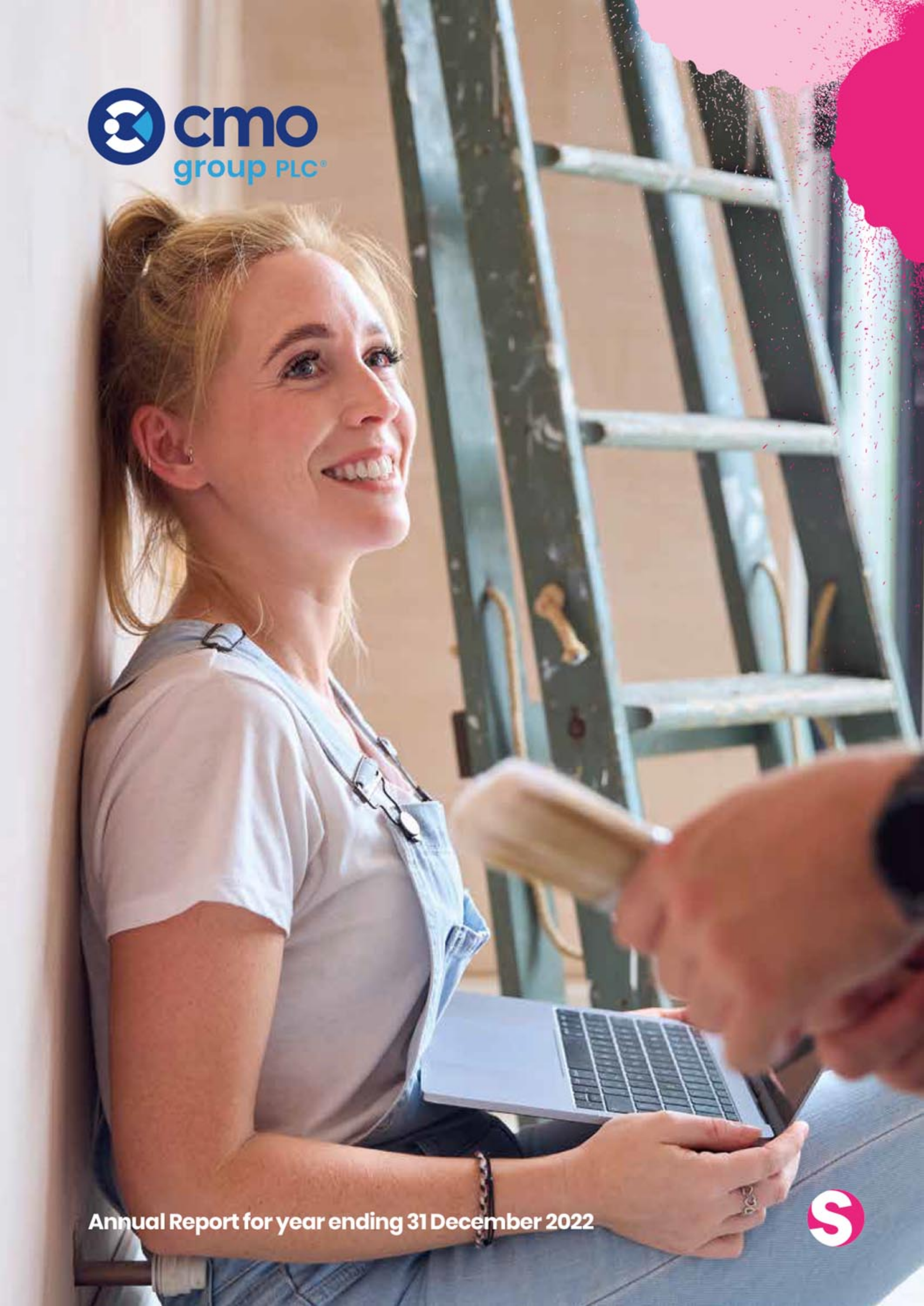

cmo group PLC®

Annual Report for year ending 31 December 2022

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

Company registration number: 13451589

The Group is disrupting 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.

CMO has created category authority by offering market-leading ranges listing over 100,000 products through its specialist websites: buildingsuperstore.co.uk, clickbasin.co.uk doorsuperstore.co.uk, drainagesuperstore.co.uk, insulationsuperstore.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. Its business model is asset light with most products drop-shipped directly from the manufacturers to its customers.

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

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

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Independent
Non-Executive Chair

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Dean Murray
Chief Executive
Officer

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CMO at a glance

2022 performance update and our market

Revenue growth to

£83.1m up 9%

from previous year

2021: £76.3m

Gross Margins

£16.2m up 6%

2021: £15.3m

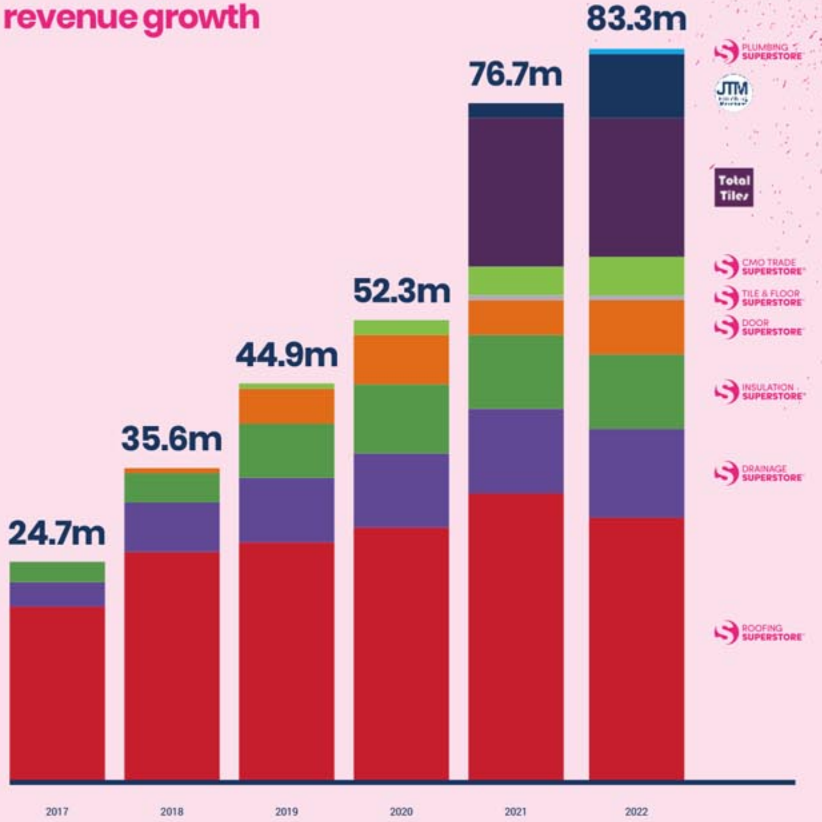
Adjusted EBITDA*

£2.1m down 43%

2021: £3.7m

*Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, foreign exchange, exceptional and acquisition costs. (See page 44)

Year-on-year revenue growth



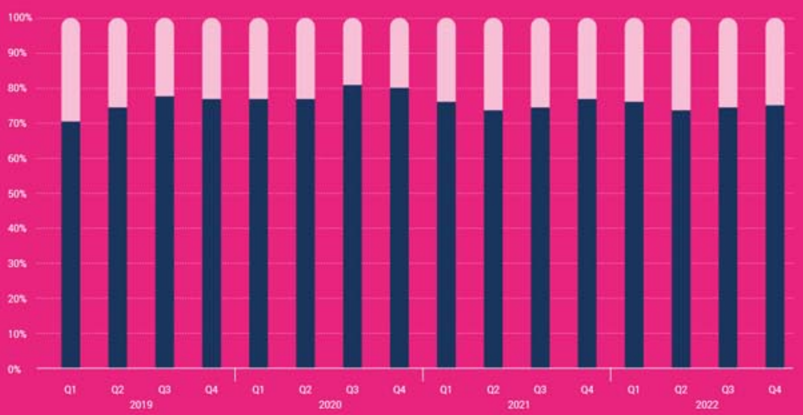
CMO at a glance

2022 performance update and our market Cont.

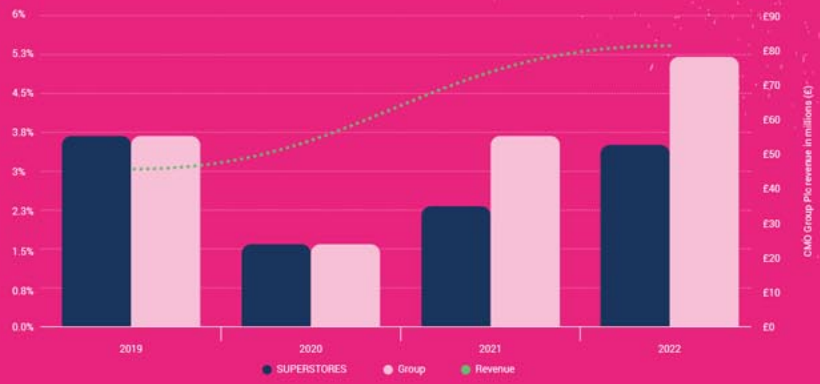
Revenue per session increased 34%

Supported by Conversion Rate (CVR) improvements of over 16% and Average Order Value (AOV) growth of over 18%.*

Customer aquisition remains balanced*



Digital marketing cost remains in line with expectations



Marketing database grew

13%** YoY

Engagement from that customers has increased by 40% YoY

Over 46% of sales came from repeating customers**

*Excludes JTM Plumbing and Click Basin. **Excludes TT, JTM Plumbing and Click Basin. ***13.1% growth in the marketable database. Excludes Click Basin.

CMO at a glance

2022 performance update and our market Cont.

CMO Group MoM market share

The builders merchant market grew in value terms by 6.9% from 2021 to 2022. By comparison CMO outperformed this growth by 48%.

Chairman's Statement

Dear Shareholder, welcome to the CMO Annual Report for 2022, outlining the first full year of trading as a PLC after listing on AIM as CMO Group PLC in July 2021.

2022

Despite the well-publicised challenges for businesses and citizens alike, the CMO team has delivered another year of growth and development. During 2022, the world has been attempting to come to terms with new challenges, including war in Europe, dramatically higher energy costs, surging inflation, higher interest rates and the resultant impacts on consumer spending patterns. As we would expect with our focus on the building trade, we have not been completely immune to the challenges, and profitability for the year was impacted by rising costs, particularly carriage. The closing result, with revenue up 9% to £83.1m and adjusted EBITDA* down from £3.7m to £2.1m, reflects temporary lower margins as we came to terms with the new trading environment and isolated pricing management issue on Total Tiles. This was consistent with the issues many businesses faced of managing rapidly increasing product and logistics costs, although demand remained robust.

The success in growing sales demonstrates that our business model continues to be valid with the broadest product choice supported by dropship direct delivery from suppliers, low digital marketing cost, differentiated shopping experiences, and excellent customer service. These underpin growth and continue to drive disruption of the building materials sector which lags on transitioning to e-commerce.

Strategy

We continue to progress our strategy to provide customers with everything they need to build or maintain their home, or their client's home, available through a seamless and dedicated ecommerce experience. We will, however, approach acquisitions with caution until consumer confidence returns.

The plan for new organic stores remains on track with the mid-year soft launch of Plumbingsuperstore.co.uk to address the very substantial plumbing and bathrooms market, and plans for further stores are in progress.

To promote the SUPERSTORE story, we have united all the stores under fresh new branding making sure the customer gets a clear, unified experience. To support this, CMO Trade has now been rebranded BUILDING SUPERSTORE to provide a consolidated shopping experience for our Trade customers. In a similar vein, to support our retail consumers, in Q2 2023 we are launching the first phase of Good Builds.co.uk, a brand-new webstore dedicated to helping them confidently manage their home improvement project, and shop in one inspirational place.

Our vision for a better world

The Board takes its governance responsibilities very seriously, our approach to which is set out in the Corporate Governance section of our Annual Report. We recognise that our responsibilities are wide ranging, and as we grow we expect to continuously evolve and improve governance towards the best practices required of a larger business.

