



The electrical retailer that delivers

Annual Report and Accounts 2023



FY23 Financial Highlights

Statutory

Revenue

£97.8m

(2022: £80.5m)

Profit after tax

£5.2m

(2022: £3.3m)

Statutory earnings per share

4.91p

(2022: 3.22p)

Dividends per share

0.96p

(2022: 0.67p)

Non-Statutory

Adjusted EBITDA

£7.5m

(2022: £7.2m)

Adjusted earnings per share

4.82p

(2022: 5.01p)

Operating cash conversion

118%

(2022: 119%)

Return on capital employed

41%

(2022: 57%)

Operational Highlights

No. of SKUs

4,500+

(2022: 3,500+)

No. of brands

50+

(2022: 50+)

Employees

250+

(2022: 200+)

Vehicles

50+

(2022: 40+)

ESG Highlights

Emissions

**Carbon
Neutral**

(2022: Carbon Neutral)

Contributed to communities

£45k

(2022: £45k)



About Us

The electrical retailer that delivers

Marks Electrical provides premium products at competitive prices supported by rapid delivery and first-class customer service demonstrated by our 4.8 Trustpilot rating.

Founded in 1987 by CEO Mark Smithson, Marks Electrical employs over 250 personnel based at our Leicester HQ where the Company's management, storage and distribution facilities are all centrally located at the heart of the UK.

Sited next to the M1 motorway in the centre of England, Marks Electrical's easy-to-use website, friendly sales staff, efficient warehouse operators and in-house team of drivers and installers enable us to offer next-day delivery to over 90% of the UK population.

We deliver for...

- Our Customers
- Our Employees
- Our Shareholders
- Our Suppliers
- Our Communities



4.8-star Trustpilot rating – as voted by customers

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* The Sustainability Report forms part of the Strategic Report.

Chair's Statement



Marnie Millard OBE

Independent Non-Executive Chair

It's my pleasure to write to you in what is our second year as a public listed company. Following a successful first year, it has been pleasing to see the rapid developments across the business in such a short space of time, and particularly in light of what has been a very challenging trading environment for retailers across the UK in FY23.

As I commented last year, it was the strength of the business model which attracted me to Marks Electrical and again, this enduring strength has enabled us to drive profitable growth in a market which has been very difficult both across Major Domestic Appliances ("MDA") and Consumer Electronics.

As we ventured into our second year, the business momentum accelerated by COVID-19 has continued, and the Board has also developed which has enabled us to hold strategic conversations at the right time, and in a manner which provides the right level of governance and leadership, whilst not diverting from the entrepreneurial roots and agility of pace upon which the business was founded.

Our purpose

Our purpose is simple and clear: to be the electrical retailer that delivers.

We do this by operating with a customer mindset and delivering a market-leading delivery and installation experience. But we don't stop there; our purpose also embodies the need to deliver for all stakeholders, including our employees, shareholders, suppliers and local communities.

“ From our single central site, we serve customers up and down the country daily, keeping our Leicester heritage at the centre of our simple but highly effective operating model.”

By keeping our business model uncomplicated, we believe we can deliver market-leading revenue growth and profitability, with strong cash conversion and unparalleled customer service standards.

Financial performance

Our objective at the start of the year was to grow our brand awareness and increase our market share, regardless of the overall market performance. I'm proud of what the team has delivered in a demanding backdrop where we have seen the market for online MDA and online Consumer Electronics decline by 5.7% and 6.5%¹ respectively.

Despite this, we grew market share from 2.0% to 2.5%¹ in MDA and achieved 21.5% revenue growth with an adjusted EBITDA margin of 7.7% and a statutory operating profit of £5.9m. This was despite external headwinds associated with the cost of living crisis, including rising fuel costs, competitive wage inflation, temporary national insurance rises, and increased energy costs.

We've also returned cash to shareholders with a maiden dividend, invested in vehicles and equipment, developed a new team in order to provide an installation offer, and finished the year in a healthy net cash position.

Our people and culture

As I've had the opportunity to meet and connect with more of our colleagues at Marks Electrical during FY23, it's been a pleasure to get to know more about the way in which we keep customers at the heart of all our decision making and how we provide the most seamless customer experience from start to finish. Whether it's our website layout, ordering process, warehouse picking, delivery, or customer service resolution, our team are set up and determined to deliver right first time in a highly competitive landscape.



