec 2022
Net (loss)/ profit attributable to equity holders of the parent	(1,834,798)	366,978
Add back:		
Taxation	(492,963)	(191,951)
Interest	641,353	452,781
Depreciation and impairment of property, plant and equipment, and right of use assets	644,386	719,057
Amortisation and impairment of intangible fixed assets	1,228,526	1,088,650
Foreign exchange	24,102	108,026
EBITDA	**210,606**	**2,543,541**
Share options expenses	108,977	(286,118)
Costs in respect of superstore integration	552,115	-
Professional fees and similar costs	53,031	-
Change in deferred consideration	-	(433,290)
Non-recurring payroll and similar costs	-	73,586
Costs incurred directly related to acquisitions	-	156,349
Adjusted EBITDA	**924,729**	**2,054,068**

Chief Financial Officer's Review Cont.

Earnings Per Share

Basic earnings per share ("EPS") is calculated based on the weighted average number of shares in issue. The table below shows the impact on EPS ("Adjusted EPS") of earnings before: interest; tax; depreciation and amortisation; foreign exchange; share option expenses; restructuring, redundancy and non-recurring payroll expenses; integration of acquisitions into the superstore environment; one off infrastructure costs; acquisitions expenses; and certain professional fees and expenses. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company being loss making in the current period would mean that any exercise would be anti-dilutive.

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

Earnings	31 Dec 2023	31 Dec 2022
Net profit/(loss) attributable to equity holders of the parent for the purpose of basic earnings per share calculation	(1,834,798)	366,978
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	(1,834,798)	366,978
Add back: Share options expenses	108,977	-
Add back: Costs in respect of superstore integration	552,115	-
Add back: Professional fees and similar costs	53,031	-
Non-recurring payroll and similar costs	-	73,586
Costs incurred directly related to acquisitions	-	156,349
Adjusted earnings	**(1,120,675)**	**596,913**

Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	71,969,697	71,969,697
Effect of dilutive potential ordinary shares	216,970	216,970
Weighted average number of ordinary shares for the purposes of diluted earnings per share	72,186,667	72,186,667

Earnings per share from continuing operations attributable to owners of the parent:	Pence	Pence
Basic	(2.55)	0.51
Diluted	(2.55)	0.51
Adjusted basic earnings per share	(1.56)	0.83
Adjusted diluted earnings per share	(1.56)	0.83

Taxation

The charge for taxation was £nil (2022: £nil) due to the availability of brought forward losses. A tax credit has been recognised in the year of £492,963 (2022: £191.951) in respect of a deferred tax asset. The forecasted taxable profits of the Group support the carrying value of the deferred tax assets.

Cash flow and net debt

Cash has reduced from £6.2m at 31 December 2022 to £4.7m at 31 December 2023. Operating cash inflow of £2.3m was reduced by payment of the final instalment of deferred consideration across all acquisitions of £1.7m. This was partially offset by: additional drawdown on the acquisition loan facility of £0.5m; interest (£0.6m) predominantly relating to the revolving credit facility; and capital expenditure of £1.4m which includes development costs for the ecommerce platform, integration and migration costs and performance enhancements. Bank facility utilisation has increased £0.5m following payment of the final tranches of deferred consideration for JTM Plumbing Limited and Clickbasin.

Bank facilities

The Group held a revolving bank loan credit facility ("RCF") with Clydesdale Bank plc as at 31 December 2023. The facilities with Clydesdale Bank totalled £9,250,000 of which £5,250,000 relates to financing permitted acquisitions and £4,000,000 relates to working capital. At 31 December 2023 the Group and Company have drawn down from the RCF Acquisition Facility only. This facility is denominated in pounds sterling with a nominal interest rate of 3.85% plus Bank of England base rate, and the final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 30 June 2027. The carrying amount at the year-end of amounts drawn down were £5,250,000 (2022: £4,787,678). As at the 31 December 2023 the Group was not subject to any external covenant or capital management tests, while its banking facilities were being renegotiated.

In January 2024 the Group renegotiated its banking facilities which include a revolving credit facility for acquisition purposes of up to £5,250,000 and a revolving credit facility for working capital purposes of £3,000,000. The Group will be subject to banking covenants on the renegotiated facilities, with the new covenants including a minimum EBITDA target, a de minimis cash balance and capital expenditure control, and the final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 30 June 2027.

Interest and financing costs

Interest costs have increased to £0.6m for 2023 (2022: £0.5m) reflecting the impact of increases in the base rate on the interest rate the group pays on its bank facility.

Statement of financial position

Net assets of the Group totalled £16.4m (2022: £18.1m) and can be summarised as follows:

	31 Dec 2023 £m	31 Dec 2022 £m
Non-current assets	26.9	25.3
Inventories	5.1	5.5
Trade and other receivables	2.0	2.7
Cash and cash equivalents	4.7	6.2
Trade and other payables	(15.8)	(16.6)
Loans and borrowing	(5.3)	(4.8)
Lease liabilities	(1.2)	(0.2)
	16.4	**18.1**

Non-current assets have increased reflecting changes to lease terms on existing properties and creating updated right of use assets and liabilities. Inventory levels are the result of active management to reduce the volume of stock held following the elevated stock holdings in 2022 that were required to support supply chain frailties, lower activity levels and the benefit to stock holding of the drop ship model. Trade receivables have reduced as we have extended less credit as part of our risk management focus. Other receivables include balances to be collected relating to volume rebate agreements. Cash and bank facility movements are set out in the cash flow and net debt section above. Trade and other payables reflect settlement in the year of deferred consideration balances, volume related reduction in deferred income and a temporary pause in the Groups VAT payments, as requested by HMRC, as it worked to put a VAT Group in place. This has recently been established and we now expect the position to normalise over the coming periods.

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 Executives review on page 10 and the Chief Financial Officers review on page 48.

In addition, note 28 of the financial statements includes an analysis of the Group's financial risk management objectives, details of its financial instruments and its exposure 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.

CMO aims to revolutionise the shopping experience of homeowners and tradespeople to become the go to digital retailer of building materials and supplies. This ambition remains undiminished. As the UK's largest online-only retailer of building materials and supplies, CMO continues to disrupt a £29bn 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.

While the recent trading background has been tough, key drivers being weaker housing transactions, weather and the squeeze on disposable incomes, there are a number of catalysts which indicate a change in the market backdrop. The outlook for real disposable incomes is the strongest seen for several years with inflation moderating, interest rates and energy costs are expected to fall and household incomes to rise from April 2024. Unemployment remains low and the UK economy is forecast to enter a period of sustained growth. This should mean improvements in the market backdrop for the second half peak trading as well as 2025 looks substantially more upbeat with consumer confidence also improving. CMO has a tested business model with the agility, diversity of product offering, a dedicated and experienced team of people and customer reach in different demographics to cope well and thrive.

At year end, the Group had cash of £4.7 million (net debt £0.6million). Net cash is total cash less amounts drawn on bank facilities. The Group has net current liabilities of £4.6m (2022: £2.6m) at the year end, however this was expected by the directors whilst the Group continues to reinvest in growth. The secured rolling cashflow facility to support future growth plans provides headroom to ensure that there are sufficient cash resources to enable the Group to meet all liabilities as they fall due. The Group held a revolving bank loan credit facility with Clydesdale Bank plc as at 31 December 2023 totalling £9.3m of which £5.3m relates to financing permitted acquisitions and £4.0m relates to working capital. The carrying amount at the year-end of amounts drawn down were £5.3m (2022: £4.8m). In January 2024 the Group renegotiated its banking facilities which include a RCF for acquisition purposes of up to £5.3m and a RCF for working capital purposes of £3m. The final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 2027.

In determining whether the group financial statements can be prepared on a going concern basis, the directors considered the group's business activities together with the factors likely to affect its future performance. As well as budgeted performance and assessment of the key assumptions underlying expectations for 2024, financial modelling was carried out to ensure compliance with Group's bank facilities and renegotiated covenants. Downside sensitivity scenarios were also considered. This included assessment of trading performance in the first quarter of 2024 which saw challenging trading conditions particularly, as more widely reported, in the tiles market. Our response to this included delivery of a program of strategic initiatives and cost reductions to offset this slower than expected start to the year and realignment of the covenants. The result of this process demonstrated that the group would be able to meet its liabilities for a period of at least 12 months from the date of these financial statements. As a result 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. The Group sells throughout the UK, has first mover advantage and has a diverse spread of customers with credit insurance covering key trade customers which is renewed annually in July 2024. The Group sources a range of products from third party suppliers in both the UK and Europe.

CMO Group Outlook

Moving forwards, while current market conditions remain challenging, we are confident that our strategy to focus on both profitable sales and cost efficiencies consistent with our asset light model will leave us well positioned to thrive when market conditions improve. Alongside this the Group continues to focus on creation and development of its organic channels and driving the value from recent acquisitions. In focussing on our trading strategy through 2024, strong margin and cost controls supported working capital management and a sound cash position, we remain confident in the ability of our strength 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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WAREHOUSE

Board of Directors

Ken Ford
Independent Non-Executive Chairman

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

He was previously chief executive of the 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. Ken is 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, becoming Executive Chairman in 2020 and CEO in 2021.

He has been on the board of Gear4music since 2012, serving as chairman until 2015. Gear4music has grown revenues from under £12m when he joined to almost £147m in the full year 2022. He was recently also non-executive at French Connection Group plc and chairman at the Neville Johnson Group. Dean's previous roles include former CFO and CEO of Myriad Childrenswear Group. Dean has over 35 years' worth of experience in retail.

Callum Tasker
Chief Commercial Officer

Callum has nearly 20 years' experience in the industry, joining CMO shortly after its inception in 2010.

He has successfully carried out various significant roles within the Company starting as Sales and Logistics manager. He was then promoted to Operations Director in 2015 and became Commercial Director in 2019. Prior to joining CMO he spent five years with SIG plc.

Jonathan Lamb
Chief Financial Officer

Jonathan joined CMO in December 2020.

He previously held various positions, including financial directorship roles, at Antler and Yumi International Limited (an ecommerce womenswear retailer). Jonathan is ACA qualified.

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.

Michael Fell
Non-Executive Director

Mike has 39 years of experience in private equity.