The Board, alongside our wider team and other stakeholders, is determined that the Group plays its part in addressing climate change, not only for the intrinsic value in doing so, but also to enjoy the benefits of being part of the solution. We wish to treat the process with integrity and are proud of the action taken to date. The use of science-based targets to reduce our greenhouse gas footprint and to help our customers choose more sustainable products is well underway.

More detail on our approach to these matters can be found in the Environmental, Social and Governance section of our Annual Report. The report also constitutes the Group's first instalment of reporting under the Task Force on Climate-related Disclosures.

Senior management and team

The Board is an experienced group of people and has become increasingly effective the longer we are together. I thank them for their contribution, guidance, and wise counsel.

Once again, I would like to express my sincere thanks to Dean and all at CMO for meeting the challenges of steering a newly floated business through some of the most difficult trading environments most of them will ever have encountered.

Revenue

£83.1m

up 9% 2021: £76.3m

Adjusted EBITDA*

£2.1m

down 9% 2021: £3.7m

Outlook

At the time of writing, war in Ukraine is even more entrenched than 12 months ago, fuel prices and inflation have been at levels not seen for decades and consumer confidence, which saw a slight elevation at the tail end of the year, has returned to all-time lows. Predicting the year ahead is no easier than it was last year, but I remain confident that the CMO team will again use its ingenuity, agility, and clear business model to create a sustainable and profitable, long-term future.

Ken Ford

*Adjusted EBITDA is defined as earnings before interest, tax, depreciation, amortisation, foreign exchange, exceptional and acquisition costs.

"Despite the well-publicised challenges for businesses and citizens alike, the CMO team has delivered another year of growth and development."

Ken Ford

Chief Executive Officer's Review

Operational update and market overview

2022 was CMO Group's first full year of trading as a public company since its AIM IPO in July 2021. While the demand challenges created by war in Europe and spiralling energy costs, following almost directly on from COVID-19, were obvious to almost all sectors, CMO's model proved its resilience and sales grew by 9% year-on-year to £83.1m. As we continue to disrupt the traditional Builders Merchant market, we have made considerable progress and have grown market share by 45 % to 1.15% against pre-pandemic levels and enhanced the digital marketable Database by 13% during 2022.

Our sales growth is even more commendable against a market backdrop of reported decline. Our SUPERSTORES improved like-for-like sales by 2% and JTM plumbing, our acquisition in October 2021 in the bathroom space, also contributed to revenue growth in its first full year under our ownership.

Total Tiles, acquired two years ago, experienced a 4% revenue decline year-on-year against a difficult comparative, as bricks and mortar competitors, compromised by lockdown closures throughout 2020 and 2021, were open all year and some consumers chose to return to physical stores. This still represented growth of 8% versus pre-pandemic/pre-acquisition.

Gross margin was maintained at similar levels to 2021. Maturing verticals and acquisitions drove margin improvements across most of the Group, however, Total Tiles saw a margin decline documented throughout H2, triggered by issues in the management of the complex pricing data and compounded by sharply rising fuel costs, both in production and transport. This has now been resolved and structural changes have been made in the management team and processes to ensure there can be no repeat.

EBITDA adjusted for earnings before interest, tax, depreciation, amortisation, foreign exchange, exceptional and acquisition costs, was £2.1m, down 43% on the prior year, but in line with current revised expectations.

Implementing our strategy

The CMO strategy has been successful in growing the business and remains unchanged: to provide our customers with everything they need to build or maintain their home, or that of their client, through a simple, convenient, and supported shopping experience. We recognise that our customers prefer to shop through specialist stores offering sound advice and our strategy is to continue adding specialist stores, either organically or through acquisition.

As outlined previously, 2022 saw the delivery and soft launch of Plumbingsuperstore.co.uk which will list all products from the acquisitions of JTM Plumbing, Clickbasin and new ranges. Whilst these have historically both been stocked businesses; we will keep the balance of trade heavily skewed towards CMO's successful dropship model and have introduced a broad range of dropship sanitaryware and all peripheral bathroom products into this new store. This gives us full access to the UK's c.£800m online bathroom market and the similar sized first fix plumbing market. It also gives CMO's customers a convenient way to shop both.

To support the specialist verticals, we recognise the need for horizontals to support trade customers and the homeowner. CMO Trade, recently rebranded Buildingsuperstore.co.uk, was launched in 2019 and continued its impressive growth trajectory in 2022, gaining 31% on the prior year. On track for delivery in the first half of 2023 is our specialist horizontal for the homeowner - Good Builds.co.uk, the project-based, inspiration-rich store for the homeowner - is progressing well and we are excited about its prospects to enhance the homeowner experience and service. These horizontals will complete the supported shopping experience promise and maintain CMO's position as a major disruptor in its market.

It's vitally important that CMO's customers know exactly who they're shopping with and can do so with confidence. Hence, we've rebranded all stores with a strongly identifiable theme, uniting them under one brand umbrella and a new SUPERSTORE logo. This fresh start to a unified brand will allow effective use of higher funnel advertising reaching out to the less digitally focused Trade consumer.

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.

Sales grew by 9% year-on-year to

£83.1m

compared to £76.3m in FY21

Average market share for 2022

1.15%

45% growth since pre-pandemic period

People and culture

CMO is dependent upon its loyal workforce who have remained dedicated to the growth strategy through a protracted period of economic challenge and change. They remain agile, energetic and have a strong belief in our ability to disrupt the market. This has been essential over the last three years of unpredictable economic climate.

Culture is defined and set by the people in the business through our programme which has seen very strong participation and brand-supporting outcomes.

Providing widespread share ownership in the Group has been an ambition and we are pleased that all employees have the opportunity to become shareholders through our CSOP scheme launched in 2021.

Headwinds

CMO is, of course, not immune to the general decline in consumer confidence caused by war in Ukraine, spiralling inflation and rising interest rates. Inevitably the cost-of-living crisis will continue to provide challenges for all retailers and therefore we remain cautious, yet focused, on continuing to improve choice, drive margins, and leverage our efficient positive working capital model. Technical agility, diversity of product offering, and the dedicated and experienced team of people have enabled us to reach broader customer demographics in different ways which has allowed the business to continue to grow. The growth in the SUPERSTORES during 2022 evidences that CMO does have a tested and proven business model that has disrupted the traditional market.

Looking to the future

We fully recognise that homeowners and tradespeople require differing shopping experiences, hence the decision to launch Good Builds.co.uk in H1 2023. As CMO moves into more consumer-focussed products such as tiles and bathrooms, our Good Builds offer will support the user journey through project-based inspiration and purchasing. A stronger social media journey, already gaining momentum and traction, will further support the consumer, as will the limited but strategic recruitment into marketing of visual merchandising skills.

Our plan, which revolves around making sure our customers can easily shop for everything they need in the way they want to shop, remains a clear focus and we remain on track.

Throughout the last three disrupted years, our market share has continued to increase, and we have expanded further the range of available products to over 130,000, by far the largest range in the industry. We remain poised to benefit from the coming generation of tech savvy customers whose time is precious and for whom online purchasing is the norm.

All aspects of our model; broad range supported through dropship supplier agreements, differentiated shopping experiences, low digital marketing spend, agile staff and tech, and great customer service, have supported us in growing market share and further disrupting the traditional bricks and mortar model through very challenging times.

As we enter a new financial year, the board is confident that CMO will deliver continued growth in the years to come.

Dean Murray

The CMO Brand

STRATEGIC REPORT

OUR VISION

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

OUR MISSION

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

OUR VALUES

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

OUR PROMISE

Good Builds start with our SUPER stores®

CMO Group Strategy and Delivery

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

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

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

Delivery to plan

	Progress	Outlook	KPI	Risk	Governance
Mergers and Acquisitions	Clickbasin.co.uk acquired June 2022	Further acquisitions in the pipeline to fill key category gaps that accelerate CMO's market expansion	Revenue, Market Share, Gross Profit and EBITDA	Mergers and Aquisitions	The Group Board reviews acquisition opportunities and undertakes due diligence
Store launches	Plumbing SUPERSTORE launched Q3 2022 Homeowner horizontal launching Q2 2023 Consolidated Tile vertical launching H2 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	Customer Management System launched Q4 2022 Evolved branding for CMO SUPERSTORES Launched Q4 2022 Platform and stock integration module, One Admin, Customer Loyalty Engine	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.

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.

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.

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.

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.

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.

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

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.

Good Builds start with our SUPER stores®

STRATEGIC REPORT

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.

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 launches

The largest pure-play in the Builders Merchant market

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

STRATEGIC REPORT

CMO's Key Strengths and Achievements in 2022

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

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

Direct shipping from manufacturer to consumer, reducing supply chain costs

Warehouse 20% / Drop Ship 80% mix driving a negative working capital model.

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

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

Category growth through the acquisition of Clickbasin.co.uk.

Specialist customer service available

Over 36,000 customers rate us as 'Excellent' on Trustpilot.

★ Trustpilot ★★★★★

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

Material gains in revenue per session for both the SUPERSTORES and acquisitions.

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

Integration of JTM Plumbing and Clickbasin.co.uk into Plumbing SUPERSTORE.

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

Successful implementation of industry leading knowledge platform to support advisors and our customer need.

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

Refinement of stock management processes.

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 particular risks and issues identified is undertaken. During 2022, the ongoing COVID-19 pandemic and challenges arising from Brexit has given rise to significant additional risks and uncertainties and have been the subject of specific contingency planning and risk mitigation.

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

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

Risk	Key control	Ongoing action
Economic Environment		
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 cost-of-living crisis that many of our staff are experiencing. Category team continue to build relationships with suppliers and manufacturers to enable positive trading levers. Relationships with multiple carriers and logistics providers so we have flexibility in our choice of providers if required. Continually review stock levels and increase our investment in stock when uncertainties arise. This helps us to reduce stock-outs.
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 with a number of live conversations in the acquisitions pipeline at any time.

Principal Risks and Uncertainties Cont.

Risk	Key control	Ongoing action
Technology, ICT, Data Security and Privacy		
The Group relies heavily on its technology, applications, IT infrastructure, and e-commerce systems, particularly its websites.	The Group seeks to mitigate this risk by investing in IT infrastructure, cyber-security, including backup systems, regular tech reviews, and team training to ensure procedures are robust and regularly monitored.	The development team is split between those focused on infrastructure, scalability, and security and those on the customer facing front ends. The former 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.

Risk	Key control	Ongoing action
Retention of Talent		
The Group's future development and prospects are substantially dependent on the continuing services and performance of the executive directors and senior management, together with its ability to attract and retain highly skilled and qualified managers.	The directors believe the Group's culture and remuneration packages are attractive and there is low staff attrition.	The Group has implemented a CSOP scheme so that all staff are incentivised by the company's performance. The Group has also enhanced the overall benefits package and will continue to monitor market rates and adjust remuneration accordingly. Defining and adopting the right culture to support the Group's growth ambitions is crucial and, as mentioned above, sits with the Employee Engagement Committee sponsored by the directors.
Environmental, Social, and Governance (ESG)		
The Group recognises the risk, and potential to miss opportunities from not having clear governance, a robust independent measurement framework, and practical solutions to ESG topics such as climate change.	The Group has aligned to external best practice, recommended through consultation, to provide a clear and rigorous understanding of the business risks and opportunities relating to ESG topics. CMO has aligned to UN sustainable goals, adopted Sustainable Accounting Standards Board (SASB) reporting standards for non-financial risks and opportunities, and aligned to the recommendations of the TCFD for understanding its climate related risks and opportunities.	The Group presents its 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. An estimate of Scope 3 has been prepared but with more accurate measurement due in the next 12 months. The Group has raised £27k 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.

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.

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.

Throughout 2022, corporate responsibility has come under increasing criticism as being ineffective or simple greenwashing. At CMO, 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, 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. 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 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 Q3 2023).

In this report, we discuss our progress during the last year in the two material ESG issues we focused on throughout 2022: (i) Labour practices and our efforts to increase employee engagement and a shared set of values and (ii) our efforts to better measure our greenhouse gas emissions and reduce our GHG footprint both directly and indirectly. Investors can find information about a third material ESG issue, data security and data protection, on pages 24 and 28 in this report.

At the end of this section on pages 36-39, 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 2021 numbers in those tables.

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

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

6. CMO directly contributes to Goal 6.3 of improving water quality and reducing water pollution through its sales of drainage parts and equipment that 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. 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. 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. 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. 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. 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. 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.