Marks Electrical's fleet of vehicles promotes our brand right across the country.

From our single central site, we serve customers up and down the country daily, keeping our Leicester heritage at the centre of our simple but highly effective operating model.

Sustainability

Our focus on sustainability has continued in FY23; we've retained our commitment to carbon-neutral operations by offsetting all our scope 1 and 2 carbon emissions. We've recycled significant amounts of used appliances and packaging to ensure the careful and productive disposal of waste for customers, and we have continued to play a leading role in the community by supporting multiple community sports activities.

Whilst our sustainability strategy is in its infancy, we continue to do the right thing sustainably and look forward to building on our activities as we progress and grow as a larger organisation.

Governance and the Board

To ensure the successful delivery of long-term shareholder value creation, we are committed to high standards of corporate governance. The Board supports and oversees the execution of our Group strategy and pays close attention to business performance and stakeholder engagement.

Through frequent Board meetings and bi-monthly site visits, my fellow Board members and I have the opportunity to support and challenge management decision making, through constructive dialogue, whilst also being able to understand how we continue to develop on the success of the last 36 years of entrepreneurial and agile decision making.

Looking ahead

As we have gone from strength to strength in FY23, developing further services for customers, growing our geographic reach and maintaining our market-leading customer proposition, the focus for the Board and I continues to be on fostering a strong governance environment that allows us to grow rapidly but profitably, by gaining market share through the quality of customer service delivery.

As we continue to grow our brand awareness, I continue to believe that Marks Electrical will become a go-to destination for premium electrical appliances in the UK and being part of the journey alongside Mark, the Board, and my fellow colleagues is a privilege.

Marnie Millard OBE
Independent Non-Executive Chair

¹ Based on the Group's analysis of GfK Market Intelligence sales GB data.

CEO's Statement



Mark Smithson
Chief Executive Officer

Following our second year as a company admitted to trading on AIM, I am not only proud of the overall progress we have made, but even more proud of meeting the targets we set at IPO, to grow our market share profitably and deliver on our expectations for further growth across revenue, profit and cash.

We achieved this against a challenging market backdrop and with the online Major Domestic Appliances ("MDA") and Consumer Electronics ("CE") markets being down over 6% during the year.

Our focus on operational excellence, customer service, and improving brand awareness has enabled us to continue to gain share in a very competitive market, where our share has grown from 2.0% to 2.5%¹ of the overall MDA market and from 3.5% to 4.7% in the online segment.

Reflecting on the year and looking forward to the next, I am fortunate to work with such a talented, committed and focused team of colleagues across all our operations. Without their dedication and hard work we wouldn't have achieved what we have in the last 12 months and I look forward to continuing our journey together, as one team, in the years ahead.

“ I am fortunate to work with such a talented, committed and focused team of colleagues across all our operations.”

We continued our growth momentum throughout the year, experiencing positive results in every calendar month and achieving year-on-year revenue growth of 21.5% from £80.5m to £97.8m, building on the 44% growth delivered in FY22.

Our adjusted EBITDA was £7.5m at a 7.7% margin and a statutory operating profit of £5.9m, where we maintained our disciplined approach to cost control, despite multiple external cost headwinds such as wage inflation, national insurance, and fuel and energy cost increases.

We delivered a fully diluted statutory EPS of 4.91p and an adjusted EPS of 4.82p and are recommending a final dividend of 0.66p per share representing a payout ratio of 20% for the year, demonstrating the strength of our balance sheet.

Market share – a small share of a big opportunity

As a business we are predominantly focused on the MDA market and have also been expanding our footprint in the CE market, primarily in the television category.

During the year, the online market for both MDA and CE was challenging with an overall decline of over 10% in the online MDA market and over 3% in the online CE market. Despite the challenging market dynamics, we have outperformed and grown consistently throughout this period.

It's these statistics that are truly exciting; we have a very small share of an enormous market which has allowed us to be agile and flexible in navigating this challenging period and also provides us with confidence for the future, given the huge runway to grow profitably thanks to our highly efficient and scalable operating model.