Prior to co-founding Key Capital, he spent 15 years at Granville Baird Capital Partners (now Baird Capital Partners Europe) in London, where he was Managing Director responsible for the UK, Spanish and German teams, serving on both the Executive Board and the Investment Committee. Prior to this, he worked for five years at NatWest Ventures (now Bridgepoint); He has extensive experience as a board member of both PLC and private companies. Mike Fell holds a BA in Accounting (Hons) and is a Chartered Accountant.

Corporate Governance Report

The board is pleased to present its Corporate Governance Report for the financial year ended 31 December 2023. The aim of this report is to set out CMO's approach to corporate governance, the work of the board, and the board committees over 2023.

The board strongly believes that corporate governance is more than just a set of guidelines. It is 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.

The board believes that the corporate governance processes in place support the board effectively in its role and that the relationships and dynamics of the board and the board committees are supportive, effective and help to provide rigour in, and scrutiny of, strategy and performance. On that basis, the board remains of the view that our approach to corporate governance is appropriate for a business of our size and scale.

In line with the requirements of the AIM Rules for Companies, the board has decided to apply the QCA Corporate Governance Code for Small and Mid-Size Quoted Companies (the "Code"). The board 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.

We note that the QCA has, since the date of our last Annual Report, published a new version of the Code. The Board welcomes the revised QCA Code, and the areas of focus set out therein and we will, as a Board, carefully consider how we most effectively respond to the new Code over the course of 2024.

Much of our focus as a Board over the course of 2023 has been on the challenging macroenvironment and the cost of living crisis and its implications on our workforce, our customers and our suppliers. We have dedicated time to understand the impact of the economic environment on our business and on our stakeholders, ensured through both the Board and the Board committees that we are managing risks and opportunities appropriately, and provided supportive but critical challenge to our management.

I want to conclude my report by reiterating both my own and the board's gratitude to both Sue Packer and James Excell, who both stood down as directors since the end of the reporting period. Their contributions to the Board and to the business have been significant and they will be missed. In their stead, we are delighted to welcome Callum Tasker and Mike Fell to the board – both will bring a range of insights, skills and competencies to the board.

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

Ken Ford Chairman of the Board

Compliance Statement

During the year ended 31 December 2023, the board has reviewed its compliance with the 2018 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 principles of the 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 Code.

Principle	Annual Report section
Establish a strategy and a business model which promote long-term value for shareholders	Strategy and Business Model sections (page 16 to 18)
Seek to understand and meet shareholder needs and expectations	Our governance structure (page 58) Section 172(1) Statement (page 46)
Take into account wider stakeholder and social responsibilities and their implications for long-term success	Section 172(1) Statement (page 46)
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Internal Controls and Risk Management (page 63) Audit Committee Report (page 64)
Maintain the board as a well-functioning, balanced team led by the Chair	Our governance structure (page 58)
Ensure that, between them, directors have the necessary up-to-date experience, skills, and capabilities	Board composition (page 62)
Evaluate board performance based on clear and relevant objectives for continuous improvement	Board and Committee effectiveness (page 63)
Promote a corporate culture that's based on ethical values and behaviours	Purpose, values and culture (page 61)
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Our governance structure (page 58)
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Audit Committee Report (page 64) Remuneration Report (page 66) Section 172(1) Statement (page 46)

Our Governance Structure

The board has adopted a Matters Reserved for the Board document setting out its main responsibilities and helping to delineate between those matters that are within the remit of the Board against those day-to-day matters that can effectively be delegated to management. This document was last reviewed in June 2023.

The Directors regard 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 16-21. 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). The Board was pleased to note that all resolutions put to the 2022 AGM passed comfortably, with all resolutions receiving more than 99% of votes cast in favour. 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 46.




In 2023, the board met on a scheduled basis on 10 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. The Board continues to consider further ways of ensuring the board is able to continue to effectively engage with shareholders and other key stakeholders, and we set out details of our stakeholder engagement activities as a Board in our s172 report from page 46.

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 in these financial statements. The terms of reference of each committee are available on the website at https://www.cmogroup.com/investor-information/aim-rule-26.

In terms of forthcoming priorities for the board in 2024, the following will be key areas:

- **Margin.**
- **Cash and working capital management.**
- **Refund control.**
- **Creating product experts.**
- **Carriage recovery.**
- **Tiles category recovery.**

Board and committee attendance

The table below sets out the Board and Committee attendance for 2023. 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 are 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	10 of 10 (100%)		2 of 2 (100%)
Dean Murray	10 of 10 (100%)	-	-
Sue Packer	8 of 10 (100%)	-	-
Jonathan Lamb	10 of 10 (100%)	-	-
Helen Deeble	10 of 10 (100%)	3 of 3 (100%)	2 of 2 (100%)
James Excell	10 of 10 (100%)	3 of 3 (100%)	




Purpose

Why we do what we do

Values

The qualities we embody

Culture

How we work together

The Group's strategy is centred 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, we recognise 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, we want 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 2024. These metrics will allow it to review the progress we're making in embedding CMO's cultural aspirations.

The board promote a culture within the Group of ethical values and behaviours. The board has adopted a number of policies covering a range of the behaviours that we expect from our staff and from those that work with us, including anti-bribery and anti-corruption policies and an equality, diversity and inclusion policy. The board will receive regular updates on how these policies are being implemented across the business and any instances where behaviour falls short of the standards we expect.

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.

Our employee engagement activities are set out in our Section 172 report from page 46.

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.

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As at 31 December 2023, 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 23 to 24.

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, all Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and are subject to re-election at least every three years. However, in line with good corporate governance practice, all Directors submit themselves for election or re-election by shareholders at each AGM.

Accordingly, all directors will submit themselves for election by shareholders at the 2024 AGM. The Board considers that, during the year ended 31 December 2023, each director that served in 2023 has performed effectively and continues to demonstrate commitment to the role. The Board therefore believes that it is in the best interests of shareholders that each director is re-elected at the forthcoming AGM.

In addition, since the end of the reporting period, Callum Tasker and Mike Fell have been appointed to the Board and the Board proposes them for election by shareholders at the forthcoming 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 2024 and beyond.

We reported in last year's Annual Report that a focal area for the board in 2023 would be on succession planning and on further developing the talent pipeline within the business to produce the next generation of senior leaders. With that in mind, the board is delighted to have, since the end of the reporting period, appointed Callum Tasker to the board. Callum has played an invaluable role in the success of the Company since his appointment in 2010 and the board will benefit significantly from his industry experience and long-term knowledge of CMO.

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. During 2023 the Board embarked on a review program bringing in external consultants to facilitate workshops, peer group review and 1 to 1 coaching. This work will continue into 2024.

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.

The board is 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 has adopted systems of internal control such as regular review of the risk register and monthly operational board reports, and overseeing 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 on pages 14 to 43. For detail on the management and mitigation of each principal risk, see pages 24 to 27.

Report of the Audit Committee

Dear Shareholders,

On behalf of the board, I am pleased to present my report as chair of the Audit Committee (the 'Committee') for the financial year to 31 December 2023. This report provides shareholders with an overview of the activities carried out by the Committee during the year.

As of 31 December 2023, the Committee members comprised of me, Helen Deeble, as the chair, 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.

Following the end of the reporting period, and as reported elsewhere, James stood down as a Director of the Company and as a member of the Committee. I extend my sincere thanks to James for his work on the Committee. Mike Fell was appointed as a Director of the Company and as a member of the Committee on 8 February 2024 and I look forward to his contributions to the Committee in 2024.

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 during the year have been as follows:

- Review of the Company's interim results;
- Review of the Company's risk management and internal control processes and procedures
- Review of the external audit process and approval of the scope of the external audit plan for FY2023 and approval of the external auditors' fee; and
- 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 2023.

Attendance at Committee meetings throughout 2023 is set out in the Corporate Governance Statement on page 59.

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. The committee has also, post-year end, considered and approved the disclosure on principal risks and uncertainties in this Annual Report and Accounts.

Post-year end, the Committee also reviewed and approved the year-end results and accounts. The Committee 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 for inspection on the Group's website. The terms of reference are 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 reviews 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 considered significant areas concerning the FY 2023 Annual Report and Accounts.

The Committee also evaluated the budget for FY 2024 and longer-term forecasts, as well as applicable sensitivities, and concluded that it is appropriate that the Annual Report and Accounts be prepared on the going concern basis of accounting. The Strategic Report was also examined by the Committee, which concluded it provided a valuable, fair, balanced, and understandable overview of the business.

External auditor

Saffery LLP has been the Group's external auditor ('auditor') since 29 November 2021. The Audit Committee monitors the relationship with Saffery 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 are 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. The Committee remains of the view 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. The Committee will continue to review this position periodically.

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. Having considered a range of sources, including the risk register, reporting on the compliance policies in place across the Group, and the external auditor's findings, the Committee is satisfied that the internal control systems in place continued to operate effectively during the reporting period..

Helen Deeble CBE
Chair of the Audit Committee
31 May 2024

Report of the Renumeration Committee

Chairman's Introduction

I am delighted to present the Remuneration Committee report for the year ended 31 December 2023, 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 the Group's approach to remuneration and reward is appropriate for a listed business and that the remuneration structures in place support the strategy of the group.

In line with our remuneration policy, the Committee agreed in 2023 the grant of further share option awards under the Company's Long-Term Incentive Plan to a number of senior managers, including the three Executive Directors. We are confident that the performance conditions associated with these awards will serve to ensure continued alignment between the long-term goals of shareholders and our senior managers and staff.

We have also in 2023 considered the overall pay conditions across the Group, mindful of the potential impact of the cost-of-living crisis on our staff. While we remain confident that our approach toward remuneration across the Group is competitive both in the geographies in which we operate and when compared with our competitors, this will continue to be a focus for us in 2024.

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 is comprised 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 the 2023 salary increases for executive directors and senior managers.
- Review of the performance to date of the LTIP 2021.
- Review and grant of the 2023 LTIP.
- Ongoing review of job grades and benefit levels within the organisation in order to plan for future growth of the Group.