Labour management:

Creating a shared culture

At CMO we believe that employee engagement is key to fostering and retaining talent.

A motivated and productive workforce is what ultimately drives our profitability. As such, we want to make sure that everyone at CMO shares the same values and goals and ultimately pulls in the same direction. In 2022, we embarked on a program to redefine the values we live by and that guide our everyday actions. Unlike in bigger organizations where such values are often imposed top down with limited participation from staff, we wanted to make sure that our colleagues are included from the get-go in large numbers and the entire process was driven by our colleagues rather than executive management or outside consultants.

To do this, we set up a series of sessions to define and discuss our values and how they drive our business and how we deal with our customers and other stakeholders. We called these sessions our 'Culture Club'. The workshops were sponsored by our COO and more than 50% of our employees participated in them demonstrating the high employee engagement we already have at CMO. The high engagement also ensures that buy-in to the final outcomes would be high making it easier to drive our culture through our organization and shape our day-to-day actions by it.

The high-level outcome of these sessions are the five values we live by and that form the foundation of 'our house'.

We're building business together!	We'll build together through the good times and the bad	We'll build long-lasting relationships	We'll be the change we want to see	We'll always be open, honest and transparent
Optimism	Supportiveness, Empathy & Welfare	Loving the Customer	Charity & Environment	Honesty, Openess & Transparency

But aside from these high-level outcomes, the Culture Club sessions also allowed us to identify seemingly more pressing issues that have become more urgent in 2022 due to the cost-of-living crisis. As part of the sessions, we made practical changes to support staff welfare.

Having defined these cultural values we are now focusing on ensuring that the everyday experience of our colleagues lives up to these values. In 2023, we will continue with our Culture Club sessions on a weekly basis focusing on the implementation of these values in our daily work to keep the momentum going.

In terms of measurable outcomes, we think that a successful implementation of this culture will reduce staff turnover, increase employee engagement even further and increase productivity all leading to higher profitability for our business.

Energy use and carbon emissions: What we do to reduce our greenhouse gas footprint directly and indirectly.

As a company we are working towards becoming more sustainable and reducing our greenhouse gas footprint (see TCFD report on page 34. We are also actively helping to clean the air in and around Plymouth through our CM Grow initiative page 33.

In 2022, we were able to significantly reduce our greenhouse gas emissions across all scopes. Scope 1+2 emissions were reduced by 37.8% year-on-year due to the closure of the Letchworth and Stoke-on-Trent sites. CMO Group now uses no natural gas to heat its offices and electricity consumption across the group is down 48% compared to 2021 levels

Our scope 3 emissions have also declined significantly. This is due to a 45% drop in emissions from transportation and distribution as actual movements of goods has declined markedly in 2022. Nevertheless, transportation and distribution of goods remains our second largest emissions factor, accounting for 31.8% of total greenhouse gas emissions in the group. The largest contributor to greenhouse gas emissions remains the emissions from goods and services we sell to our customers, which account for more than half of our total emissions, and increased by 20% in the year, partially offsetting the savings from fewer movements of goods sold.

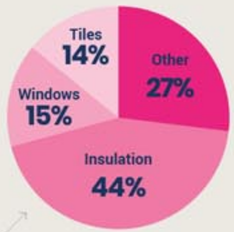
Greenhouse gas emissions breakdown of the group

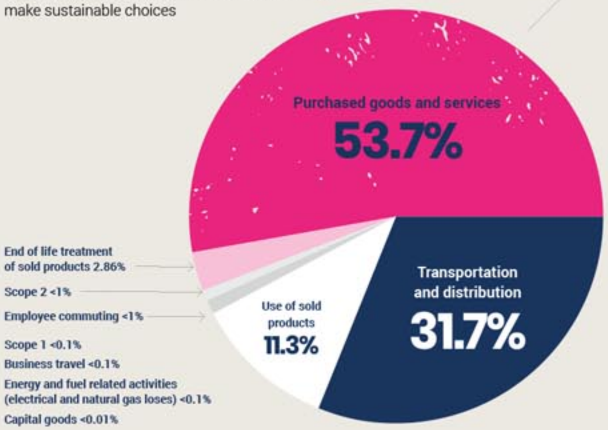
Because the greenhouse gas emissions from the products we sell to our customers is the main contributor to our greenhouse gas footprint, we believe that we will have the biggest impact on the environment by helping our customers choose more sustainable products and reduce the environmental footprint of renovated and newly built properties.

Last year, we discussed in this section how we are working towards grading our products against a range of relevant environmental metrics in order to introduce environmental labels on our website to classify products as 'good', 'better', or 'best'. During our analysis, we concluded that grading products only on scope 1 and 2 emissions or the limited scope 3 emissions data available to us at the time would not have been honest to our customers and could in the worst case have led to misleading labelling.

In the spirit of doing things properly, rather than rolling out labels that are not thoroughly backed by evidence and granular data on the environmental footprint of the products we sell, we decided to postpone the rollout of these labels. As we describe in our TCFD report below, we are in the final phases of measuring our scope 3 emissions to a much higher degree of granularity than previously available. Once this work is completed, we will define our environmental labels and introduce them on our SUPERSTORE sites to allow customers to make sustainable choices

Once these labels have been introduced, we plan to launch our 'ECO BUILD SUPERSTORE' (expected in 2024), which will collect all the products from different SUPERSTORES that are suitable for eco homes and green buildings. It will be the one-stop-shop for green homes projects, the first one of its kind in the UK offering us a competitive advantage in this fast-growing market over our larger competitors. Our ECO BUILD SUPERSTORE will provide much-needed visibility for demand for these sustainable building materials and appliances and become the central hub for tradespeople to get all the products they need from a large variety of specialised suppliers. This way, our ECO BUILD SUPERSTORE will become the central hub that enables faster growth in the adoption of more sustainable building solutions and increased retrofit activities. It will accelerate growth for our trade customers (who can get everything they need for their projects in one place), our suppliers (who can invest in more sustainable products knowing the demand for them in real time), and CMO.





STRATEGIC REPORT

The CMGrow initiative was launched in Spring 2020 with the aim of raising £30,000 within two years to plant 5,000 trees.

We launched our CMGrow initiative in Spring 2020 with the aim to raise £30,000 within two years to plant 5,000 trees. As at end of 2022, the initiative has raised £27k or c. 90% of the target. As a result CMO has become the biggest corporate donor of the Trees for Cities initiative. Trees for Cities is a charity that plants trees in city environments where they have a direct impact on air quality for the local community and replace trees that may have been affected by pests, which become more prevalent due to climate change. These newly planted trees can be independently verified by a third party to create offsetting certificates for the company, though at the moment, the company does not make use of this option.

CMGrow: Planting 5,000 trees in Plymouth

Task Force on Climate-related Financial Disclosures (TCFD)

Climate change is the biggest environmental threat the world faces and CMO Group supports the recommendations of the TCFD and this report constitutes our first 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.

Governance

Governance of climate-related risks and opportunities is integrated into our overall governance and risk management structures. Our 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 41 of this report explains our governance structure in detail.

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

Risk Management

The board is responsible for establishing appropriate risk management processes for the Group and monitoring and reviewing their effectiveness in a changing environment. This also goes for the management of climate-related risks and opportunities. Climate change has been identified as a principal strategic risks for the Group (see page 20) 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 on a daily basis within the Group.

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

The third and final line of defence is provided by the audit and risk committee of the board which 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 (1) Statement and corporate governance statement for details).

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

1. Risk identification

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

2. Risk assessment

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

3. Risk response

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

4. Risk reporting

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

Metrics and targets

Our focus for the last year was to improve both the scope and accuracy of our greenhouse gas emissions measurement. In 2021, we measured our scope 1 and 2 emissions which are generally low because the electricity supply in our premises comes from 100% renewable sources. However, measuring scope 3 emissions, which account for the vast majority of our greenhouse gas footprint (c. 99.7%) has been a major undertaking. We have engaged with Ricardo as a consultant to thoroughly define and measure our scope 3 emissions. All numbers presented in this report on greenhouse gas emissions have been independently verified by Ricardo as materially correct and in accordance with Greenhouse Gas Protocol.

Scope 3 emissions

Out of the fifteen categories of scope 3 emissions, ten apply to CMO. In this report, we report 2022 emissions on eight categories in accordance with the Greenhouse Gas protocol. We cannot report on two categories (energy and fuel related activities and waste generated from operations) because of a lack of data but we are engaging with suppliers and internal and external experts to collect this data in sufficient granularity for our purposes. Note also that new research from Ahyan Panjwani, Lionel Melin and Benoit Mercereau (2023)* shows that among US and European companies, these two categories typically make up less than 10% of all scope 3 emissions.

We also emphasise that emissions from end-of-life treatment of sold products only covers tiles, insulation and windows which account for the majority of emissions across our group. We engage with our suppliers to establish the emissions data for this category for other products as well and aim to expand reporting scope in future years.

With these caveats in mind, we can report scope 3 emissions on eight out of ten applicable categories, providing a more comprehensive and detailed analysis of our emissions than most of our peers do. These scope 3 emissions have declined by 6.2% in 2022 compared to the year before, mostly due to a large decline in emissions from transportation and distribution due to fewer movements of goods.

Scope 3 category	Name	2021 emissions (tCO2e)	2022 emissions (tCO2e)
1	Purchased goods and services	53,822.05	64,852.7
2	Capital goods	0	4.9
3	Energy and fuel related activities	Not estimated	Not estimated
4	Transportation and distribution	69,168.76	38,221.9
5	Waste generated in operations	Not estimated	Not estimated
6	Business travel	Not estimated	38.6
7	Employee commuting	107.0	171.0
8	Leased assets	n.a.	n.a.
9	Transportation and distribution	n.a.	n.a.
10	Processing of sold products	n.a.	n.a.
11	Use of sold products	3,487.54	13,684.5
12	End of life treatment of sold products	2,106.50	3,445.6
13	Leased assets	n.a.	n.a.
14	Franchises	n.a.	n.a.
15	Investments	n.a.	n.a.
	Total scope 3	**128,691.84**	**120,668.6**

* Panjwani, A., L. Melin, and B. Mercereau (2023). Do Scope 3 Carbon Emissions Impact Firms' Cost of Debt? Available at SSRN.

Next Steps

Our main tasks for the coming year consist of enhancing our measurement of scope 3 emissions and developing emissions reduction targets in line with SBTi standards. We will also focus on developing a scenario analysis for climate transition pathways for our climate change strategy. These scenarios in a first step will be mostly qualitative in nature with limited quantitative analysis but will evolve into a more quantitative analysis over time.

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	2022	2021
Greenhouse gas emissions					
Scope 1		305-1-a	tCO2e	36.0	20
Scope 2 – location based		305-2-a	tCO2e	186.0	286
Scope 2 – market based		305-2-b	tCO2e	186.0	286
Scope 3		305-3-a	tCO2e		133,589
Total scope 1 + 2 emissions (market based)			tCO2e	186.0	306
Total emissions			tCO2e	120,668.6	133,895
Intensity measures					
Scope 1 + 2 emissions per employee			tCO2e	0.80	n.a.
Scope 1 + 2 emissions per £m revenue		305-4-a	tCO2e/£m	0.36	n.a.
Environmental Metric	**SASB Code**	**GRI Code**	**Units**	**2022**	**2021**
Energy Management					
Total energy consumed	CG-MR-130a.1	302-1-e	GWh	0.94	1.41
Percentage grid electricity	CG-MR-130a.1	302-1-b	%	100	100
Percentage renewables	CG-MR-130a.1	302-1-b	%	n.a	100
Product sourcing, packaging and materials					
Revenue from products, third-party certified to sustainability standards	CG-MR-410a.1		£	n.a.	n.a.
Discussion of processes to assess and manage risks and/or hazards associated with chemicals in products based)	CG-MR-410a.2			See below	
Discussion of strategies to reduce the environmental impact of packaging	CG-MR-410a.3	301-1		See below	

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

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

Material Social Metrics

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 living wage in the UK in 2022 was £9.50 per hour, but CMO Group employees (not apprentices) earned at least £9.67 per hour. Apprentices were paid £7.63 per hour, about 60% more than the UK minimum wage for apprentices of £4.81. As the living wage increases to £10.42 per hour in April 2023 (+9.7%) and the minimum wage for apprentices to £5.28 per hour (+9.7%), we will increase the wages of our employees and apprentices accordingly. The company actively strives to hire more women in its labour force and promote more women into leadership positions. Currently, 40% of all employees as well as one third of the executive team and the board of directors are female.