¹ Based on the Group's analysis of GfK Market Intelligence sales GB data.



Our strategy for growth

Our approach is simple – we put the customer at the heart of everything we do and have four key elements to our strategy for growth:

Customer proposition	Brand awareness
Operational capacity	Financial performance

Customer proposition

Our operating model is unique across the MDA sector in that we consistently offer free next-day delivery for in-stock orders over £500, throughout our wide range of products, to over 90% of the UK population. Coupled with this, our newly launched installation service now also offers integrated, gas, electric and television installations to over 65% of the UK population on a next-day basis.

This truly unique proposition centres around the vertical integration of our delivery model, with our own fleet, employed drivers and installers, and our centralised single-site distribution centre, maximising efficiency and improving financial returns.

During the period we have made substantial progress in developing our customer proposition, including:

- Expanding our delivery areas to Cornwall, Glasgow, Edinburgh, and throughout all of Wales;
- Developing our range of SKUs across MDA and CE, whilst starting the development of our computing category;

- Adding more third-party finance offerings to provide new credit solutions and interest-free options for customers;
- Developing and launching our new integrated installation offering with our own employed team of Gas Safe installation engineers;
- Improving our customer service response time and options for interaction, including live chat; and
- Maintaining our industry-leading Trustpilot score of 4.8.

Our strong partnerships with a wide range of premium brands, combined with our focus on high-end products and services, enables us to deliver not only an exceptional customer offering, but also higher average order value, in turn supporting the superior margin profile of the business. We are committed to providing a market-leading customer service proposition that sets us apart from the competition and allows us to continue to gain profitable market share.

Brand awareness

When we listed in November 2021, we outlined how one of the keys to our success was to grow our brand awareness.

During the year we updated our brand awareness study which revealed that 15% of the population in England had heard of Marks Electrical². This was an increase of 8 percentage points against the study we carried out at the end of the previous financial year, demonstrating the achievements we have made in broadening our awareness, but also showing the significant opportunity for growth, as more people across the UK come into contact with our brand for the first time.

² Source: Marks Electrical brand awareness surveys conducted by YouGov.

CEO's Statement continued



We believe this combination of profitable growth, high return on capital and dividend income provides an attractive proposition for total shareholder returns”

– Mark Smithson, CEO

Our focused brand-building activities across digital, television, out-of-home and social media channels helped us improve awareness, and this, coupled with our expanded delivery areas and newly formed installation offering, will continue to enable us to grow the prominence of Marks Electrical across the UK.

To give further prominence to our brand, we took the decision during the year to revamp our fleet with new, bright and fresh livery, giving our delivery vehicles the true Marks Electrical look. These eye-catching vehicles are now out on the road and representing our brand across the country on a daily basis.

During the year, we also launched MRK1, our company mascot, whose mission in life is to seek out great electrical deals for customers! We've used this creative across multiple media channels and will continue to grow MRK1's prominence in the years ahead as we develop our position as the UK's leading premium electrical retailer.

Operational capacity

We made further improvements to our distribution centre to add additional mezzanine flooring and racking, and raise ceiling heights, allowing for a higher level of capacity. In addition, we have improved inventory days allowing us to make better use of our existing space as we increase throughput to achieve higher revenue levels.

We have moved our operational warehouse teams to a four on / four off shift pattern, allowing us to operate 24/7 and align the shift patterns with our delivery and installation teams. Alongside this we have continued to add roles in our Customer Services, Sales and administrative teams and develop our training plans across the business.

As part of our improvements across our operational capacity, we have developed our own in-house installation team by recruiting experienced installation engineers, allowing us to bring in-house integrated, gas and electrical appliance installation services that were historically outsourced. This service offering is now growing rapidly and we are excited about the speed of development we are seeing in this area of the business, which further differentiates us from the competition.

We've expanded our delivery fleet during the year from 45 to 50 vehicles and introduced a new installation vehicle model based on the Mercedes LWB Sprinter platform. Investing across our business in people, processes and equipment will ensure that we retain talent and provide them with the best tools to give customers an excellent service.