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 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; and
- 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.	n.a.
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.	n.a.
Annual bonus Payment of any bonus is discretionary and determined by the Remuneration Committee.	Executives are eligible to participate in an annualbonus scheme. The Remuneration Committee reviews targets, and the weighting of performance measures each year.	Determined by the Remuneration committee and paid in either cash or a form other than cash. Potentially subject to conditions in relation to forfeiture and / or claw back.	The portion of bonus earned in any one year depends on the Remuneration Committee's assessment of each individual's performance and the overall performance of the Company against predetermined targets for the year. Performance targets are majority weighted on the Company's financial performance and minority weighted on performance against strategic and personal targets. The Remuneration Committee has discretion over outcomes.
Long Term Incentive Plan Supports the recruitment and retention of executive directors and aligns interests with shareholders.	The Committee has the discretion to award LTIP awards annually. LTIP awards will usually vest at the end of a three-year period, subject to continued employment and satisfaction of performance conditions. Malus and clawback provisions apply.	For LTIP 2021-2023, the maximum opportunity is equal to between 175% and 200% of base salary. For LTIP 2023, the maximum opportunity is equal to between 25% and 40% of base salary.	For LTIP 2021-2023, 50% of the award is based on annual financial performance in the period, with stretch targets needing to be met for maximum award. 50% of the award is based on share price development during the period. For LTIP awards granted in 2023, an additional emphasis was included on achievement of stretching financial targets for the Group based on share price growth and cumulative EBITDA targets.
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 69.	n.a.

Directors' remuneration table

The remuneration of the directors for the year to 31 December 2022 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	152,250	2,944	-		155,194
Jonathan Lamb	11 June 2021	141,750	2,786	-	-	144,536
Sue Packer	11 June 2021	127,575	6,861	-	-	129,936
Non-Executive Directors						
Ken Ford	1 July 2021	50,000	-	-	-	50,000
Helen Deeble	1 July 2021	50,000	-	-	-	50,000
James Excell	1 July 2021	50,000	-	-	-	50,000

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

The awards made in respect of the LTIP 2021-2023 to individuals are 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. This LTIP is subject to a 3-year vesting period and 50% of the 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.

Further to the 2021 award, a number of LTIP awards were made in 2023. The awards are subject to a two-year vesting period and subject to achievement of stretching performance targets based on share price growth and cumulative EBITDA targets.

The below table sets out the total LTIP awards for members of the Executive team as at 31 December 2023.

Name	Date of grant	Number of ordinary shares under option	Exercise price	Latest exercise date
Dean Murray	1 July 2021 23 June 2023	196,970 217,500	1 pence 1 pence	1 July 2031 23 June 2033
Sue Packer	1 July 2021 23 June 2023	172,349 177,187	1 pence 1 pence	1 July 2031 23 June 2033
Jonathan Lamb	1 July 2021 23 June 2023	159,091 177,187	1 pence 1 pence	1 July 2031 23 June 2033

Since the end of the reporting period, Suzanne Packer resigned as a Director of the Company on 8 February 2024 and retired from the Company at the end of March 2024. Suzanne Packer's LTIP options have lapsed and have not been otherwise compensated.

Director shareholdings

Executive Directors	Beneficially owned shares at 31 December 2022	Non-Executive Directors	Beneficially owned shares at 31 December 2021
Dean Murray	2,178,530	Ken Ford	200,000
Jonathan Lamb	726,177	Helen Deeble	18,939
Sue Packer	1,764,412	James Excell	18,939

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 2023. The Strategic Report, which is set out on pages 14 to 27, 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)
Future developments	Strategic Report (page 16)
Risk Management and Principal Risks	Strategic Report (pages 63)
Business relationships with suppliers, customers and others	Section 172(1) Statement (page 46)
Corporate Governance Statement	Corporate Governance Statement (page 58)
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 81)
Streamlined Energy and Carbon Reporting	Environmental, Social, and Governance (from page 29)

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 £29 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 multiple specialist Superstore websites:

- Buildingsuperstore.co.uk
- ClickBasin.co.uk
- Doorsuperstore.co.uk
- Drainagesuperstore.co.uk
- GoodBuilds.co.uk
- Insulationsuperstore.co.uk
- JTMplumbing.co.uk
- Plumbingsuperstore.co.uk
- Roofingsuperstore.co.uk
- Tilesuperstore.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 82 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 82. 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 2024. In January 2024 the Group renegotiated its banking facilities which include a revolving credit facility for acquisition purposes of up to £5.25m and a revolving credit facility for working capital purposes of £3m, as detailed in note 34 to these financial statements.

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 resources are available to complete the development, as disclosed in note 16 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 54. 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 in 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 25 of the Financial Statements.

At 2 January 2024, 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. See table at the bottom of this page.

Going concern

The financial statements on pages 66 to 103 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 2023. In January 2024 the Group renegotiated its banking facilities which include a revolving credit facility for acquisition purposes of up to £5.25m and a revolving credit facility for working capital purposes of £3m together with revised covenants. The board of directors believes the Group has sufficient resources to continue operations for the foreseeable future. Full details of these are set out on page 81 in these financial statements.

Auditors

Saffery LLP was appointed as auditor for the year ended 31 December 2023 and have indicated their willingness to continue in office. A resolution to re-appoint Saffery LLP as the auditor will be put to the forthcoming Annual General Meeting.

Shareholders per latest publicly available information	Ordinary shares	% Holding
Key Capital Partners	19,285,042	26.80%
J O Hambro Capital Management Limited	6,412,200	8.91%
BGF Investment Management Limited	5,257,972	7.31%
Chelverton Asset Management	5,000,000	6.95%
Radmat Building Products Ltd	4,502,186	6.26%
Liontrust Asset Management	3,770,252	5.24%
Canaccord Genuity Wealth Management (Inst)	3,700,000	5.14%
River and Mercantile Asset Management	2,400.000	3.33%

Report of the Directors Cont.

Statement on 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.

Annual general meeting

The Annual General Meeting will be held on 27 June 2024. 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 UK-adopted International Accounting Standards (IFRS), following the provisions of the Companies Act 2006.

Under Company law, the directors must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the Group and Company 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 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is 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 Directors' Report was approved by the board of directors on 31 May 2024 and signed on its behalf by:

Jonathan Lamb **Chief Financial Officer**

Independent Auditor's Report

for the Year Ended 31 December 2023

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 2023 which comprise the consolidated statement of total 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 statement of cash flow 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:

- 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 2023 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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 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 assumptions 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 2023, goodwill of £20,445,122 is recognised on the Group statement of financial position. The full balance arose from historic business combinations.

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:

- Obtained and reviewed management's 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 assessed 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.

Revenue recognition

Under ISA (UK) 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements revenue recognition is a presumed risk.

Due to the significance of revenue to the financial statements including as a key performance indicator for the business and the complexity of applying IFRS 15 to different revenue streams, revenue recognition is considered to be a key audit matter.

We performed the following procedures:

- Obtained an understanding of the revenue cycle including identifying key controls and performing walkthrough tests
- Performed analytical procedures over the revenue cycle to understand the performance in the year and identify any risks or inconsistencies with our understanding of the business
- Identified the trigger point for revenue recognition and assessed whether this was consistent with IFRS 15
- Substantively tested the recognition for a sample of transactions across the year from customer order to sales invoice and order dispatch to test the completeness of revenue
- Obtained support for orders and goods dispatched either side of the year end and confirm that cut off has been accurately applied
- Reviewed post year end credit notes to assess the level of provision for goods returned and assessed the overall level of sales provisions considering corroborate and contradictory audit evidence

We have not identified any material misstatement in relation to revenue recognition. We have assessed that the accounting policies applied for revenue recognition are in accordance with IFRS 15.

Independent Auditor's Report Cont.

for the Year Ended 31 December 2023

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 2023 the Group held inventory with a net carrying value of £5,062,859.

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, using both floor to sheet and sheet to floor method
- 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.

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 £372,000 (2022: £430,000) for the Group and £342,000 (2022: £280,000) for the Company financial statements. Group materiality is based on 0.5% (2022: 0.5%) of Group revenue and Company materiality is based on 1% (2022: 1%) 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 75% (2022: 75%) of materiality.

We set a level of triviality of £18,000 (2022: £22,000) which is 5% (2022: 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 account and year end cash balance
- Performed sensitivity analysis on key assumptions used in the cash flow forecasts and considered the timing of working capital receipts and payments
- Considered how the impact of the global economy has been factored into the forecasts including mitigating actions taken to reduce the impact and the timing of any resulting impacts
- Reviewed external funding arrangements and considered whether the group has and will comply with covenants
- Assessed disclosures in the financial statements regarding the impact of the ongoing macroeconomic factors and the appropriateness of preparing the financial statements of the company on the going concern basis

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.

Independent Auditor's Report Cont.

for the Year Ended 31 December 2023

Other information

The director is 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. The directors are responsible for the other information. 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 23 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

30 May 2024


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Financial Statements

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2023

	Note	31 Dec 2023 Total £	31 Dec 2022 Total £
Revenue	4	**71,503,861**	**83,072,635**
Cost of Sales		(56,584,272)	(66,530,988)
Gross Profit		**14,919,589**	**16,541,647**
Administrative Expenses	6	(16,605,997)	(15,913,839)
Operating profit / (loss)		**(1,686,408)**	**627,808**
Finance income	10	230	436
Finance expense	10	(641,583)	(453,217)
(Loss)/ profit before taxation		**(2,327,761)**	**175,027**
Taxation	11	492,963	191,951
(Loss)/ Profit for the year attributable to owners of the parent		(1,834,798)	366,978
Other comprehensive income for the year		-	-
Total comprehensive (loss)/ profit for the year attributable to owners of the parent		(1,834,798)	366,978
Earnings per share		**pence**	**pence**
Basic	12	(2.55)	0.51
Diluted	12	(2.55)	0.51
Adjusted basic earnings per share	12	(1.56)	0.83
Adjusted diluted earnings per share	12	(1.56)	0.83

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

	Note	31 Dec 2023 £	31 Dec 2022 £
ASSETS			
Non-current assets			
Goodwill	15	20,445,122	20,445,122
Other intangible assets	16	3,085,999	2,967,848
Property, plant and equipment	13	1,416,296	1,451,461
Right-of-use assets	14	1,108,591	119,490
Deferred tax assets	11	817,412	324,449
Total non-current assets		**26,873,420**	**25,308,370**
Current assets			
Inventories	18	5,062,859	5,454,126
Trade and other receivables	19	1,951,295	2,731,988
Cash and cash equivalents	20	4,680,883	6,209,910
Total current assets		**11,695,037**	**14,396,024**
Total assets		**38,568,457**	**39,704,394**
Liabilities			
Current liabilities			
Trade and other payables	21	(15,781,101)	(16,579,099)
Lease borrowings	22	(2,217)	(859)
Lease liabilities	14	(498,694)	(210,140)
Total current liabilities		**(16,282,012)**	**(16,790,098)**
Non-current liabilities			
Loans and borrowings	22	(5,250,000)	(4,787,678)
Lease liabilities	14	(635,648)	-
Total non-current liabilities		**(5,885,648)**	**(4,787,678)**
Total liabilities		**(22,167,660)**	**(21,577,776)**
Net assets		**16,400,797**	**18,126,618**
EQUITY			
Share capital	25	719,697	719,697
Share premium	26	25,873,451	25,873,451
Merger reserve	26	(513,000)	(513,000)
Share option reserve	26	242,607	133,630
Retained deficit	26	(9,921,958)	(8,087,160)
Total equity attributable to owners of the parent		**16,400,797**	**18,126,618**

The consolidated financial statements of CMO Group Plc, company registered number 13451589, were approved by the board, and authorised for issue on 30 May 2024 and signed on its behalf by:

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

The accompanying notes form part of these financial statements.