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 2022. We present data for calendar year 2021 as a comparison.

Social Metric	SASB Code	GRI Code	Units	2022	2021
Data Security					
Approach to identifying and addressing data security risks	CG-MR-230a.1			Pages 24 and 28	
Number of data breaches	CG-MR-230a.2	418-1		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 £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
Employee turnover rate	CG-MR-310a.2	401-1-b	%	2.5	26.8
Voluntary turnover rate	CG-MR-310a.2		%	1.6	17.3
Involuntary turnover rate	CG-MR-310a.2		%	0.9	9.5
Total number of labour disputes	CG-MR-310a.3	419-1-a		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
Workforce diversity and inclusion					
Percentage of women on board	CG-MR-330a.1	405-1-a	%	33	33
Percentage of women in management	CG-MR-330a.1		%	9	33
Percentage of female employees	CG-MR-330a.1	405-1-b	%	40	33
Total losses as a result of legal proceedings associated with employee discrimination	CG-MR-330a.2	406-1-a	£	0	0
Employee health and safety					
Total number of accidents		403-9-a	Number	12	24
Total fatality rate		403-9-a	Number	0	0

Good Builds start 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 has invested in the acquisition of Clickbasin.co.uk, which gives CMO further access to the c.£1.6bn online plumbing, heating and bathrooms market. The strategic intent is that the CMO customer will be able to buy everything they need to build or improve their home across our specialist verticals.

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 30 June 2023.

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 New Product Development, pricing, external communications to customers, the customer first programme, and the ratio of stocked product to that sent via drop ship.

CMO suppliers

CMO aims to build lasting relationships with all suppliers, engaging with them both directly and indirectly, because they're critical to the success of the business. The board is not directly engaged with suppliers but received 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 CMGrow initiative. This was launched in spring 2020 with the aim of raising £30,000 within two years to plant 5,000 trees together with the Trees for Cities initiative.

On a broader scale, CMO is committed to being a responsible company, minimising damage to the environment from its operations. Therefore, the Board has engaged with outside consultants to improve its ESG performance and adopt best practices on environmental, social, and governance issues. We report more fully on ESG matters in the ESG section of this Annual Report and Accounts on pages 26 to 39.

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 as we emerge from the COVID-19 pandemic 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, the customer first programme, and the stocked product to drop ship ratio.
Suppliers	CMO suppliers expect to be kept informed about the business and its future direction. They want CMO to honour its obligations in a timely and efficient manner and want to have confidence in the long-term prospects of their relationship with the business.	The ratio of stocked product to that sent via drop ship, and working pro-actively to balance pressure across CMO's courier network. The Board has also taken steps to ensure that suppliers are consistently paid promptly and in line with contractual timeframes.
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

Sales growth has been driven by both organic revenue from CMO's SUPERSTORES, which have grown 2% like for like together with the acquisition of JTM Plumbing and Clicksbasin.co.uk. This represents SUPERSTORE growth of 32% when compared to pre pandemic levels (FY19). Sales growth has been achieved despite widely reported industry headwinds and a reported decline in total market. While Total Tiles saw revenue decline by 4% year-on-year, however this represents growth of 8% compared to the period pre-pandemic. Current year performance is in the context of tough comparatives as bricks and mortar competitors were open. JTM Plumbing Limited faced similar challenges but grew 5%. Whiteholme Limited was acquired at the beginning of June 2022 and contributed £0.6m to Group sales.

CMO Group PLC Trading for the year to December 2022	2022 £m	2021 £m
Turnover	83.1	76.3
Cost of sales	(66.6)	(61.0)
Gross profit	16.5	15.3
GP%	20%	20%
Digital marketing	(4.6)	(3.8)
Employment	(7.2)	(6.0)
Overheads	(2.6)	(1.8)
Adjusted EBITDA	**2.1**	**3.7**
Other non-recurring costs	0.6	-
Exceptional costs	(0.2)	(5.8)
Depreciation and amortisation	(1.8)	(1.0)
Interest	(0.5)	(1.1)
Corporation tax	0.2	(0.2)
Loss for the financial year	**0.4**	**(4.4)**

Gross profit for 2022 remained in line with that achieved in 2021 despite a challenging period of inflationary pressures and reducing volumes. Margin gains in the Group have been offset by the previously reported decline in gross margins at Total Tiles caused by imperfect pricing management. In line with the Group strategy, acquired verticals attract higher gross margins than the legacy stores and are therefore margin enhancing to the Group. Pricing and cost factors mean gross margins were reinstated in the final quarter of 2022 and these have been maintained as we move into 2023.

Cost increases have predominantly been marketing, property and employee related. These have increased in the SUPERSTORES as well as being driven by acquisitions. Digital marketing costs have, as anticipated, increased compared to 2021 as cost per click returned to pre-pandemic levels. Whilst the cost has increased it remains in line with our key 5% of sales metric. Payroll costs have increased as we integrate acquisitions and develop the core competencies and capabilities within the business ensuring a sound base for future growth. We have expanded our technical team to allow it to continue to deliver excellence in customer service, create new verticals and integrate acquisitions. These factors have increased payroll and associated costs as both capability and functionality is enhanced. Property costs have increased to accommodate higher stock intake as a temporary but important measure to counterbalance issues with stock availability and supply chain frailty. We have been able to reduce much of this increased stock holding by year end and remain committed to our low stock, drop ship, asset light model. Premises costs are set to increase as the cost per square foot and other occupancy costs are rising with lease renewals.

The Group generated adjusted EBITDA before exceptional costs of £2.1m for the year compared to £3.7m in 2021. Adjusted EBITDA (page 44) is defined as earnings before interest, tax, depreciation and amortisation, foreign exchange, share option expense, exceptional costs, and other non-recurring costs. In respect of the Adjusted EBITDA calculation exceptional costs have been identified and defined by management; such costs relate to those that are outside of the normal course of its operations. In the year ended 31 December 2022 other costs totalled a credit of £0.6m relating to a £0.4m movement in deferred consideration and a £0.2m movement in share-based payment reserve. In the year ended 31 December 2022 exceptional costs were made up of exceptional payroll expenses totalling £0.1m (2021: £2.9m), costs associated with the AIM listing of £Nil (2021: £1.8m) and other exceptional costs incurred related to acquisitions and share option expense totalling £0.1m (2021: £1.1m). Profit for the year is £0.4m compared to a loss of £4.4m in 2021.

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 of exceptional items which include fees for acquisitions, restructuring and exceptional payroll costs.

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

Earnings	31 Dec 2022	31 Dec 2021
Net profit/(loss) attributable to equity holders of the parent for the purpose of basic earnings per share calculation	366,978	(4,355,952)
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	366,978	(4,355,952)
Add back: Exceptional payroll and other expenses	104,117	2,938,374
Add back: Costs associated with AIM listing	-	1,765,053
Add back: Costs incurred directly related to acquisitions and share option expenses	125,818	1,048,550
Adjusted earnings	**596,913**	**1,396,025**

Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	71,969,697	61,271,965
Effect of dilutive potential ordinary shares	216,970	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	72,186,667	61,271,965

Earnings per share from continuing operations attributable to owners of the parent:	Pence	Pence
Basic	0.51	(7.11)
Diluted	0.51	(7.11)
Adjusted basic earnings per share	0.83	2.28
Adjusted diluted earnings per share	0.83	2.28

Taxation

The charge for taxation was £nil (2021: £nil) due to the availability of brought forward losses.

Cash flow and net debt

The business generated operating cashflow of £2.4m (2021: -£1.9m). Cash at the year-end totals £6.2m compared to £9.1m at 2021. Operating cashflow of £2.4m was offset by £1.3m capex (IT development) and £3.0m relating to bolt-on acquisitions (Clickbasin.co.uk and Total Tiles).

Bank facility utilisation has increased £1.7m following the acquisition of Clickbasin and payment of the initial tranches of deferred consideration for JTM Plumbing Limited.

Bank facilities

The Group has revolving credit facilities with Clydesdale Bank plc totalling £10m of which £6m can be used for financing permitted acquisitions and £4m can be used for working capital. At the year-end £4.8m of the acquisition facility had been used for the acquisition of JTM Plumbing Limited and Whiteholme Limited. The Group had cash of £6.2m (net cash £1.4m) and unutilised bank facilities of £5.2m (2021: £6.9m).

Interest and financing costs

Interest costs have reduced significantly in 2022 compared to 2021. Interest costs have reduced in the period since IPO as investor loan notes were repaid as part of the process.

Jonathan Lamb Chief Financial Officer

Going Concern and Outlook

The business activities of the Group, its current operations, and factors likely to affect its future development, performance and position are set out in the Chief Executives review on page 10 and the Chief Financial Officers review on page 44.

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.

2022 has marked another year of growth with total sales for the year up 9% to £83.1 million (2020: £76.3m). SUPERSTORE like for like sales continue to grow, with a year-on-year improvement of 2% despite the widely reported industry headwinds. This represents growth of 32% when compared to pre pandemic levels (FY19). On the supply side, CMO has experienced higher product, carriage, and supplementary product price charges but other metrics such as basket size spend per head and conversion have remained consistent albeit the Group is seeing a slight shift in mix with high conversion rates and lower margin product ranges. The impact of these factors has been to soften margin enhancement afforded by the acquired entities and Group gross margin performance for 2022 is in line with that achieved in 2021. The Group has taken actions to mitigate the future impact on margin which, together with the corrective actions taken in Total Tiles, offers sustainable ongoing benefits.

H2 revenue increased by 8.5% to £41.2m and benefitted from acquisition related sales as well as a general improvement in product availability and reduction in supply chain disruption. More robust product availability has also given the opportunity to reduce the level of stock held in the business which moving forward will facilitate reductions in the warehouse capacity required with consequent cost and working capital benefits. This flexibility is afforded to CMO because of its unique digital hybrid service model - combining specialist advice and expertise with an asset light predominantly drop ship delivery method.

Moving into 2023 we continue to face macro-economic challenges. Low levels of consumer confidence affected by factors such as household inflation continuing to outstrip increases in household income, increased mortgage interest rates and ongoing war in Europe. While not immune to these factors, CMO does have 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. We are also seeing some positive factors with fuel prices reducing since the peak in mid-2022 and more recently reductions in other input costs.

We have started the new financial year in line with our expectations. Moving forward, UK businesses and households are experiencing a period of uncertainty driven by factors including interest and inflation rates impacting consumer confidence and cost of living. CMO is not immune to these factors, and we will continue to work to grow the business but in the context of protecting margins and cash as well as maintaining effective cost controls.

At year end, the Group had cash of £6.2 million (net cash £1.4million) and had unutilised bank facilities with available funding at the year-end of up to £5.2m. Net cash is total cash less amounts drawn on bank facilities. The Group has net current liabilities of £2,644,744 (2021: £2,877,452) 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 has revolving credit facilities with Clydesdale Bank plc totalling £10,000,000 of which £6,000,000 can be used for financing permitted acquisitions and £4,000,000 can be used for working capital. The carrying amount at the year-end is £4,787,678.

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

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

CMO Group Outlook

Moving forwards, CMO strategy remains unchanged. The Group is focused on driving profitable sales growth through creation and development of organic channels and selective acquisitions which is in line with its strategy. We have started the new financial year in line with our expectations, have a sound cash position and 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

STRATEGIC REPORT

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.

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.

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.

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.

Sue Packer
Chief Operating Officer

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

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

James Excell
Non-Executive Director

James is a partner at Key Capital Partners "KCP" and was appointed Non-Executive Director of CMO on 1st July 2021 as KCP's representative on the Company's Board.

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

Corporate Governance Report

The board is pleased to present its Corporate Governance Report for the financial year ended 31 December 2022. 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 2022.

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

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

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

Much of our focus over the course of 2022 has been on responding to some of the unique macro-economic challenges facing the business, including changing consumer habits as we emerge from the COVID-19 pandemic and the impact of the Ukraine conflict. We have dedicated time to understand the impact of both of these events 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.