Financial performance

The strong competitive activity we saw in pricing and marketing during the first half eased in the second half, allowing us to improve gross margin and this, combined with our disciplined approach to cost control, allowed us to achieve an adjusted EBITDA of £7.5m with a margin of 7.7% and a statutory operating profit of £5.9m.

Whilst this was a lower margin than in the prior year, we maintained our focus on cost control to mitigate the impact of external cost headwinds such as wage inflation, temporary national insurance, and fuel and energy cost increases.

We made continued progress on working capital management, reducing inventory days from 90 to 74 and improving terms with suppliers, allowing us to deliver an operational cash conversion of 118%, demonstrating the highly cash-generative nature of our earnings model. We were also able to finish the year with a net cash position of £10.0m and a return on capital employed of 41%.

This strong cash performance means we can reinvest in the growth of the business whilst remaining debt free, and simultaneously provide returns for shareholders through dividends. We were proud to meet our IPO commitments and pay our maiden dividend in August 2022, declare our first interim dividend for FY23 in December 2022, and are recommending a final dividend of 0.66p per share representing a payout ratio of 20% for FY23, payable in August 2023.

We believe this combination of profitable growth, high return on capital, and dividend income provides a compelling proposition to drive attractive long-term shareholder returns.

Outlook – focused on delivering profitable market share growth

We believe that our current share of the UK MDA market of 2.5% and online share of 4.7%¹, with an even smaller share in consumer electronics, continues to provide significant scope and opportunity for growth, regardless of the economic backdrop. Our market-leading customer service and free next-day delivery for orders over £500, combined with in-house installation expertise, provides a compelling and unique offering that sets us apart from the competition.

As momentum continues to develop and our brand awareness broadens, our focus on operational excellence and cash flow generation, combined with our strong net cash position, provides us with a robust platform to generate continued profitable market share growth and become the UK's leading premium electrical retailer.

Mark Smithson
Chief Executive Officer

¹ Based on the Group's analysis of GfK Market Intelligence sales GB data.

Financial Review

FINANCIAL HIGHLIGHTS

“Continued revenue growth builds confidence in the Group’s ability to deliver its strategy.”

– Josh Egan, CFO

£97.8m

Revenue

£7.5m

Adjusted EBITDA

£5.2m

Statutory profit after tax

4.91p

Statutory earnings per share

4.82p

Adjusted earnings per share

0.96p

Dividends per share

41%

Return on capital employed



CFO Josh Egan in the warehouse.

FY23 financial review

Following our second year as an AIM traded company, we continued our trajectory of profitable market share growth in a declining market, whilst also navigating the demanding backdrop of the UK cost of living crisis. We increased salaries and benefits throughout the workforce to reflect the higher cost of living, with an average pay rise during the year of 9.5%. This, compounded with higher fuel and energy costs, temporary national insurance rises and the reintroduction of business rates, has required a tight focus on cost control but despite all of this, we are pleased to have achieved a market-leading adjusted EBITDA margin for FY23.

Furthermore, we've also kept a tight control on working capital, improving inventory turn and credit with suppliers, and allocated capital carefully to improve our operational effectiveness. This cash-focused approach resulted in a closing net cash position of £10.0m and a return on capital employed of 41%.

	2023 £'000	2022 £'000	Change %/bps
Statutory			
Revenue	97,754	80,478	21.5%
Gross profit	18,962	15,895	19.3%
Gross profit margin	19.4%	19.8%	(40)bps
Operating profit	5,938	3,635	63.4%
Operating profit margin	6.1%	4.5%	160bps
Profit before tax	6,423	3,765	70.6%
Profit before tax margin	6.6%	4.7%	190bps
Profit after tax	5,157	3,288	56.8%
Profit after tax margin	5.3%	4.1%	120bps
Non-Statutory			
Adjusted EBITDA ¹	7,549	7,247	4.2%
Adjusted EBITDA margin	7.7%	9.0%	(130)bps
Adjusted EBIT ¹	6,242	6,386	(2.3)%
Adjusted EBIT margin	6.4%	7.9%	(150)bps

The Group's statutory revenue for the year was £97.8m, up 21.5% from £80.5m in 2022. Gross profit for the year was £19.0m, up 19.3% from £15.9m in 2022, with a gross margin of 19.4%, down 40 bps from 2022. The key drivers of the fall in gross margin were increased fuel costs, distribution wages and interchange charges.