Company Statement of Financial Position

as at 31 December 2023

	Note	31 Dec 2023 £	31 Dec 2022 (Restated) £
Assets			
Non-current assets			
Other intangible assets	16	12,606	121,282
Investments in subsidiaries	17	513,101	513,101
Trade and other receivables	19	30,192,347	29,246,016
Total non-current assets		**30,718,054**	**29,880,399**
Current assets			
Trade and other receivables	19	268,095	391,790
Cash and cash equivalents	20	85,264	91,308
Total current assets		353,359	483.098
Total assets		**31,071,413**	**30,363,497**
Liabilities			
Current liabilities			
Trade and other payables	21	(436,284)	(371,363)
Total current liabilities		**(436,284)**	**(371,363)**
Non-current liabilities			
Loan and borrowings	22	(5,250,000)	(4,787,678)
Total non-current liabilities		**(5,250,000)**	**(4,787,678)**
Total liabilities		**(5,686,284)**	**(5,159,041)**
Net assets		**25,385,129**	**25,204,456**
Equity			
Share capital	25	719,697	719,697
Share premium	26	25,873,451	25,873,451
Share option reserve	26	242,607	133,630
Retained deficit	26	(1,450,626)	(1,522,322)
Total equity		**25,385,129**	**25,204,456**

Under s408 of the Companies Act 2006 the Company is exempt from the requirement to present its own statement of comprehensive income. The profit after tax for the year ended 31 December 2023 was £71,696 (2022: £502,994).

The financial statements of CMO Group Plc, company registered number 13451589, were approved by the board, and authorised for issue on 30 May 2024 and signed on its behalf by

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

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the Year Ended 31 December 2023

	Note	Share capital	Share Premium	Merger Reserve reserve	Share option	Retained Deficit	Total
		£	£	£	£	£	£
As at 1 January 2022		**719,697**	**25,873,451**	**(513,000)**	**419,748**	**(8,454,138)**	**18,045,758**
Profit/(loss) for the year		-	-	-	-	366,978	366,978
Total comprehensive profit for the year		**-**	**-**	**-**	**-**	**366,978**	**366,978**
Transactions with owners							
Share-based payment adjustments	9	-	-	-	(286,118)	-	(286,118)
Total transactions with owners					(286,118)	-	(286,118)
As at 31 December 2022		**719,697**	**25,873,451**	**(513,000)**	**133,630**	**(8,087,160)**	**18,126,618**
As at 1 January 2023		**719,697**	**25,873,451**	**(513,000)**	**133,630**	**(8,087,160)**	**18,126,618**
Loss for the year		-	-	-	-	(1,834,798)	(1,834,798)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(1,834,798)**	**(1,834,798)**
Transactions with owners							
Share-based payment adjustments	9	-	-	-	108,977	-	108,977
Total transactions with owners					108,977	-	108,977
As at 31 December 2023		**719,697**	**25,873,451**	**(513,000)**	**242,607**	**(9,921,958)**	**16,400,797**

The accompanying notes form part of these financial statements.

Company Statement of Changes in Equity

for the Year Ended 31 December 2023

	Note	Share capital £	Share Premium	Share option reserve £	Retained earnings	Total
As at 1 January 2022		719,697	25,873,451	419,748	(2,025,316)	24,987,580
Profit for the year		-	-	-	502,994	502,994
Total comprehensive profit for the year		**-**	**-**	**-**	**502,994**	**502,994**
Transactions with owners						
Share-based payment adjustments	9	-	-	(286,118)	-	(286,118)
Total transactions with owners		**-**	**-**	**(286,118)**	**-**	**(286,118)**
As at 31 December 2022		**719,697**	**25,873,451**	**133,630**	**(1,522,322)**	**25,204,456**
As at 1 January 2023		**719,697**	**25,873,451**	**133,630**	**(1,522,322)**	**25,204,456**
Profit for the year		-	-	-	71,696	71,696
Total comprehensive profit for the year		**-**	**-**	**-**	**71,696**	**71,696**
Transactions with owners						
Share-based payment adjustments		-	-	108,977	-	108,977
Total transactions with owners		-	-	108,977	-	108,977
As at 31 December 2023		**719,697**	**25,873,451**	**242,607**	**(1,450,626)**	**25,385,129**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2023

	Note	31 Dec 2023 Total £	31 Dec 2022 Total £
Cash flows from operating activities	**32**	**2,340,194**	**2,443,251**
Investing activities			
Payments to acquire intangible fixed assets	16	(1,366,389)	(1,277,763)
Payments to acquire tangible fixed assets	13	(49,866)	(68,893)
Cash outflow on business combination		(1,697,301)	(4,661,217)
Net cash used in investing activities		**(3,113,556)**	**(6,007,873)**
Financing activities			
Receipts from borrowings draw downs	33	462,322	1,699,536
Repayment of lease liabilities	14, 33	(576,404)	(547,731)
Interest paid on lease liabilities	14, 33	(95,946)	(66,062)
Interest paid	33	(545,637)	(387,155)
Net cash generated from financing activities		**(755,665)**	**698,588**
Net decrease in cash and cash equivalents		**(1,529,027)**	**(2,866,034)**
Cash and cash equivalents at beginning of year	20	6,209,910	9,075,944
Cash and cash equivalents at end of year	**20**	**4,680,883**	**6,209,910**

Notes to the Financial Statements

for the Year Ended 31 December 2023

1. Corporate information

CMO Group Plc ("the Company") is a public company limited by shares incorporated and domiciled in the United Kingdom. Its registered address is Burrington Business Park, Burrington Way, Plymouth, United Kingdom, PL5 3LX.

CMO Group PLC was incorporated on 11 June 2021 and began trading on 23 June 2021.

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.

2. Significant Accounting policies

(b) Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted International Accounting Standards ("IFRS"). The consolidated and Company financial statements have also been prepared under the historical cost convention, except for revaluation of certain financial instruments. 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; and
- The requirements to disclose certain information relating to business combinations completed during the reporting period under IFRS 3

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

The consolidated and Company financial statements are presented in pound sterling ("£"), which is the Group's and Company's presentational and functional currency rounded to the nearest one pound, unless stated.

(b) Going concern

The consolidated and Company financial statements have been prepared on a going concern basis. The Group generated Adjusted EBITDA of £0.9m for the year compared to £2.1m in 2022, as detailed on page 49 of these financial statements.

The directors are continuing to identify acquisitions as well as focussing on organic growth, with the expectation of growth in gross profits and operating profits in 2024.

The Group has net current liabilities of £4,586,975 (2022: £2,394,074) at the year end, however this was expected by the directors whilst the Group continues to reinvest in growth. The secured rolling cashflow facility to support future growth plans provides headroom to ensure that there are sufficient cash resources to enable the Group to meet all liabilities as they fall due. The Group held a revolving bank loan credit facility with Clydesdale Bank plc as at 31 December 2023 totalling £9.3m of which £5.3m relates to financing permitted acquisitions and £4.0m relates to working capital. The carrying amount at the year-end of amounts drawn down were £5.3m (2022: £4.8m).

In January 2024 the Group renegotiated its banking facilities which include a RCF for acquisition purposes of up to £5.3m and a RCF for working capital purposes of £3m. The final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 2027. A financial model covering a 12-month period following the date of these accounts has been prepared to enable the Directors to confirm, based on the modelling assumptions, that the Group can operate within its renegotiated banking facilities including on a sensitised basis. As part of this review the covenants attached to the facility have been reviewed as part of the going concern assessment for likelihood of future breaches, and the Directors believe any such instance as remote.

The directors are confident that the measures they have available will result in sufficient working capital and cash flows to continue in operational existence. Taking these matters in consideration, the Directors continue to adopt the going concern basis of accounting in the preparation of the financial statements.

(c) New and amended standards and interpretations

The following amendments to standards have become effective for the first time for annual reporting periods commencing on 1 January 2023 and have been adopted in preparing these financial statements:

- Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting Policies;
- Amendments to IAS 8 – Definition of Accounting Estimates; and
- Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a Single Transaction.

The adoption of these amendments had no material impact on the financial statements.

At the date of approval of these financial statements, the following amendments to IFRS which have not been applied in these financial statements were in issue, but not yet effective, until annual periods beginning on 1 January 2024:

- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7);
- Non-current Liabilities with Covenants (Amendments to IAS 1);
- Amendments to IFRS 16 – Lease liability in sale and leaseback;
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current;
- Amendments to IAS 21 Lack of Exchangeability*;
- Issue of IFRS S1 - General Requirements for Disclosure of Sustainability-related Financial Information*;
- Issues of IFRS S2 - Climate-related Disclosures*; and
- Issue of IFRS 18 - Presentation and Disclosure in Financial Statements*.

*Subject to endorsement by the UK

The adoption of these amendments is not expected to have a material impact on the consolidated and Company financial statements.

(d) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee. The Group re-assesses 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the period are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

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.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used in line with those used by other members of the Group.

All intragroup assets and liabilities, equity, income, expenses, and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

(e) Revenue recognition

The Group sells construction materials directly to customers through online sales. 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.

For the sale of construction materials through online sales, 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.

2. Significant accounting policies (Continued)

Deferred income

Sales are made through the Group's online sales platform 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.

(f) Foreign currencies

The consolidated and Company financial statements are presented in pound sterling "GBP" which is the Group's and Company's presentational and functional currency.