As per good governance practice, and the recommendations of the Code, we undertook a Board performance evaluation in 2022, our first since listing as a public company. The process is set out in greater detail later in this report; the findings overall have been a very useful tool in identifying the areas in which the Board is working effectively and the areas where we may wish to focus in 2023 and beyond.

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

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

Ken Ford Chairman of the Board

Compliance Statement

During the year ended 31 December 2022, the board has reviewed its compliance with the QCA Code and has reviewed and approved a compliance statement.

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

This Corporate Governance Report is structured against the ten focal areas of the QCA Code, as set out below. The board is of the view that, through disclosure on both websites and in this Annual Report and Accounts, the Group complies with all applicable provisions of the QCA Code.

Principle	Annual Report section
Establish a strategy and a business model which promote long-term value for shareholders	Strategy and Business Model sections (page 14 to 19)
Seek to understand and meet shareholder needs and expectations	Our governance structure (page 52) Section 172(1) Statement (page 42)
Take into account wider stakeholder and social responsibilities and their implications for long-term success	Section 172(1) Statement (page 42)
Embed effective risk management, considering both opportunities and threats, throughout the organisation	Internal Controls and Risk Management (page 57) Audit Committee Report (page 58)
Maintain the board as a well-functioning, balanced team led by the Chair	Our governance structure (page 52)
Ensure that, between them, directors have the necessary up-to-date experience, skills, and capabilities	Board composition (page 56)
Evaluate board performance based on clear and relevant objectives for continuous improvement	Board and Committee effectiveness (page 57)
Promote a corporate culture that's based on ethical values and behaviours	Purpose, values and culture (page 55)
Maintain governance structures and processes that are fit for purpose and support good decision-making by the board	Our governance structure (page 52)
Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders	Audit Committee Report (page 58) Remuneration Report (page 60) Section 172(1) Statement (page 42)

Our Governance Structure

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

CMO sees the board as having the following main roles:

Setting CMO purpose, strategy, values, and culture	The board sets out the Group's purpose, and strategy in delivering on that purpose, in the Strategic Report on pages 12-41. 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 42.



In 2022, the board has 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 Section 172(1) Statement on pages 42.

The board also delegates certain matters to its board committees so that it can operate efficiently and give the right level of attention and consideration to relevant matters. The composition, responsibilities, and activities of each of the Board Committees are set out on page 56. The terms of reference of each committee are available on the website

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

- **Business efficiency**
- **Organic store launches**
- **Mergers and acquisitions**

Board and committee attendance

The table below sets out the Board and Committee attendance for 2022. Attendance is shown as the number of meetings attended out of the total number of meetings possible for the individual director during the year.

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

	Board	Audit Committee	Remuneration Committee
Ken Ford	10 of 10 (100%)	2 of 2 (100%)	2 of 2 (100%)
Dean Murray	10 of 10 (100%)	-	-
Sue Packer	10 of 10 (100%)	-	-
Jonathan Lamb	10 of 10 (100%)	-	-
Helen Deeble	10 of 10 (100%)	2 of 2 (100%)	2 of 2 (100%)
James Excell	10 of 10 (100%)	2 of 2 (100%)	




Purpose

Why we do what we do

Values

The qualities we embody

Culture

How we work together

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

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

Regarding the board's role, 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 2022. These metrics will allow it to review the progress we're making in embedding CMO's cultural aspirations.

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

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

Our employee engagement activities are set out in our Section 172(1) Statement on page 42.

Our Board Composition

The successful delivery of CMO's strategy depends upon attracting and retaining the right talent. This starts with having a high-quality and diverse board. Balance is an important requirement for the composition of the board, not only in the number of executive and non-executive directors, but also the skill, knowledge, and expertise each director brings.

As at 31 December 2022, the board comprised an independent non-executive chairman, three executive directors, and two non-executive directors, one of whom is deemed independent by the board. A short biography of each of the directors in office, at the date of this report, is set out on pages 48 to 49.

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

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

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

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

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

Election and re-election of Directors

Under the Company's Articles of Association, 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 re-election by shareholders at each AGM.

Accordingly, all directors will submit themselves for election by shareholders at the 2023 AGM. The Board considers that, during the year ended 31 December 2022, each director that served in 2022 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.




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 2023 and beyond. A focal area for the board in succession planning in 2023 will be on further developing the talent pipeline within the business to produce the next generation of senior leaders.

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.

Internal Controls and Risk Management

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

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

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

A review of the Group's risk management approach is further discussed in the Strategic Report on pages 12 to 39. For detail on the management and mitigation of each principal risk, see pages 22 to 25.

Report of the Audit Committee

Dear Shareholders,

On behalf of the board, I'm pleased to present my report as chair of the Audit Committee (the 'Committee') for the financial year to 31 December 2022. This report provides shareholders with an overview of the activities carried out by the Committee during the year.

As of 31 December 2022, the Committee members include me, Helen Deeble, as the chair, Ken Ford, and James Excell. As a chartered accountant and having previously served as a non-executive director on an audit committee, the board is of the view I have sufficient and relevant financial experience to chair the Committee.

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

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

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

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

- Review of the Company's interim results
- Review of the Company's risk management and internal control processes and procedures
- Review of the integration process and timetable for recent acquisitions
- Consideration of the stock taking and valuation approach in locations across the Group
- Discussions with auditors following 2021 Audit process and planning for 2022.
- New requirement for an IT Systems Review under ISA 315
- 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 2022.

Attendance at Committee meetings throughout 2022 is set out in the Corporate Governance Statement on page 53.

Committee Responsibilities

The Audit Committee is responsible for:

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

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

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

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

Financial Reporting

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

As part of this process, the Committee will review the appropriateness of accounting policies and practices, and review the significant issues and judgements considered concerning the financial statements, including how each was addressed. The Committee considered significant areas concerning the FY 2022 Annual Report and Accounts, including stock taking and valuation procedures at locations new to the Group, capitalisation of IT platform development expenditure and valuation of goodwill. The Committee also evaluated the budget for FY 2023 and longer-term forecasts, as well as applicable sensitivities, and concluded that the going concern premise is appropriate. The Strategic Report was also examined by the Committee, which concluded it provided a valuable, fair, balanced, and understandable overview of the business.

External auditor

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

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

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

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

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

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

Internal audit

The Committee notes the Company does not have a dedicated internal audit function. 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. The Committee is satisfied that the internal control systems in place operated effectively during the reporting period.

Helen Deeble CBE
Chair of the Audit Committee
11 May 2023

Report of the Renumeration Committee

Chairman's Introduction

I am delighted to present the Remuneration Committee report for the year ended 31 December 2022, 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.

The only significant change to remuneration in the period was the decision not to issue an LTIP award during 2022 and to redesign performance targets for future schemes to increase the proportion based on financial performance.

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 2022 salary increases for executive directors and senior managers;
- Review of the performance to date of the LTIP 2021;
- Agreement to defer issue of an LTIP award for 2022 in order to redesign the performance targets for the LTIP award in 2023, which will vest at the end of a 2 year period and which increases the focus on financial performance in the period still further;
- 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;
- 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 annual bonus 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 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. Future LTIP's will have a higher proportion of the award based on the financial performance of the Company.
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 63.	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	145,000	1,321	-		146,321
Jonathan Lamb	11 June 2021	135,000	1,321	-	-	136,321
Sue Packer	11 June 2021	135,000	1,321	-	-	136,321
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.

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

No LTIP awards were made in 2022.

It is the intention to make awards under the LTIP 2023-2024, which will vest after 2 years, and with the percentage of the award based on annual financial performance to increase to 75% and for 25% of the award to be based on share price development during the period.

Director shareholdings

Executive Directors	Beneficially owned shares at 31 December 2022
Dean Murray	2,178,530
Jonathan Lamb	726,177
Sue Packer	1,764,412

Non-Executive Directors	Beneficially owned shares at 31 December 2021
Ken Ford	113,635
Helen Deeble	18,939
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 2022. The Strategic Report, which is set out on pages 7 to 20, 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 14)
Risk Management and Principal Risks	Strategic Report (pages 22 to 25)
Business relationships with suppliers, customers and others	Section 172(1) Statement (page 42)
Corporate Governance Statement	Corporate Governance Statement (page 50)
Information on the Group's financial risk management objectives and policies and its exposure to credit risk, liquidity risk, interest rate risk, foreign currency risk, and financial instruments	Notes to the Accounts (from page 82)
Streamlined Energy and Carbon Reporting	Environmental, Social, and Governance (from page 26)

Business Model

CMO is the UK's market-leading online supplier of building materials and supplies. Through its 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 a portfolio of specialist SUPERSTORE websites:

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

Business Review

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

Results and dividends

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

Significant events since the end of the financial year

There have been no significant events affecting the Group since 1 January 2023.

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 3 (iv) to the accounts.

Branches outside the uk

The Company has no subsidiaries outside of the UK.

Directors

The directors names and biographies can be found on pages 48 and 49. Details of the Company's directors who served, or were appointed during the year, including their dates of appointment, titles, functions, and committee memberships and chairmanships, can be found on pages 52 and 53 of this Annual Report.

Director indemnities

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

Share capital and substantial shareholdings

Full details of the authorised and issued share capital of the Group are set out in note 25 of the Financial Statements. At 24 March 2023, 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 capitall:

Key Capital Partners	26.8%
J O Hambro Capital Management Limited	7.82%
BGF Investment Management Limited	7.31%
Chelverton Asset Management	6.95%
Canaccord Genuity Wealth Management (Inst)	5.14%
Columbia Threadneedle Investments	4.37%
Liontrust Asset Management	3.82%
River and Mercantile Asset Management	3.76%
Rathbone Investment Management Limited	3.02%

Going concern

The financial statements on pages 76 to 81 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 2022.

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 82 in these financial statements.

Auditors

Saffery Champness LLP was appointed as auditor for the year ended 31 December 2022 and have indicated their willingness to continue in office. A resolution to reappoint Saffery Champness LLP as the auditor will be put to the forthcoming Annual General Meeting.

Statement as to disclosure of information to the auditor

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

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

Website publication

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

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

Report of the Directors Cont.

CORPORATE GOVERNANCE

Annual general meeting

The Annual General Meeting will be held on 30 June 2023. 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're 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;
- Prepare the financial statements on the going concern basis unless it's inappropriate to presume the Group will continue in business.

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

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

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

Approval

The Director's Report was approved by the board of directors on 11 May 2023 and signed on its behalf by:

Jonathan Lamb **Chief Financial Officer**

Independent Auditor's Report

for the Year Ended 31 December 2022

CORPORATE GOVERNANCE

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 2022 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 their preparation 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 2022 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- The financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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 assumption and considering future events that are inherently uncertain. We also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

Key audit matters

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

Carrying value of Goodwill

At 31 December 2022, goodwill of £20,445,122 is recognised on the Group statement of financial position. £19,413,122 arose from historic business combinations and a further £1,032,000 was recognised during the year in relation to the acquisition of Whiteholme Limited by the parent company.

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

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

We performed the following procedures:

- 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 2022

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 2022 the Group held inventory with a carrying value of £5,454,126 and the value of the inventory provision was £341,061.

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

We performed the following procedures:

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

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

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 £430,000 for the Group and £280,000 for the Company financial statements. Group materiality is based on 0.5% of Group revenue and Company materiality is based on 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 80% of materiality.

We set a level of triviality of £22,000 which is 5% of planning materiality, and any uncorrected audit differences below this level were not reported to management, unless warranted under qualitative grounds.

Conclusions relating to going concern

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

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

- Obtained and checked the logical and mathematical accuracy of the detailed cash flow forecasts prepared by management to support the going concern assumption
- Reconciled the opening forecast position to the latest management account and year end ash 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 Coronavirus pandemic 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 2022

Other information

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 52, 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

11th May 2023

Financial Statements

Consolidated Statement of Comprehensive Income

for the Year Ended 31 December 2022

	Note	31 Dec 2022 Total £	31 Dec 2021 Total £
Revenue	4	**83,072,635**	**76,339,771**
Cost of Sales		(66,530,988)	(60,996,550)
Gross Profit		**16,541,647**	**15,343,221**
Administrative Expenses		(15,913,839)	(16,846,212)
Costs associated with AIM listing		-	(1,765,053)
Operating profit / (loss)		**627,808**	**(3,268,044)**
Finance income	10	436	-
Finance expense	10	(453,217)	(1,153,508)
Profit/(loss) before taxation		**175,027**	**(4,421,552)**
Taxation	11	191,951	65,600
Profit/(loss) for the year attributable to owners of the parent	6	366,978	(4,355,952)
Other comprehensive income for the year		-	-
Total comprehensive profit/(loss) for the year attributable to owners of the parent		366,978	(4,355,952)

	Note	31 Dec 2022	31 Dec 2021
Earnings per share		**pence**	**pence**
Basic	12	0.51	(7.11)
Diluted	12	0.51	(7.11)
Adjusted basic earnings per share	12	0.83	2.28
Adjusted diluted earnings per share	12	0.83	2.28

The accompanying notes form part of these financial statements.

FINANCIAL STATEMENTS

Consolidated Statement of Financial Position

as at 31 December 2022

	Note	31 Dec 2022 £	31 Dec 2021 £
ASSETS			
Non-current assets			
Goodwill	15	20,445,122	19,413,122
Other intangible assets	16	2,967,848	2,691,735
Property, plant and equipment	13	1,451,461	1,580,744
Right-of-use assets	14	119,490	337,390
Deferred tax assets	11	324,449	128,860
Total non-current assets		**25,308,370**	**24,151,851**
Current assets			
Inventories	18	5,454,126	5,474,054
Trade and other receivables	19	2,731,988	2,942,236
Cash and cash equivalents	20	6,209,910	9,075,944
Total current assets		**14,396,024**	**17,492,234**
Total assets		**39,704,394**	**41,644,085**
Current liabilities			
Trade and other payables	21	(16,579,099)	(19,895,920)
Loans and borrowings	22	(859)	(2,839)
Lease liabilities	14	(210,140)	(311,192)
Current tax liabilities	11	-	(159,735)
Total current liabilities		**(16,790,098)**	**(20,369,686)**
Non-current liabilities			
Loans and borrowings	22	(4,787,678)	(3,088,142)
Lease liabilities	14	-	(140,499)
Total non-current liabilities		**(4,787,678)**	**(3,228,641)**
Total liabilities		**(21,577,776)**	**(23,598,327)**
Net assets / liabilities		**18,126,618**	**18,045,758**
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	133,630	419,748
Retained deficit	26	(8,087,160)	(8,454,138)
Total equity attributable to owners of the parent		**18,126,618**	**18,045,758**

The consolidated financial statements of CMO Group Plc, company registered number 13451589, were approved by the board, and authorised for issue on 11 May 2023 and signed on its behalf by:

The accompanying notes form part of these financial statements.

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

Company Statement of Financial Position

as at 31 December 2022

	Note	31 Dec 2022 £	31 Dec 2021 £
Assets			
Non-current assets			
Other intangible assets	16	121,282	
Investments in subsidiaries	17	513,101	513,101
Total non-current assets		**634,383**	**513,101**
Current assets			
Trade and other receivables	19	29,637,806	27,718,085
Cash and cash equivalents	20	91,308	57,192
Total current assets		29,729,114	27,775,277
Total assets		**30,363,497**	**28,288,378**
Liabilities			
Current liabilities			
Trade and other payables	21	(371,363)	(212,656)
Total current liabilities		**(371,363)**	**(212,656)**
Non-current liabilities			
Loan and borrowings	22	(4,787,678)	(3,088,142)
Total non-current liabilities		**(4,787,678)**	**(3,088,142)**
Total liabilities		**(5,159,041)**	**(3,300,798)**
Net assets		**25,204,456**	**24,987,580**
Equity			
Share capital	25	719,697	719,697
Share premium	26	25,873,451	25,873,451
Share option reserve	26	133,630	419,748
Retained deficit	26	(1,522,322)	(2,025,316)
Total equity		**25,204,456**	**24,987,580**

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 2022 was £502,994 (2021 loss: £2,025,316).

The consolidated financial statements of CMO Group Plc, company registered number 13451589, were approved by the board, and authorised for issue on 11 May 2023 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 2022

	Note	Share capital £	Share Premium £	Merger Reserve reserve £	Share option £	Retained Deficit £	Total £
As at 1 January 2021		**101**	**-**	**-**	**-**	**(5,415,419)**	**(5,415,318)**
Profit/(loss) for the year		-	-	-	-	(4,355,952)	(4,355,952)
Total comprehensive income for the year		**-**	**-**	**-**	**-**	**(4,355,952)**	**(4,355,952)**
Transactions with owners							
Issue of shares	25	719,596	25,873,451	-	-	-	26,593,047
Creation of merger reserve		-	-	(513,000)	-	-	(513,000)
Transfer to/from profit and loss account		-	-	-	(1,317,233)	1,317,233	-
Transfer to/from share option reserve		-	-	-	1,736,981	-	1,736,981
Total transactions with owners		719,596	25,873,451	(513,000)	419,748	1,317,233	27,817,028
As at 31 December 2021		**719,697**	**25,873,451**	**(513,000)**	**419,748**	**(8,454,138)**	**18,045,758**
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 income for the year		**-**	**-**	**-**	**-**	**366,978**	**366,978**
Transactions with owners							
Share-based payment adjustments		-	-	-	(286,118)	-	(286,118)
					(286,118)	-	(286,118)
As at 31 December 2022		**719,697**	**25,873,451**	**(513,000)**	**133,630**	**(8,087,160)**	**18,126,618**

The accompanying notes form part of these financial statements.

Company Statement of Changes in Equity

for the Year Ended 31 December 2022

	Note	Share capital £	Share Premium	Share option reserve £	Retained earnings	Total
As at 1 January 2021		-	-	-	-	-
Loss for the year		-	-	-	(2,205,316)	(2,025,316)
Total comprehensive loss for the year		**-**	**-**	**-**	**(2,205,316)**	**(2,025,316)**
Transactions with owners						
Issue of share capital	25	719,697	25,873,451	-	-	26,593,148
Transfer to / from share option reserve		-	-	419,748	-	419,748
Total transactions with owners		**719,697**	**25,873,451**	**419,748**	**(2,025,316)**	**24,987,580**
As at 31 December 2021		**719,697**	**25,873,451**	**419,748**	**(2,025,316)**	**24,987,580**
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		-	-	(286,118)	-	(286,118)
		-	-	(286,118)	-	(286,118)
As at 31 December 2022		**719,697**	**25,873,451**	**133,630**	**(1,522,322)**	**25,204,456**

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the Year Ended 31 December 2022

	Note	31 Dec 2022 Total £	31 Dec 2021 Total £
Cash flows from operating activities	33	**2,443,251**	**(1,857,167)**
Investing activities			
Payments to acquire intangible fixed assets	16	(1,277,763)	(603,385)
Payments to acquire tangible fixed assets	13	(68,893)	(90,871)
Cash outflow on business combination	30	(4,661,217)	(2,186,810)
Net cash used in investing activities		**(6,007,873)**	**(2,881,066)**
Financing activities			
Receipts from issue of shares		-	26,179,897
Receipts from borrowings draw downs	34	1,699,536	3,088,142
Repayment of borrowings		-	(3,230,533)
Repayment of shareholder loans		-	(17,747,577)
Repayment of lease liabilities	34	(547,731)	(340,999)
Interest paid on lease liabilities	34	(66,062)	-
Interest paid	34	(387,155)	(185,147)
Net cash generated from financing activities		**698,588**	**7,763,783**
Net (decrease)/ increase in cash and cash equivalents		**(2,866,034)**	**3,025,550**
Cash and cash equivalents at beginning of year		9,075,944	6,050,394
Cash and cash equivalents at end of year		**6,209,910**	**9,075,944**

Notes to the Financial Statements

for the Year Ended 31 December 2022

1. Summary of significant accounting policies

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 Company's prior period was from incorporation on 11 June 2021 to 31 December 2021 and was the first period of accounts for the Company.

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

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, including an assessment of the possible impact that it will have when it is adopted for the first time (IAS 8); 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 before exceptional costs of £2.1m for the year compared to £3.7m in 2021. In the year ended 31 December 2022 other costs totalled a credit of £0.6m relating to a £0.4m movement in deferred consideration and a £0.2m movement in share-based payment reserve. The Group also incurred costs of £0.2m in relation to exceptional payroll and other costs during the year. In the year ended 31 December 2021 exceptional and other costs were made up of exceptional payroll expenses totalling £2.9m, costs associated with the AIM listing of £1.8m and other costs incurred related to acquisitions and share option expense totalling £1.1m. Profit for the year is £0.4m compared to a loss of £4.4m in 2021.

The directors are continuing to identify acquisitions as well as focussing on the continuation of the organic growth experienced in recent years. New acquisitions have been brought onto the Group's platforms and significant synergies are expected to be achieved over the coming year from the recent acquisitions. The directors expect continued growth in gross profits and operating profits in 2023.

The Group has net current liabilities of £2,644,744 (2021: £2,877,452) 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 has revolving credit facilities with Clydesdale Bank plc totalling £10,000,000 of which £6,000,000 can be used for financing permitted acquisitions and £4,000,000 can be used for working capital. The carrying amount at the year-end is £4,787,678.

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 2022 and have been adopted in preparing these financial statements:

- Amendments to IFRS 3 Business Combinations – Reference to the Conceptual Framework;
- Amendments to IAS 16 Property, Plant and Equipment – proceeds before intended use;
- Amendments to IAS 37: Provisions, Contingent Liabilities and Contingent Assets – onerous contract; and
- Annual Improvements to IFRS Standards 2018-2020 Cycle.

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 2023:

- 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 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 measured 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.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

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 Board of 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.

(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

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.

(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 if the fair value can be measured reliably on initial recognition.

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

- The development costs can be measured reliably;
- The project is technically and commercially feasible;
- The Group intends to and has sufficient resources to complete the project;
- The Group has the ability to use or sell the software; 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
Trademarks	3-10 years

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

(l) Impairment of non-financial assets

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

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

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

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

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

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, including held for trading
- Fair value through other comprehensive income
- Amortised cost

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

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

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

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

Financial liabilities

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

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

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

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

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

Impairment of financial assets

Trade and other receivables

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

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

Impairment of financial assets

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

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

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

(i) Definition of default

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

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

(ii) Write-off policy

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

(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.

(o) 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.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

2. Significant accounting policies (Continued)

Long-term incentive plan

The Group has a long-term incentive plan and a broader employee share ownership plan.

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.

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.

(i) Lease Liabilities

The Group makes judgements to estimate the incremental borrowing rate used to measure lease liabilities based on expected third party financing costs when the interest rate implicit in the lease cannot be readily determined. In addition, where considered applicable and material the Group provides for dilapidations on the leaseholds at rates it estimates as appropriate to cover the anticipated dilapidation cost over the term of the lease, these are included within the lease liability calculation. Lease liabilities totalled £210,140 at 31 December 2022 (2021: £451,691) as detailed in note 14.

(ii) Deferred tax assets

The extent of which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forwards can be utilised. The forecasted taxable profits of the Group support the carrying value of the deferred tax assets. At 31 December 2022 the deferred tax assets totalled £132,498 (2021: £128,860) as detailed in note 11.

(iii) Fair value of share options issued

In the prior year, the directors estimated the fair value of shares issued to employees by CMOStores Group Limited when accounting for the benefits awarded to them. This is accounted for through other reserves. The expense was recognised in CMOStores.com Limited as it is the company of their employment. The valuation of the shares was based upon the expected trading price following the listing of CMO Group PLC on 8 July 2021, taking into account the likelihood of the listing being successful and ownership of the other shares. This has been revalued in the current year, resulting in a net credit to share-based payments in the current year. Please see note 31 for further detail.

(iv) Capitalisation of development costs

Labour costs incurred in developing the company's website meet the criteria of costs associated with the development of an internally generated intangible asset and are capitalised accordingly. Development costs are amortised straight line over 3 years which is estimated to be an appropriate useful economic life for a technological asset. Amounts capitalised in the year to 31 December 2022 totalled £700,246 (2021: £523,888). These are included within computer software and development costs in note 16.

(v) Separable intangibles

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

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

Values for separable intangibles are contained within note 16.

(vi) 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.

(vii) Liabilities for sales returns

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

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

4. Revenue

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

Group	31 Dec 2022 £	31 Dec 2021 £
Revenue from sale of goods	**83,072,635**	**76,339,771**

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.