Transactions in currencies other than the functional currency of each entity are recorded at the exchange rate on the date the transaction occurred. Foreign exchange gains and losses resulting from the settlement of such transactions, and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates, are recognised in profit or loss and other comprehensive income.

(g) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors that makes strategic decisions. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. The CODM has determined that there is one single operating segment, based on internal reporting, being the online retail of building products.

(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
Leasehold property	50 years
Fixtures, fittings, and equipment	4-5 years
Other property, plant, and equipment	5 years
Motor vehicles	3 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 total comprehensive income. The estimated useful lives, residual values, and depreciation method are reviewed at the end of each accounting period.

Assets under construction are those that are being built or developed with the intention of being used in the business operations of the Group. These assets are not depreciated until they are completed and ready to be used. Once an asset is completed, it is transferred to a separate class of asset in property, plant and equipment and is then subject to depreciation. This transfer is made at the point of time the asset is completed and is ready for use.

(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 total 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 at fair value on initial recognition.

The fair value of intangible assets acquired on business combinations are capitalised 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; and
- 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
Customer relationships	2-5 years
Trade names	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 assets 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) Borrowing 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) Taxation

Income tax expense represents the sum of the current tax and deferred tax charge for the year.

Current tax

Current tax payable is based on the taxable profit for the year calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period. 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

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases.

Deferred tax is calculated at the tax rates that have been enacted or substantively enacted and are expected to apply in the period when the liability is settled, or the asset realised. Deferred tax is charged or credited to the statement of comprehensive income.

Deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

2. Significant accounting policies (Continued)

(p) Financial assets

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
- Fair value through other comprehensive income; and
- 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

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

Impairment provisions for other receivables are recognised based on the general impairment model within IFRS 9. In doing so, the Group follows the 3-stage approach to expected credit losses. Step 1 is to estimate the probability that the debtor will default over the next 12 months. Step 2 considers if the credit risk has increased significantly since initial recognition of the debtor. Finally, Step 3 considers if the debtor is credit impaired, following the criteria under IFRS 9.

The Group's financial liabilities held at amortised cost comprise trade payables and other short-dated monetary liabilities, and other borrowings in the consolidated statement of financial position.

Trade payables and other short-dated monetary liabilities are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Other borrowings are initially recognised at fair value net of any transaction costs directly attributable to the issue of the instrument. Such interest-bearing liabilities are subsequently measured at amortised cost using the effective interest rate method, which ensures that any interest expense over the period to repayment is at a constant rate on the balance of the liability carried in the consolidated statement of financial position.

For the purposes of each financial liability, interest expense includes initial transaction costs and any premium payable on redemption, as well as any interest or coupon payable while the liability is outstanding.

Unless otherwise indicated, the carrying values of the Group's and Company financial liabilities measured at amortised cost represents a reasonable approximation of their fair values.

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 60 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

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.

(q) 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; and
- 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.

(r) 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.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

2. Significant accounting policies (Continued)

(s) 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 a broader employee share ownership plan. The 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.

Employee share ownership plan

An additional share ownership plan was initiated by the Company where 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; based on the 3-year vesting period and exercise price.

(t) Correction of prior period error

Following a review of the December 2022 Annual Report by the Corporate Reporting Review Department of the Financial Reporting Council (FRC) it was identified that amounts owed from group undertakings had been presented incorrectly in the Company statement of financial position. This balance had been presented as amounts falling due within one year. However, this does not reflect the expected recovery period and therefore in accordance with IAS 1 "Presentation of Financial Statements", paragraph 66 the balance should have been presented as due within more than one year. This has been adjusted in the current period and re-presented in the prior year comparatives with an opening statement of financial position additionally presented in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" to reflect this error. This adjustment was presentational in nature and had no impact to reported profit/loss or net assets.

The amount re-presented in the comparative figures had an opening balance on 1 January 2022 of 27,283,326 and a closing balance on 31 December 2022 of 29,246,016.

The review undertaken by the FRC was a limited scope review based solely upon the Group's published Annual Report. It does not provide assurance that the Annual Report and Accounts are correct in all material respects. The FRC accepts no liability for reliance on their review by the Company or any third party.

3. Critical accounting estimates and judgements

In the application of the accounting policies, which are described in note 2, the Directors are required to make judgements, estimates and assumptions which affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. The estimates and associated assumptions are based on historical experience, expectations of future events and other factors that are believed to be reasonable under the circumstances. Actual results in the future could differ from such estimates. The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the revision is made.:

(a) Sources of estimation uncertainty

(i) Lease Liabilities

The Group makes judgements to estimate the incremental borrowing rate ("IBR") used to measure lease liabilities based on expected third party financing costs when the interest rate implicit in the lease cannot be readily determined. The IBR has been determined by management using a range of data including current economic and market conditions, review of current debt and capital within the Group, lease length and comparisons against other relevant data points. Significant changes in IBR would cause changes to both the value of the right-of-use assets and corresponding lease liabilities. 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 £1,134,342 at 31 December 2023 (2022: £210,140) as detailed in note 14.

(ii) Deferred tax assets

The extent of which deferred tax assets can be recognised is based on an assessment and estimation 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 2023 the deferred tax assets totalled £817,412 (2022: £324,449) as detailed in note 11.

(iii) 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 15.

(a) Sources of judgement

(i) Capitalisation of development costs

Labour costs incurred in developing the company's website which meet the criteria of costs associated with the development of an internally generated intangible asset and are capitalised accordingly, based on management judgment. Development costs are amortised straight line over 3 years which is estimated to be an appropriate useful economic life for a technological asset. Labour costs capitalised in the year to 31 December 2023 totalled £876,482 (2022: £700,246). These are included within computer software and development costs in note 16.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

4. Revenue

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

Group	31 Dec 2023 £	31 Dec 2022 £
Revenue from sale of goods	**71,503,861**	**83,072,635**

All revenue is derived from the UK.

Management considers the Group to have 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.

5. Segmental disclosures

The Chief Operating Decision Maker ("CODM") has been identified as the management team comprising the executive directors who make strategic decisions. The CODM reviews internal reporting in order to assess performance and allocate resources. The CODM has determined that there is one single operating segment, based on internal reporting, being the online retail of building products.

Non-current assets at the end of each period presented are held entirely in the United Kingdom.

6. Expense by nature

Profit/(loss) for the year has been arrived at after charging (crediting):

Group	31 Dec 2023 £	31 Dec 2022 £
Depreciation of owned property, plant and equipment, and other leases	95,645	206,978
Depreciation expense on right-of-use assets (note 14)	548,741	512,080
Amortisation of intangible assets (note 16)	1,228,526	1,088,650
Acquisition and other costs	-	156,349
Foreign exchange loss	24,102	108,026
Wages and salaries (note 9)	6,966,835	6,435,439
Social security	669,563	640,123
Cost of defined contribution scheme	167,919	132,450
Exceptional costs:		
- Exceptional fees in respect of superstore integration	552,115	-
- Exceptional professional fees and other costs	53,031	-
Share-based payment charge/ (gain)	108,977	(286,118)
Non-recurring payroll costs (note 9)	-	73,586

Superstore integration fees included amounts relating to restructuring and redundancy, integration of acquisitions into the superstore environment, and one-off infrastructure costs. Professional fees and other costs are in respect of fees in relation to share options, VAT, and other costs due on the reassessment of lease expenses.

7. Auditor's remuneration

Group	31 Dec 2023 £	31 Dec 2022 £
Fees payable for the audit of the Company and the group financial statements	80,000	66,500
Audit of the subsidiary financial statements	85,000	85,000
	165,000	**151,500**

Company	31 Dec 2023 £	31 Dec 2022 £
Fees payable for the audit of the Company's and the Group financial statements	**80,000**	**66,500**

8. Directors' remuneration

Group	31 Dec 2023 £	31 Dec 2022 £
Remuneration	571,575	564,999
Social security costs	61,257	64,807
Company contributions to defined contribution pension schemes	12,591	3,963
	645,423	**633,769**

The remuneration of the highest paid director included above was:

	31 Dec 2023 £	31 Dec 2022 £
Remuneration	152,250	145,000
Social security costs	19,244	19,755
Company contributions to defined contribution pension schemes	2,944	1,321
	174,438	**166,076**

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

9. Employee costs

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

	31 Dec 2023 £	31 Dec 2022 £
Management	14	19
Sales and administrations	198	207
	212	**226**

The Company had 6 (2022: 6) employees for year ending 31 December 2023.

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

	31 Dec 2023 £	31 Dec 2022 £
Wages and salaries	6,966,835	6,435,439
Social security	669,563	640,123
Non-recurring payroll	-	73,586
Share-base payment	108,977	(286,118)
Cost of defined contribution scheme	167,919	132,450
	7,913,294	**6,995,480**

The share-based payment expense in the year ended 31 December 2022 was a net credit balance of £286,118 due to a reassessment of the options that were expected to vest based on service conditions and non-market-based performance conditions at 31 December 2022, as required by IFRS 2.

10. Finance expense and income

Finance expense	31 Dec 2023 £	31 Dec 2022 £
Interest on bank overdrafts and loans	545,637	387,155
Interest on lease liabilities	95,946	66,062
	641,583	**453,217**

Finance income	31 Dec 2023 £	31 Dec 2022 £
Interest received	230	436
	230	**436**

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11. Taxation

Income tax recognised in profit or loss

Tax (credit) comprises:	31 Dec 2023 £	31 Dec 2022 £
Deferred tax (credit) in respect of the current year	(492,963)	(191,951)
	(492,963)	**(191,951)**

The applicable standard rate of corporation tax in the UK in the year ended 31 December 2023 was 25% (2022:19%). The UK corporation tax was set at the main rate of 25% from 1 April 2023, provided a marginal tax rate of 23.5% for the year ended 31 December 2023.

The total tax charge for the year can be reconciled to the loss/ (profit) for the year as follows:

	31 Dec 2023 £	31 Dec 2022 £
Loss/ (profit) for the year	**2,327,761**	**(175,027)**
Tax at the applicable rate of 23.5% (2022:19.0%)	(556,152)	33,255
Effect of expenses that are not deductible in determining taxable profit	36,444	79,330
Other movements	80,650	(196,936)
Deferred tax not recognised		(96,974)
Fixed asset differences	109,853	33,849
Deferred tax credit on unrecognised temporary differences from prior period	(143,051)	2,097
Effect on deferred tax balances due to the changes in tax rates or laws	(20,707)	(46,572)
Total tax charge for the year	**(492,963)**	**(191,951)**

Deferred tax not recognised reflects £122,202 (2022: £122,202) 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.