Geographical information for revenue from external customers is disclosed in note 4. 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 2022 £	31 Dec 2021 £
Depreciation of owned property, plant and equipment, and other leases	206,978	474,649
Depreciation of leased property, plant, and equipment	-	8,871
Depreciation expense on right-of-use assets	512,080	245,499
Amortisation of intangible assets	1,088,650	698,161
Acquisition and other costs	156,349	635,741
(Gain)/expense on share-based payment	(286,118)	419,748
Wages and salaries	6,435,439	5,431,846
Social security	640,123	512,484
Cost of defined contribution scheme	132,450	144,905
Costs associated with AIM listing	-	1,765,053
Exceptional payroll costs	73,586	2,938,374

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

Staff cost is detailed in note 9 and lease expenditure is detailed in note 14.

7. Auditor's remuneration

Group	31 Dec 2022 £	31 Dec 2021 £
Fees payable for the audit of the Parent Company and the group financial statements	66,500	33,000
Audit of the subsidiary company financial statements	85,000	85,000
	151,500	**118,000**

There were no other fees payable to the Group's auditor for services, than those listed above, as at the year ended 31 December 2022 (2021: £Nil).

Company	31 Dec 2022 £	31 Dec 2021 £
Fees payable for the audit of the Company's and the Group's financial statements	66,500	33,000

8. Directors' remuneration

Group	31 Dec 2022 £	31 Dec 2021 £
Remuneration	421,748	2,516,932
Company contributions to defined contribution pension schemes	3,963	3,770
	425,711	**2,520,702**

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

The remuneration of the highest paid director included above was:

	31 Dec 2022 £	31 Dec 2021 £
Remuneration	145,000	1,186,525
Company contributions to defined contribution pension schemes	1,321	1,318
	146,321	**1,187,843**

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

9. Employee costs

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

	31 Dec 2022 £	31 Dec 2021 £
Management	19	16
Sales and administrations	207	187
	226	**203**

The Company had 6 (2021: 6) employees for year ending 31 December 2022.

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

	31 Dec 2022 £	31 Dec 2021 £
Wages and salaries	6,435,439	5,431,846
Social security	640,123	512,484
Exceptional payroll	73,586	2,938,374
Share-base payment	(286,118)	-
Cost of defined contribution scheme	132,450	144,905
	6,995,480	**9,027,609**

The exceptional payroll expense includes an expense of £nil (2021: Expense £1,317,233) relating to share options granted to employees of the company in July 2021, £Nil (2021:£1,223,341) gross salary bonus to cover the associated tax charges on the share issue and £Nil (2021: £397,800) employers national insurance staff cost. The share-based payment expense is a net credit balance for the year of £286,118 due to a reassessment of the options that are expected to vest based on service conditions and non-market-based performance conditions at year end, as required by IFRS 2.

10. Finance expense and income

Finance expense

	31 Dec 2022 £	31 Dec 2021 £
Interest on bank overdrafts and loans	387,155	185,146
Interest on lease liabilities	66,062	58,099
Interest and fees on other borrowings	-	910,263
	453,217	**1,153,508**

Finance income

	31 Dec 2022 £	31 Dec 2021 £
Interest received	436	-
	436	**-**

11. Taxation

Income tax recognised in profit or loss

Tax (credit) comprises:

	31 Dec 2022 £	31 Dec 2021 £
Deferred tax (credit) in respect of the current year	(191,951)	(65,600)
	(191,951)	**(65,600)**

The applicable standard rate of corporation tax in the UK in the year ended 31 December 2022 was 19% (2021:19%).

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

	31 Dec 2022 £	31 Dec 2021 £
(Profit)/loss for the year	**(175,027)**	**4,421,552**
Tax at the applicable rate of 19.0% (2021:19.0%)	33,255	(840,095)
Effect of expenses that are not deductible in determining taxable profit	79,330	744,327
Other movements	(196,936)	257,085
Deferred tax not recognised	(96,974)	(90,370)
Fixed asset differences	33,849	63,759
Deferred tax credit on unrecognised temporary differences from prior period	2,097	(55,916)
Effect on deferred tax balances due to the changes in tax rates or laws	(46,572)	(144,390)
Total tax charge for the year	**(191,951)**	**(65,600)**

Deferred tax not recognised reflects £122,202 (2021: £390,292) in respect of interest that has been disallowed as a result of the corporate interest restriction and may not be available to offset against future tax charges.

Factors that may affect future tax rates

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

Current tax assets and liabilities

	31 Dec 2022 £	31 Dec 2021 £
Prior year liabilities	-	159,735
	-	**159,735**

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

11. Taxation (continued)

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

	At Jan 1 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**

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

	At Jan 1 2022 £	Recognised in P&L £	Other movement £	At 31 Dec 2022 £
Temporary differences				
Accelerated tax depreciation	(133,190)	(27,449)	48,728	(111,911)
Business combinations	-	(457,600)	-	(457,600)
Unpaid loan note interest	195,061	(195,061)	-	-
Unused tax losses and credits:				
Tax losses	83,861	614,510	-	698,371
Temporary differences	**145,732**	**(65,600)**	**48,728**	**128,860**

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 of exceptional items which include fees for acquisitions, restructuring and exceptional payroll costs, being Adjusted EPS. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

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

Earnings

	31 Dec 2022 £	31 Dec 2021 £
Net profit/(loss) attributable to equity holders of the parent for the purpose of basic earnings per share calculation	366,978	(4,355,952)
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	366,978	(4,355,952)
Add back: Exceptional payroll and other expenses	104,117	2,938,374
Add back: Costs associated with AIM listing	-	1,765,053
Add back: Costs incurred directly related to acquisitions and share option expenses	125,818	1,048,550
Adjusted earnings	**596,913**	**1,396,025**

Number of shares

	£	£
Weighted average number of ordinary shares for the purposes of basic earnings per share	71,969,697	61,271,965
Effect of dilutive potential ordinary shares	216,970	-
Weighted average number of ordinary shares for the purposes of basic earnings per share	72,186,667	61,271,965

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

	Pence	Pence
Basic	0.51	(7.11)
Diluted	0.51	(7.11)
Adjusted basic earnings per share	0.83	2.28
Adjusted diluted earnings per share	0.83	2.28

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

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 2021	270,539	-	438,216	-	140,140	-	848,895
Additions	-	11,008	52,569	24,995	1,046	1,253	90,871
Acquisitions through business combinations	-	1,268,792	2,243	-	3,603	-	1,274,638
At 31 December 2021	**270,539**	**1,279,800**	**493,028**	**24,995**	**144,789**	**1,253**	**2,214,404**
Depreciation							
At 1 January 2021	165,705	-	210,218	-	19,715	-	395,638
Charge for the period	68,235	4,491	127,645	3,270	34,381	-	238,022
At 31 December 2021	233,940	4,491	337,863	3,270	54,096	-	633,660
Net book amount							
At 31 December 2021	**36,599**	**1,275,309**	**155,165**	**21,725**	**90,693**	**1,253**	**1,580,744**
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)	-
Disposals	-	-	-	-	-	-	-
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
Disposals	-	-	-	-	-	-	-
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**

Company

The company held no property, plant or equipment in the year ending 31 December 2022, nor in the period ending 31 December 2021.

14. Right-of-use assets

The Group leases properties. The average lease term on the properties is 3 years (2021: 3.4 years). There are no options to purchase at the end of the lease lives. In all cases, the lease obligations are secured by the lessor's title to the leased assets.

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

	Properties	Total
	£	£
Cost		
At 1 January 2021	582,889	582,889
Additions	-	-
At 31 December 2021	**582,889**	**582,889**
Depreciation		
At 1 January 2021	157,092	157,092
Charge for the period	88,407	88,407
At 31 December 2021	**245,499**	**245,499**
Net book amount		
At 31 December 2021	**337,390**	**337,390**
Cost		
At 1 January 2022	582,899	582,899
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**

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

	31 Dec 2022	31 Dec 2021
Cost	£	£
At 1 January	451,691	734,591
Additions	306,180	-
Interest expense	66,062	58,099
Lease payments	(613,793)	(340,999)
At 31 December	**210,140**	**451,691**
Current	210,140	311,192
Non-current	-	140,499
Total lease liabilities	**210,140**	**451,691**

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

14. Right-of-use assets (Continued)

	31 Dec 2022 £	31 Dec 2021 £
Amount recognised in profit and loss:		
Depreciation expense on right-of-use assets	512,080	245,499
Interest expense on lease liabilities	66,082	58,099

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

15. Goodwill

	31 Dec 2022 £	31 Dec 2021 £
Cost		
Balance at 1 January	19,413,122	16,859,824
Additional amounts recognised from business combinations occurring during the year	1,032,000	2,553,298
Balance at 31 December	**20,445,122**	**19,413,122**
Carrying amount		
At 1 January	19,413,122	16,859,824
At 31 December	**20,445,122**	**19,413,122**

Goodwill with a carrying amount of £20,445,122 (2021 - £19,413,122) 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. Management has identified four CGU's operating within the single operating segment and goodwill is allocated to those CGU's as follows.

The carrying value of goodwill has been allocated to CGU's as follows:	2021 £	2020 £
CMOStores	13,570,540	13,570,540
Total Tiles	3,289,284	3,289,284
JTM Plumbing	2,553,298	2,553,298
Whiteholme	1,032,000	-
Balance at 31 December	**20,445,122**	**19,413,122**

The Group acquired Whiteholme Limited on 1 June 2022, creating £1,032,000 of Goodwill. The acquisition adds further capability towards the Group strategic goal of providing everything you need to build and improve a home and cost and sales synergies.

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

Goodwill impairment tests

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

The key assumptions for the value in use calculations for all four CGUs are those regarding discount rates, growth and expected changes to selling prices, and direct costs during the period. Management uses a discount rate of 10%, being a prudent approximate weighted average cost of capital (WACC). The growth rates are based on a combination of historical performance, maturity of product groups and expectations on new product performance. Changes in selling prices and direct costs (and hence margin) are based on past practices and expectations of future changes in the market. The goodwill impairment has been tested using figures in line with market expected Group growth rates for 2023 and 2024 and then no further growth past 2024.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years using growth rates described above. The rate used to discount the forecast cash flows for each of the four CGU's is 10% (2021 – 10%). Management has performed a sensitivity analysis and has noted that, should the discount rate increase, only at the point where it reaches 35% (2021 – 33%) 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 2022

16. Other intangible assets

	Trade names £'000	Customer relationships £'000	Computer software and development costs £'000	Total £'000
Cost				
At 1 January 2021	613,712	1,405,000	1,754,160	3,772,872
Additions	-	-	603,385	603,385
Acquired through business combinations	62,000	1,052,000	2,475	1,116,475
Balance at 31 December 2021	**675,712**	**2,457,000**	**2,360,020**	**5,492,732**
Amortisation				
At 1 January 2021	-	1,241,000	861,836	2,102,836
Charge for the year	31,367	134,600	532,195	698,162
Balance at 31 December 2021	**31,367**	**1,375,600**	**1,394,031**	**2,800,998**
Net book amount				
At 31 December 2021	**644,345**	**1,081,400**	**965,989**	**2,691,734**
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	31,367	1,375,600	1,394,031	2,800,998
Charge for the year	54,061	294,344	740,244	1,088,649
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**

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**

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

Trade names with a carrying amount of £351,712 (2021 - £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 10%, being a prudent approximate weighted average cost of capital (WACC). The growth rates are based on a combination of historical performance, maturity of product groups and expectations on new product performance. Changes in selling prices and direct costs (and hence margin) are based on past practices and expectations of future changes in the market. The goodwill impairment has been tested using figures in line with market expected Group growth rates for 2023 and 2024 and then no further growth past 2024.

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

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

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%; (2021: 100%)
CMOStores Holdings Limited	Intermediate holding company	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2021: 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%; (2021: 100%)
JTM Plumbing Limited	Retail of plumbing equipment.	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2021: 100%)
Whiteholme Limited	Retail of bathroom basin equipment.	England & Wales	Burrington Business Park Burrington Way Plymouth Devon PL5 3LX England and Wales	100%; (2021: 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%; (2021: 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 2 June 2022 as explained in note 30.