Current tax assets and liabilities

	31 Dec 2023 £	31 Dec 2022 £
Prior year liabilities	-	-
	-	-

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

11. Taxation (continued)

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

	At 1 Jan 2022 £	Recognised in P&L £	Other movement £	At 31 Dec 2023 £
Temporary differences				
Accelerated tax depreciation	39,203	329,205	-	368,408
Business combinations	(457,600)	-	-	(457,600)
Adjustments in respect of prior periods	(2,097)	143,051	-	140,954
Effect of changes in tax rates	46,572	20,707	-	67,279
Unused tax losses and credits:				
Tax losses	698,371	-	-	698,371
Temporary differences	**324,449**	**492,963**	**-**	**817,412**

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

	At 1 Jan 2022 £	Recognised in P&L £	Other movement £	At 31 Dec 2022 £
Temporary differences				
Accelerated tax depreciation	(111,911)	147,476	3,638	39,203
Business combinations	(457,600)	-	-	(457,600)
Adjustments in respect of prior periods	-	(2,097)	-	(2,097)
Effect of changes in tax rates	-	46,572	-	46,572
Unused tax losses and credits:				
Tax losses	698,371	-	-	698,371
Temporary differences	**128,860**	**191,951**	**3,638**	**324,449**

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.

12. Earnings per share

Basic earnings per share ("EPS") is calculated based on the weighted average number of shares in issue. The table below shows the impact on EPS ("Adjusted EPS") of earnings before: interest; tax; depreciation and amortisation; foreign exchange; share option expenses; restructuring, redundancy and non-recurring payroll expenses; integration of acquisitions into the superstore environment; one off infrastructure costs; acquisitions expenses; and certain professional fees and expenses. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company being loss making in the current period would mean that any exercise would be anti-dilutive.

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

Earnings	31 Dec 2023 £	31 Dec 2022 £
Net profit/(loss) attributable to equity holders of the parent for the purpose of basic earnings per share calculation	(1,834,798)	366,978
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	(1,834,798)	366,978
Add back: Share options expenses	108,977	-
Add back: Costs in respect of superstore integration	552,115	-
Add back: Professional fees and similar costs	53,031	-
Non-recurring payroll and other expenses	-	73,586
Costs incurred directly related to acquisitions	-	156,349
Adjusted earnings	**(1,120,675)**	**596,913**

Number of shares	£	£
Weighted average number of ordinary shares for the purposes of basic earnings per share	71,969,697	71,969,697
Effect of dilutive potential ordinary shares	-	216,970
Weighted average number of ordinary shares for the purposes of basic earnings per share	71,969,697	72,186,667

Earnings per share from continuing operations attributable to owners of the parent:

	Pence	Pence
Basic	(2.55)	0.51
Diluted	(2.55)	0.51
Adjusted basic earnings per share	(1.56)	0.83
Adjusted diluted earnings per share	(1.56)	0.83

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

13. Property, plant, and equipment

	Leasehold improvements	Leasehold Property	Fixtures, fittings and equipment	Motor Vehicles	Other plant, property and equipment	Assets under course of construction	Total
	£	£	£	£	£	£	£
Cost							
At 1 January 2022	270,539	1,279,800	493,028	24,995	144,789	1,253	2,214,404
Additions	-	5,869	57,592	-	5,432	-	68,893
Acquisitions through business combinations	-	-	8,802	-	-	-	8,802
Transfers	-	-	1,253	-	-	(1,253)	-
At 31 December 2022	**270,539**	**1,285,669**	**560,675**	**24,995**	**150,221**	**-**	**2,292,099**
Depreciation							
At 1 January 2022	233,940	4,491	337,863	3,270	54,096	-	633,660
Charge for the year	36,599	27,279	107,679	8,332	27,089	-	206,978
At 31 December 2022	270,539	31,770	445,542	11,602	81,185	-	840,638
Net book amount							
At 31 December 2022	**-**	**1,253,899**	**115,133**	**13,393**	**69,036**	**-**	**1,451,461**
Cost							
At 1 January 2023	270,539	1,285,669	560,675	24,995	150,221	-	2,292,099
Additions	-	-	49,866	-	-	-	49,866
Transfers	-	-	(1,253)	-	20,965	-	19,712
Disposals	-	-	-	-	(9,098)	-	(9,098)
At 31 December 2023	**270,539**	**1,285,669**	**609,288**	**24,995**	**162,088**	**-**	**2,352,579**
Depreciation							
At 1 January 2023	270,539	31,770	445,542	11,602	81,185	-	840,638
Charge for the year	-	28,057	56,570	8,332	2,686	-	95,645
At 31 December 2023	**270,539**	**59,827**	**502,112**	**19,934**	**83,871**	**-**	**936,283**
Net book amount							
At 31 December 2023	**-**	**1,225,842**	**107,176**	**5,061**	**78,217**	**-**	**1,416,296**

Company

The Company held no property, plant or equipment in the year ending 31 December 2023, nor in the period ending 31 December 2022.

14. Right-of-use assets

The Group leases properties. The average lease term on the properties is 2.9 years (2022: 3.0 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 £**
Cost		
At 1 January 2022	582,889	582,889
Additions	294,180	294,180
At 31 December 2022	**877,069**	**877,069**
Depreciation		
At 1 January 2022	245,499	245,499
Charge for the period	512,080	512,080
At 31 December 2022	**757,579**	**757,579**
Net book amount		
At 31 December 2022	**119,490**	**119,490**
Cost		
At 1 January 2023	877,069	877,069
Additions	1,563,752	1,563,752
Adjustment to prior year	(25,910)	(25,910)
At 31 December 2023	**2,414,911**	**2,414,911**
Depreciation		
At 1 January 2023	757,579	757,579
Charge for the period	548,741	548,741
At 31 December 2023	**1,306,320**	**1,306,320**
Net book amount		
At 31 December 2023	**1,108,591**	**1,108,591**

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

Cost	**31 Dec 2023 £**	**31 Dec 2022 £**
At 1 January	210,140	451,691
Additions	1,367,541	306,180
Interest expense	95,946	66,062
Adjustments to prior year	(672,350)	(613,793)
Lease payments	133,065	-
At 31 December	**1,134,342**	**210,140**
Current	498,694	210,140
Non-current	635,648	-
Total lease liabilities	**1,134,342**	**210,140**

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for the Year Ended 31 December 2023

14. Right-of-use assets (Continued)

	31 Dec 2023 £	31 Dec 2022 £
Amount recognised in profit and loss:		
Depreciation expense on right-of-use assets	548,741	512,080
Interest expense on lease liabilities	95,946	66,062

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

15. Goodwill

	31 Dec 2023 £	31 Dec 2022 £
Cost		
Balance at 1 January	20,445,122	19,413,122
Additional amounts recognised from business combinations occurring during the year	-	1,032,000
Balance at 31 December	**20,445,122**	**20,445,122**
Carrying amount		
At 1 January	20,445,122	19,413,122
At 31 December	**20,445,122**	**20,445,122**

Goodwill with a carrying amount of £20,445,122 (2022: £20,445,122) 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. Goodwill relating to JTM Plumbing and Whiteholme has been transferred to CMOstores in the year reflecting the transfer and hive up of these businesses into the Superstore at the year ended 31 December 2023. The movement of the CGU's into CMOstores has occurred in line with the brand consolidation of the websites into the Superstore website (forming part of CMOStores Group Limited). JTM Plumbing and Whitehome no longer hold their own separate websites, with JTM Plumbing Limited dissolved in the period. The CMOstores CGU is now identified as one cash generating unit by management with no separate identification of JTM Plumbing or Whiteholme possible, acting under and operating as one integrated website and business function.

	31 Dec 2023 £	31 Dec 2022 £
CMOStores	17,155,838	13,570,540
Total Tiles	3,289,284	3,289,284
JTM Plumbing	-	2,553,298
Whiteholme	-	1,032,000
Balance at 31 December	**20,445,122**	**20,445,122**

The directors have assessed the trading of the Group at the balance sheet date and subsequently to the date of signing these accounts have not witnessed a material event which would lead to impairment of the CGU's of the Group since 1 January 2023.

Goodwill impairment tests

In accordance with the Group's accounting policies, an annual impairment test is applied to the carrying value of goodwill. The goodwill has been tested for impairment using a discounted cash flow model using budgeted and forecasted figures prepared covering a five-year period and then to perpetuity, with expected Group growth rates for 2024 to 2028 and then no further growth past 2028. The recoverable amount of the CGU is determined using the discounted cash flow model and then a review is performed to assess whether the carrying value of goodwill is supported by the net present value (NPV) of projected cash flows derived from its underlying assets. Management have identified a five-year period as a reasonable timeframe for forecasting future cash flows with a high degree of reliability. This period aligns with the company's planning cycle, allowing for detailed and accurate projections based on current operational and market conditions, management provide no further growth rates into perpetuity of the discounted cash flow model beyond the five-year period.

The recoverable amount of the CGUs is determined based on Group's long-term budget and projected forecasts covering a five-year period, and a pre-tax discount rate of 19.52% per annum, with management after discount rate being 14.93% (2022:10%), being a prudent approximate weighted average cost of capital (WACC). The key assumptions used by management in setting the financial budgets for the initial five-year period were the discount rates, revenue growth rate, and expected changes to selling prices and direct costs.

Revenue growth rates of 5% are included in the model which are based on a combination of historical performance, maturity of product groups and expectations on new product performance. These do not exceed the long term historic average growth rates of the Group.

Changes in selling prices and direct costs (and hence margin) are based on past practices and expectations of future changes in the market. Overhead costs are assumed in the model to increase by 3% which is anticipated to be above the market rate of inflation.

Management has performed a sensitivity analysis and has noted that, should the discount rate increase, only at the point where it reaches 20% (2022: 35%) 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 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 2023

16. Other intangible assets

	Trade names £'000	Customer relationships £'000	Computer software and development costs £'000	Total £'000
Cost				
At 1 January 2022	675,712	2,457,000	2,360,020	5,492,732
Additions	10,575	-	1,267,188	1,277,763
Acquired through business combinations	37,000	10,000	40,000	87,000
Balance at 31 December 2022	**723,287**	**2,467,000**	**3,667,208**	**6,857,495**
Amortisation				
At 1 January 2022	31,366	1,375,600	1,394,031	2,800,997
Charge for the year	54,062	294,344	740,244	1,088,650
Balance at 31 December 2022	**85,428**	**1,669,944**	**2,134,275**	**3,889,647**
Net book amount				
At 31 December 2022	**637,859**	**797,056**	**1,532,933**	**2,967,848**
Cost				
At 1 January 2023	723,287	2,457,000	3,667,208	6,857,495
Additions	4,358	-	1,362,031	1,366,389
Transfers	-	-	(19,712)	(19,712)
Balance at 31 December 2023	**727,645**	**2,467,000**	**5,009,527**	**8,204,172**
Amortisation				
At 1 January 2023	85,428	1,669,944	2,134,275	3,889,647
Charge for the year	61,527	213,733	953,266	1,228,526
Balance at 31 December 2023	**146,955**	**1,883,677**	**3,087,541**	**5,118,173**
Net book amount				
At 31 December 2023	**580,690**	**583,323**	**1,921,986**	**3,085,999**

16. Other intangible assets (Continued)

	Trade names £'000	Customer relationships £'000	Computer software and development costs £'000	Total £'000
Company				
At 1 January 2022	-	-	-	-
Additions	-	-	121,282	121,282
Balance at 1 January 2022	**-**	**-**	**121,282**	**121,282**
Amortisation				
At 1 January 2022	-	-	-	-
Charge for the period	-	-	-	-
Balance at 31 December 2022	**-**	**-**	**-**	**-**
Net book amount				
At 31 December 2022	**-**	**-**	**121,282**	**121,282**
At 1 January 2023	-	-	121,282	121,282
Additions	-	-	4,358	4,358
Transfers	-	-	(110,707)	(110,707)
Balance at 1 January 2023	**-**	**-**	**14,933**	**14,933**
Amortisation				
At 1 January 2023	-	-	-	-
Charge for the period	-	-	(2,327)	(2,327)
Balance at 31 December 2023	**-**	**-**	**(2,327)**	**(2,327)**
Net book amount				
At 31 December 2023	**-**	**-**	**12,606**	**12,606**

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.

Of the carrying value of trade names amount totalling £351,712 (2022: £351,712) have an indefinite useful economic life. These asset values reflect the fair value at acquisition. Management considers these trade names have attained recognition in the marketplace and the Group will 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 14.93%, being a prudent approximate weighted average cost of capital (WACC). Revenue growth rates of 5% are included in the model which are based on a combination of historical performance, maturity of product groups and expectations on new product performance. These do not exceed the long term historic average growth rates of the Group. Changes in selling prices and direct costs (and hence margin) are based on past practices and expectations of future changes in the market. Overhead costs are assumed in the model to increase by 3% which is anticipated to be above the market rate of inflation. The impairment has been tested using figures in line with market expected rates for 2024 and 2028 and then no further growth past 2028 into perpetuity. Analysis of the sensitivity of the impairment test to changes in the key assumptions has been conducted to stress test the impairment review. The assumed sensitivities decreased the revenue growth by 2%. The analysis supports the carrying value of the trade names.

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.

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for the Year Ended 31 December 2023

17. Investments

The Company substantially owns directly or indirectly the whole of the issued and fully paid ordinary share capital of its subsidiary undertakings. The subsidiary undertakings of the Company are presented below:

Name of subsidiary	Principal activity	Country of incorporation	Registered office	Proportion of ownership interest and voting rights held
CMOStores Group Limited	Intermediate holding company	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2022: 100%)
CMOStores Holdings Limited	Intermediate holding company	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2022: 100%)
Total Tiles Limited	The retail of tile and associated supplies.	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2022: 100%)
JTM Plumbing Limited	Dissolved	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	0%; (2022: 100%)
Whiteholme Limited	Retail of bathroom basin equipment.	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2022: 0%)
CMOStores.com Limited	The retail of roofing, drainage and insulation supplies.	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2022: 100%)

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

Whiteholme Limited was acquired by CMOStores Group Limited on 6 June 2022. The Groups 100% indirect owned subsidiary JTM Plumbing limited was dissolved on 26 December 2023.

Company	**31 Dec 2023 £**	**31 Dec 2022 £**
Cost		
At 1 January	513,101	-
Additions		513,101
At 31 December	513,101	513,101

18. Inventories

	31 Dec 2023 £	**31 Dec 2022 £**
Goods held for resale	**5,062,859**	**5,454,126**

The cost of group inventories recognised as an expense in the year amounted to £50,901,359 (2022: £67,130,091). This is included in cost of sales. The carrying value of inventories are stated net of impairment losses totalling £138,209 (2022: £341,061).

19. Trade and other receivables

	Group 31 Dec 2023 £	**Group 31 Dec 2022 £**	**Company 31 Dec 2023 £**	**Company 31 Dec 2022 £**
Amounts falling due within one year:				
Trade receivables	503,393	957,250	-	-
	503,393	**957,250**	**-**	**-**
Other receivables	930,847	1,197,580	-	-
Prepayments and accrued income	517,055	577,158	268,095	391,790
	1,951,295	**2,731,988**	**268,095**	**391,790**
Amounts falling due within one year:				
Amounts owed from Group undertakings	**-**	**-**	**30,192,347**	**29,246,016**

The Directors consider that 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.

In the year ended 31 December 2023, the Group had total impairment losses recognised in administrative expenses in the statement of comprehensive income of £23,771. The majority of trade receivables are covered by credit insurance, so the Group is liable for either the policy excess or de minimis value where relevant.

The table below gives an analysis of the Groups trade receivables:

	Balance £	**Current £**	**30 Days £**	**60 Days £**	**90 Days £**	**120 Day+ £**
31 December 2023	**503,393**	**193,284**	**227,843**	**46,157**	**8,679**	**27,430**
% of Receivables	100%	38%	45%	9%	2%	6%
ECL	17,938	-	-	7,224	3,685	7,029
% of Receivables	3%	-	-	1.4%	0.2%	1.4%
31 December 2022	**957,250**	**725,594**	**181,693**	**35,836**	**11,923**	**2,204**
% of Receivables	100%	77%	18%	4%	1%	0%
ECL	16,001	-	-	12,994	1,500	1,507
% of Receivables	2%	-	-	1.4%	0.3%	0.3%

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for the Year Ended 31 December 2023

19. Trade and other receivables (Continued)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The trade receivables do not contain a significant financing component as the credit terms offered by the Group to its customers are, in majority, a maximum of 30 days. The Group measures ECL based on historical data by determining the historical default rates to be applied to the Group's trade receivables. The Group applies those default rates against the trade receivables that have been analysed out into time buckets based on their risk profile to determine the ECL to be applied. The Group separately assesses the trade receivables for any bad debt provisions.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. All trade and other receivables are non-interest bearing. The carrying amount of trade and other receivables approximates fair value. The movements in the ECL allowance for trade receivables are detailed below:

	31 Dec 2023 £
Balance B/fwd.	16,001
Utilised in current year	(23,771)
Charge in year	25,708
Closing ECL balance	17,938

Other receivables totalling £930,847 (2022: £1,197,580) is made up of accrued rebates and rental deposits. Based on an assessment of historic collectability, no ECL allowance is made against other receivables and there have been no historic write off from these balances. The Group's exposure to credit risk relating to trade and other receivables is disclosed in the financial risk management and impairment note.

The Company does not expect to realise the amount owed from Group undertakings within the next twelve months. The intention as at 31 December 2023 is that this balance is to be repaid in the future, there is no formal loan agreement in place and as such the balance is repayable on demand. In this regard, the Company's impairment assessments were focused on cash flow considerations, and recognised based on the general impairment model within IFRS 9. As at 31 December 2023 the Company's management reviewed the loan balance against a discounted cash flow model over 10 years based upon assumptions of 5% annual growth rates, and 3% overhead growth rates, which demonstrated the ability for excess cash flows to repay the outstanding balance and yielded an expectation of recovery of the outstanding balance, with a £Nil expected credit loss allowance recognised (2022: £Nil). Management reviewed cash flows on a sensitised nature and at 25% reduction of net positive cash flows the balance was still fully recoverable. The industry is characterised by long product life cycles, stable demand and regulatory environment, and it's these factors which support a long-term view of revenue generation and cost structures, justifying a 10-year forecast period to accurately capture the business's economic potential and resilience.

20. 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 31 Dec 2023 £	Group 31 Dec 2022 £	Company 31 Dec 2023 £	Company 31 Dec 2022 £
Cash and bank balances	**4,680,883**	**6,209,910**	**85,264**	**91,308**

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21. Trade and other payables

	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
Amounts falling due within one year:	**£**	**£**	**£**	**£**
Trade payables	10,870,828	11,068,792	51,613	114,287
Deferred consideration	-	1,732,909	-	-
Accrued expenses	629,231	1,012,804	153,984	158,825
Deferred income	454,102	1,083,083	-	-
Social security and other taxes	3,826,650	1,183,650	230,687	-
Other payables	290	497,861	-	98,251
	15,781,101	**16,579,099**	**436,284**	**371,363**

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. As at 31 December 2023 Social security and other taxes includes amounts in respect of HMRC's temporary pause in the Groups VAT payments, as requested by HMRC, as a new VAT Group was finalised. After 31 December 2023 the VAT Group was established, and VAT payments were able to continue. There was no associated balance in respect of the new VAT Group as at 31 December 2022.

22. Loans, Borrowings and Other Payables

	Group 31 Dec 2023	Group 31 Dec 2022 £	Company 31 Dec 2023 £	Company 31 Dec 2022 £
Non-current				
Bank borrowings	5,250,000	4,787,678	5,250,000	4,787,678
	5,250,000	**4,787,678**	**5,250,000**	**4,787,678**
Current				
Hire purchase contracts	2,217	859	-	-
	2,217	**859**	**-**	**-**

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

Bank loans

The Group held a revolving bank loan credit facility with Clydesdale Bank plc as at 31 December 2023. The facilities with Clydesdale Bank totalled £9,250,000 of which £5,250,000 relates to financing permitted acquisitions and £4,000,000 relates to working capital. At 31 December 2023 the Group and Company have drawn down from the RCF Acquisition Facility only. This facility is denominated in pounds sterling with a nominal interest rate of 3.85% plus Bank of England base rate, and the final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 30 June 2027. The carrying amount at the year-end of amounts drawn down were £5,250,000 (2022: £4,787,678).