Company	31 Dec 2022 £	31 Dec 2021 £
Cost		
At 1 January	513,101	-
Additions		513,101
At 31 December	513,101	513,101

18. Inventories

	31 Dec 2022 £	31 Dec 2021 £
Goods held for resale	**5,454,126**	**5,474,054**

The cost of group inventories recognised as an expense in the year amounted to £67,130,091 (2021: £54,058,382). This is included in cost of sales.

The carrying value of inventories are stated net of impairment losses totalling £341,061 (2021: £492,717).

19. Trade and other receivables

	Group 31 Dec 2022 £	Group 31 Dec 2021 £	Company 31 Dec 2022 £	Company 31 Dec 2021 £
Amounts falling due within one year:				
Trade receivables	1,015,531	621,630	-	-
Allowance for impairment	(58,281)	(90,130)	-	-
	957,250	**531,500**	**-**	**-**
Other receivables	1,197,580	1,600,898	-	9,245
Prepayments and accrued income	577,158	809,838	391,790	425,514
Amounts owed from Group undertakings	-	-	29,246,016	27,283,326
	2,731,988	**2,942,236**	**29,637,806**	**27,718,085**

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.

All intercompany loans are repayable on demand.

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

CMOStores.com Limited

A provision for credit loss and impairment of £56,711 (2021: £90,130) has been set against trade receivables. The balance of receivables past due but not impaired at the balance sheet date was £328,839 (2021: £16,252). The receivables are aged as follows: debt aged 30 days and over 45% and those up to 29 days 55%.

Total Tiles Limited

A provision for credit loss and impairment of £Nil (2021: £Nil) has been set against trade receivables. The balance of receivables past due but not impaired at the balance sheet date was £4,192 (2021: £5,644). The receivables are aged as follows: debt aged 30 days and over 64% and those up to 29 days 36%.

JTM Plumbing Limited

A provision for credit loss and impairment of £1,570 (2021: £Nil) has been set against trade receivables. The balance of receivables past due but not impaired at the balance sheet date was £3,959 (2021: £Nil). The receivables are aged as follows: debt aged 30 days and over 2% and those up to 29 days 98%.

Whiteholme Limited

A provision for credit loss and impairment of £Nil has been set against trade receivables. The balance of receivables past due but not impaired at the balance sheet date was £Nil.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

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 2022 £	Group 31 Dec 2021 £	Company 31 Dec 2022 £	Company 31 Dec 2021 £
Cash and bank balances	**6,209,910**	**9,075,944**	**91,308**	**57,192**

21. Trade and other payables

	Group 31 Dec 2022	Group 31 Dec 2021	Company 31 Dec 2022	Company 31 Dec 2021
Amounts falling due within one year:	**£**	**£**	**£**	**£**
Trade payables	11,068,792	10,960,914	114,287	23,088
Deferred consideration	1,732,909	5,490,944	-	-
Accrued expenses	1,012,804	887,079	158,825	189,568
Deferred income	1,083,083	1,710,447	-	-
Social security and other taxes	1,183,650	824,818	-	-
Other payables	497,861	21,718	98,251	-
	16,579,099	**19,895,920**	**371,363**	**212,656**

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

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

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

22. Loans, Borrowings and Other Payables

	Group 31 Dec 2022	Group 31 Dec 2021 £	Company 31 Dec 2022 £	Company 31 Dec 2021 £
Non-current				
Bank borrowings	4,787,678	3,088,142	4,787,678	3,088,142
	4,787,678	**3,088,142**	**4,787,678**	**3,088,142**
Current				
Hire purchase contracts	859	2,839	-	-
	859	**2,839**	**-**	**-**

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 has revolving credit facilities with Clydesdale Bank plc totalling £10,000,000 of which £6,000,000 can be used for financing permitted acquisitions and £4,000,000 can be used for working capital. The Group and Company have drawn down from the RCF Acquisition Facility. Under this facility the amount available reduces by £250,000 a quarter from two years after the date of draw down, this being June 2023. This facility is denominated in pounds sterling with a nominal interest rate of 3.85% plus Bank of England base rate, and with the final instalment due on 30 September 2027. The carrying amount at the year-end is £4,787,678 (2021: £3,088,142).

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.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

23. Other Lease liabilities

Leases	31 Dec £	31 Dec £
Current	859	2,839
Non-current	-	-
	859	**2,839**

All leases mature no later than one year from the 31 December 2022. The average effective interest rate for the lease liabilities in the year was 4.5% (2020 – 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 £132,450 (2021 - £144,905) 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 (2021: £9,882) contributions were payable to the scheme and are included in creditors.

25. Share capital

	31 Dec 2022 No.	£	31 Dec 2021 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 2022. During the year ended 31 December 2021 the following shares were issued:

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

Shares issued on 11 June 2021 and 1 July 2021 were issued as part of a shares for share exchange with the shareholders of CMOStores Group Limited. £1.32 per share was paid for shares issued on 8 July 2021. All other issues were at par value.

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 2022

27. Financial instruments

	Group 31 Dec 2022	Group 31 Dec 2021	Company 31 Dec 2022	Company 31 Dec 2021
Financial assets	£	£	£	£
Financial assets at amortised cost:				
Cash and cash equivalents	6,209,910	9,075,944	91,308	57,192
Trade and other receivables	2,154,830	2,132,398	-	9,245
Total financial assets	**8,364,740**	**11,208,342**	**91,308**	**66,437**
Financial liabilities	£	£	£	£
Financial liabilities at amortised cost:				
Trade and other payables	14,312,366	17,360,655	273,112	212,656
Bank loans	4,787,678	3,088,142	4,787,678	3,088,142
Borrowings	859	2,839	-	-
Total financial assets	**19,100,903**	**20,451,636**	**5,060,790**	**3,300,798**
Categorisation	£	£	£	£
Financial assets that are debt instruments measured at amortised cost	2,154,830	2,132,398	-	9,245
Financial assets that are cash and cash equivalents	6,209,910	9,075,944	91,308	57,192
Financial liabilities measured at amortised cost	19,100,903	20,451,636	5,060,790	3,300,798

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 2022 the debtor balance was significantly less than the cash on deposit from customers awaiting delivery.

Trade receivables:

The Group applies the IFRS 9 simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped on the days past due. The Group has only offered trade credit since 1 October 2019 and so expected losses are based on the payment profile since that date. Trade receivables are written off (i.e., derecognised) when there is no reasonable expectation of recovery. Failure to make payments within 180 days from the invoice date and failure to engage with the Group on alternative payment arrangements are considered indicators of no reasonable expectation of recovery. At 31 December 2022 and 31 December 2021, no expected credit losses were identified.

Liquidity risk

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

As at 31 December 2022, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

	Current		Non-Current	
	Within 6 months £	6 to 12 months £	1 to 5 years £	Later than 5 years £
Financial liabilities				
Bank loans	-	-	2,287,678	2,500,000
Lease liabilities	859	-	-	-
Right-of-use asset obligations	102,376	107,764	-	-
Trade and other payables	16,579,099	-	-	-
	16,682,334	**107,764**	**2,287,678**	**2,500,000**

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

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

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

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 £4.8m (2021: £3.1m), 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.

The Group is subject to banking covenants whereby total debt must not exceed rolling 12-month operating EBITDA pre-exceptional costs by a factor which declines over time and at 31 December 2022 was 3.25 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. At 31 December 2022, 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% (2021: +/- 0.5%). These changes are considered to be reasonably possible based on observations of current market conditions. The calculations are based on a change in the average market interest rate for each period and the financial instruments held at each reporting date that are sensitive to changes in interest rates. All other variables are held constant.

Profit for the year

	+0.5%	-0.5%
31 December 2022	(13,699)	13,699
31 December 2021	(6,617)	6,617

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). The Group is subject to externally imposed capital requirements and must maintain debt cover whereby rolling 12 months CFADS (cash flow available for debt service) is at least 1.1 times the rolling 12 month debt servicing cost. In addition, total bank debt must not exceed rolling 12 month operating EBITDA pre-exceptional costs by a factor which declines over time and at 31 December 2022 was 3.25. This in in line with the Group's banking covenants. Management confirm that all covenants have been complied.

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. Business combinations

On 2 June 2022, the Group acquired 100% of the equity instruments of Whiteholme Limited, a UK based business, thereby obtaining control. For the period to 31 December 2022, Whiteholme Limited, generated revenue of £614,466 and profit after tax of £31,531, these results were accounted for in accordance with FRS102.

These results were reviewed under IFRS convergence, and no material differences identified. Had Whiteholme Limited been consolidated from 1 January 2022, the consolidated statement of comprehensive income would have included revenue of £1,205,285 and profit of £66,776.

	Asset carrying values £	Fair value adjustment on transition to IFRS £	Fair value £
Identifiable intangible assets	-	87,000	87,000
Property, plant and equipment	9,632	-	9,632
Inventories	43,665	-	43,665
Trade and other receivables	1,243,812	-	1,243,812
Cash and cash equivalents	223,388	-	223,388
Trade and other payables	(225,548)	-	(225,548)
Total fair value	**1,294,949**	**87,000**	**1,381,949**
Consideration settled in cash			2,235,407
Fair value of deferred consideration			178,542
Goodwill			**1,032,000**

Consideration transferred

The purchase agreement included a payment on completion and an element of deferred consideration based on both a target net asset value. The agreement includes an adjustment to the deferred consideration calculated based upon the net current assets of Whiteholme Limited at 1 June 2022. The deferred consideration is payable on agreement of the new asset position as set out in the draft accounts for Whiteholme for the period to 1 June 2022.

The net cash sum expended on acquisition in the year ended 31 December 2022 is as follows:

Analysis of cash flows on acquisition	**£**
Cash paid as consideration on acquisition (net of trade and other receivables repaid)	(1,332,400)
Deferred consideration paid between acquisition and year end	(84,832)
Cash acquired at acquisition	223,388
Net cash outflow on acquisition	**(1,193,844)**

Acquisitions completed in prior years

In the year ended 31 December 2022, £2,961,681 deferred consideration was paid related to the acquisition of Total Tiles Limited on 31 December 2020.

In the year ended 31 December 2022, £505,692 deferred consideration was paid related to the acquisition of JTM Plumbing Limited on 1 October 2021.

Notes to the Financial Statements Cont.

for the Year Ended 31 December 2022

31. Share based payments

Long-term incentive plan

The company has put in place a long-term incentive plan ("LTIP") where shares are issued based on meeting share value and EBITDA performance conditions. The performance conditions are split with 50% related to growth in the Group's share price above the £1.32 per share value at listing and 50% based on EBITDA growth compared to expectations. The charge for the year was £89,086 however there has been an adjustment to the cumulative charge of the scheme which has resulted in a net credit of £286,188 to the share option reserve. 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. The fair value of these options is considered to be immaterial by the directors; the 3-year vesting period and exercise price.

Shares remaining under this scheme at 31 December 2022 total 240,750 (2021 – 303,750).

32. Control

There is no ultimate controlling party of CMO Group PLC.

33. Reconciliation of profit to cash flow from operating activities

	31 Dec 2022 £	31 Dec 2021 £
Profit/(loss) for the year	366,978	(4,355,952)
(Gain)/expense on share-based payments	(286,118)	-
Finance income	(436)	-
Finance costs	453,217	1,153,508
Tax expense/(credit) on profit/(loss) on ordinary activities	(130,426)	(65,600)
Operating profit/(loss)	**403,215**	**(3,268,044)**
Depreciation and impairment of property, plant and equipment and right of use assets	719,057	483,520
Amortisation and impairment of intangible fixed assets	1,088,650	698,161
(Increase) in inventories	19,928	(2,131,399)
(Increase) in trade and other receivables	(102,191)	(1,719,030)
Increase in trade and other payables	314,592	4,079,625
Cash inflow / (outflow) from operating activities per Statement of Cash Flows	**2,443,251**	**(1,857,167)**

34. Changes in liabilities arising from financing activities

Non-cash changes

	At 1 January 2022 £	Financing cash flows £	Interest £	New leases £	Reclass £	At 31 Dec 2022 £
Long-term borrowings	3,088,142	1,312,381	387,155	-	-	4,787,678
Short-term borrowings	-	-	-	-	-	-
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**

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

35. Post balance sheet event

There are no post balance sheet events to disclose.

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