The facility carries a 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. Further the Group renegotiated its banking facilities in January 2024, which is detailed further in note 34.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

23. Other Lease liabilities

Leases	31 Dec 2023 £	31 Dec 2022 £
Current	2,217	859
	2,217	**859**

Other lease liabilities are low value lease agreements which are outside the scope of IFRS 16. All leases mature no later than one year from the 31 December 2023. The average effective interest rate for the lease liabilities in the year was 4.5% (2022: 4.5%). Disclosures relating to right-of-use asset liabilities are given in note 14.

24. 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 £167,919 (2022: £132,450) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As the end of the year £nil (2022: £Nil) contributions were payable to the scheme and are included in creditors.

25. Share capital

	31 Dec 2023 No.	£	31 Dec 2022 No.	£
Ordinary shares of £0.01 each	71,969,697	719,697	71,969,697	719,697

There were no share issues in the year ended 31 December 2023 (2022: Nil).

26. Reserves

Share premium reserve

The share premium account includes any premiums received on the issue of share capital net of commissions.

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 2023

27. Financial instruments

	Group 31 Dec 2023	Group 31 Dec 2022	Company 31 Dec 2023	Company 31 Dec 2022
Financial assets	**£**	**£**	**£**	**£**
Financial assets at amortised cost:				
Cash and cash equivalents	4,680,883	6,209,910	85,264	91,308
Trade and other receivables	1,434,240	2,154,830	-	-
Amounts owed from Group undertakings	-	-	30,192,347	29,246,016
Total financial assets	**6,115,123**	**8,364,740**	**30,277,611**	**29,337,324**

Financial liabilities	**£**	**£**	**£**	**£**
Financial liabilities at amortised cost:				
Trade and other payables	11,500,349	14,312,366	254,771	273,112
Bank loans	5,250,000	4,787,678	5,250,000	4,787,678
Lease liabilities	1,134,342	210,140	-	-
Borrowings	2,217	859	-	-
Total financial assets	**17,886,908**	**19,311,043**	**5,504,771**	**5,060,790**

Categorisation	**£**	**£**	**£**	**£**
Financial assets that are debt instruments measured at amortised cost	1,434,240	2,154,830	30,192,347	29,246,016
Financial assets that are cash and cash equivalents	4,680,883	6,209,910	85,264	91,308
Financial liabilities measured at amortised cost	17,886,908	19,311,043	5,504,771	5,060,790

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

28. 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 2023 the debtor balance was significantly higher than the cash on deposit from customers awaiting delivery.

Trade receivables:

The Group applies the IFRS 9 simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The trade receivables do not contain a significant financing component as the credit terms offered by the Group to its customers are, in majority, a maximum of 30 days. The Group measures ECL based on historical data by determining the historical default rates to be applied to the Group's trade receivables. The Group applies those default rates against the trade receivables that have been analysed out into time buckets based on their risk profile to determine the ECL to be applied. The Group separately assesses the trade receivables for any bad debt provisions.

Trade receivables are amounts due from customers for services performed in the ordinary course of business. They are generally due for settlement within 30 days and therefore are all classified as current. All trade and other receivables are non-interest bearing. The carrying amount of trade and other receivables approximates fair value.

The movements in the ECL allowance for trade receivables are detailed below:

	31 Dec 2023 £
Balance B/fwd.	16,001
Utilised in current year	(23,771)
Charge in year	25,708
Closing ECL balance	17,938

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 2023, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	31 Dec 2023 £	**31 Dec 2022 £**
Less than 1 year:		
Lease liabilities	584,498	222,110
Bank loans	1,416,250	1,147,141
Trade and other payables	15,781,101	16,579,099
	17,781,849	**17,948,350**
Between 1-5 years:		
Lease liabilities	733,976	-
Bank loans	4,643,750	4,602,183
	5,377,726	4,602,183
Total including interest cash flows	**23,159,575**	**22,550,533**
Less interest cash flow:		
Lease liabilities	(184,132)	(11,970)
Bank loans	(810,000)	(961,646)
Total principal cash flows	**22,165,443**	**21,576,917**

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

28. Financial risk management and impairment of financial assets (Continued)

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 £5.3m (2022: £4.8m), subject to variable, LIBOR-linked interest rates. Management consider that the Group has sufficient funds to pay interest due, even if LIBOR rates were to increase significantly.

As at 31 December 2023 the Group were in the process of revising its banking facilities and as such there was no requirement for covenants tests as at the year-end date. Further details of the Group's 2024 renegotiated banking facilities and covenants is described in note 34. Prior to this, banking covenants existed whereby total debt must not exceed rolling 12-month operating EBITDA pre-exceptional costs by a factor which declines over time 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 2023, 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% (2022: +/- 0.5%). These changes are 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 2023	(13,125)	13,125
31 December 2022	(13,699)	13,699

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 22 after deducting cash and bank balances) and equity of the group (comprising capital, reserves and retained earnings). As at the 31 December 2023 the Group was not subject to any external covenant or capital management tests, while its banking facilities were being reviewed. In January 2024 the Group renegotiated its banking facilities which will include a revolving credit facility for acquisition purposes of up to £5.25m and a revolving credit facility for working capital purposes of £3m. The Group will be subject to banking covenants which include a minimum EBITDA target, a de minimis cash balance and capital expenditure control. Management confirm that all covenants have been complied with for the first three quarters of 2023 and there was no requirement to test at 31 December 2023 as the facilities were renegotiated.

29. Related party transactions

Key management personnel

The directors do not consider any employees other than statutory directors, whose remuneration is disclosed in note 8, to be key management personnel.

30. Share-based payments

Long-term incentive plan

In FY21 the Company 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.

On 23 June 2023 the Company made further awards over ordinary shares under the CMO Group LTIP scheme to Group employees including persons discharging managerial responsibilities of the Company. The performance conditions are split with 25% of the option subject to an exercise condition based on share price growth and 75% of the option subject to an exercise condition based on EBITDA over a two-year performance period. The exercise period ends on the 10th anniversary of the date of grant. 983,481 new ordinary share options were granted in the year at an exercise price of £0.01.

Details of the number of the equity settled share options granted, exercised, lapsed and outstanding at the end of each period as well as the weighted average exercise prices in £ ("WAEP") are as follows:

	As at 31 Dec 2022	WAEP £	As at 31 Dec 2023	WAEP £
Outstanding at beginning of period	978,412	0.01	775,002	0.01
Granted during the period	-	-	983,481	0.01
Forfeited/lapsed during the period	(203,410)	(0.01)	(146,875)	(0.01)
Exercised during the period	-	-	-	-
Outstanding at year end	**775,002**	**0.01**	**1,611,608**	**0.01**

Valuation of options

Valuations were performed using complex financial modelling to ascertain the fair value at grant date. Details of the valuation methodology used in determining the fair value are noted herewith and were in accordance with IFRS 2 at grant date.

There are estimates and assumptions used in the valuation of the options. Management has considered at the grant date, the potential range of value for the options, based on the circumstances on the grant date.

The fair value of the options granted under the scheme was calculated using complex financial modelling with the following material inputs:

Issue date	Name	Share designation at balance sheet date	EBITDA target return probability	Total shareholder share price growth probability	Estimated share price	Expected term (years)
23 June 2023	LTIP	Ordinary Shares	60%	51.1%	£0.28	3

Expense related to Options

An expense of £108,977 (2022: 89,086) has been recognised in the Statement of Comprehensive Income in respect of the options issued during the year. There is a condition associated with the options issued which requires the fair value charge associated with the options to be allocated over the minimum vesting period. This vesting period is estimated to be 3 years from the date of grant. The charge for the period is based upon the fair value of the awards at the date of grant and the number of awards likely to vest, which takes into account expectations about leavers and non-market vesting conditions.

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. A second grant of shares was made in August 2023. The fair value of these options is considered to be immaterial by the directors; based on the 3-year vesting period and exercise price. The remaining shares awards under this scheme at 31 December 2023 total 443,750 (2022: 240,750).

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2023

31. Control

There is no ultimate controlling party of CMO Group PLC.

32. Reconciliation of profit to cash flow from operating activities	**31 Dec 2023 £**	**31 Dec 2022 £**
Profit/(loss) for the year	(1,834,798)	366,978
Charge/ (gain) on share-based payments	108,977	(286,118)
Finance income	(230)	(436)
Finance costs	641,583	453,217
Tax (credit)/ charge on (loss)/profit on ordinary activities	(492,963)	(130,426)
Operating profit/(loss)	**(1,577,431)**	**403,215**
Depreciation and impairment of property, plant and equipment and right of use assets	644,386	719,057
Amortisation and impairment of intangible fixed assets	1,228,526	1,088,650
Decrease in inventories	391,267	19,928
Decrease/ (increase) in trade and other receivables	780,694	(102,191)
(Decrease)/ increase in trade and other payables	872,752	314,592
Cash inflow from operating activities per Statement of Cash Flows	**2,340,194**	**2,443,251**

33. Changes in liabilities arising from financing activities

	At 1 January 2023 £	**Financing cash flows £**	**Interest £**	**New leases and adjustments £**	**At 31 Dec 2023 £**
Long-term borrowings	4,787,678	(83,315)	545,637	-	5,250,000
Other Lease liabilities	859	1,358	-	-	2,217
Lease liabilities	210,140	(672,350)	95,946	1,500,606	1,134,342
Total liabilities from financing activities	**4,998,677**	**(754,307)**	**641,583**	**1,500,606**	**6,386,559**

	At 1 January 2022 £	**Financing cash flows £**	**Interest £**	**New leases £**	**At 31 Dec 2022 £**
Long-term borrowings	3,088,142	1,312,381	387,155	-	4,787,678
Other Lease liabilities	2,839	(1,980)	-	-	859
Lease liabilities	451,691	(613,793)	66,062	306,180	210,140
Total liabilities from financing activities	**3,542,672**	**696,608**	**453,217**	**306,180**	**4,998,677**

34. Post balance sheet event

In January 2024 the Group renegotiated its banking facilities which include a revolving credit facility for acquisition purposes of up to £5.25m and a revolving credit facility for working capital purposes of £3m. The Group will be subject to banking covenants on the renegotiated facilities, with the new covenants including a minimum EBITDA target, a de minimis cash balance and capital expenditure control.

There are no other material post balance sheet events to disclose.

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