Statutory operating profit was up 63.4% from £3.6m in 2022 to £5.9m. The primary reason for the increase in operating profit was the exceptional costs incurred in the prior year in relation to the Company's IPO.

Statutory profit before tax is up 70.6% from £3.8m in 2022 to £6.4m, driven by the exceptional costs referenced above, as well as finance income received, and a higher gain on the Group's investment in Combined Independents (Holdings) Limited, the buying group of which the Company is a member.

¹ Adjusted EBITDA, Adjusted EBIT, operating cash conversion, return on capital employed and adjusted earnings per share are alternative performance measures, definitions of which are set out on page 114.

Revenue and gross margin

The Group has enjoyed another strong year with revenue growth of 21.5%, taking total revenue to £97.8m (2022: £80.5m), an impressive result considering the challenging market back-drop. This continued revenue growth builds confidence in the Group's ability to deliver its strategy and the strength of the business model.

Revenue growth was slightly slower in the first half of the year at 15.1%, followed by a strong second half at 27.0%. Economic uncertainty prevailed throughout the year, but with continued focus on out-of-home, online and other offline advertising, the Group saw strong improvements in website traffic and brand awareness, which drove particularly strong growth during peak trading (October to December).

Gross profit margin declined by 40bps against the previous financial year ("2022" or "FY22"), driven by increases in fuel costs, wage costs and interchange charges. The general market commentary on driver shortages continued in FY23, but despite the pressure in this competitive market, we have expanded our driver base by 30 and continue to successfully build this team to meet increasing demand.

During the year, we took the decision to bring gas and electrical installation services in-house, which was previously outsourced to third-party suppliers. The key driver behind this move was to gain full control of our outbound distribution network to ensure we provide the highest level of service in all aspects of our offering. Since launching, we have been able to offer significantly shorter wait times for installation jobs and we now employ over 30 gas and electrical engineers. We are experiencing ever-increasing demand for installation services and are excited about its potential.

	2023 £'000	2022 £'000	Change %/bps
Revenue	97,754	80,478	21.5%
Cost of sales	(78,792)	(64,583)	22.0%
Gross profit	18,962	15,895	19.3%
Gross margin	19.4%	19.8%	(40)bps

Advertising and marketing costs

The Group continued to invest in both online and offline advertising activity during the year, with total spend at 5.0% of revenue in 2023 (2022: 5.0%).

Online marketing spend has been focused on search engine optimisation, strategic pay-per-click Google and Bing activities, and use of affiliate programmes. We have improved online presence across our SKUs and have improved our search result rankings. In addition, we launched our social campaigns in a more fulsome way, by recruiting a new agency to assist us driving awareness on Facebook, TikTok and Instagram.

We began several out-of-home campaigns during the year to improve brand awareness, including "mega rears" on London buses, digital and poster adverts throughout the Transport for London network, motorway services, major airports, and train stations. The Group also ran several TV adverts during the year in pursuit of increasing aided recall.

Financial Review continued

The benefits of the investments being made are coming to fruition, with the Group's brand awareness increasing from 7% in FY22 to 15% in FY23². We believe this increased brand awareness has driven sales during the year, particularly during peak trading.

	2023 £'000	2022 £'000	Change %/bps
Revenue	97,754	80,478	21.5%
Advertising costs	(4,906)	(4,004)	22.5%
Advertising costs as % of revenue	5.0%	5.0%	0bps

Other operating expenses

Other operating expenses were 6.7% of revenue during FY23 versus 5.8% during FY22. The increase was anticipated and driven by multiple factors, being a full year of plc-related costs, which are unlikely to increase significantly moving forwards; the Government's retraction of COVID-19 business rate relief, which will now be largely flat other than inflationary increases; and investment in operational and buying teams, ensuring the Group continues to deliver exceptional service, whilst supporting the growth of the business.

As a business, our focus on minimising other operating expenses is key to us driving operating leverage in the future as the business scales.

	2023 £'000	2022 £'000	Change %/bps
Revenue	97,754	80,478	21.5%
Other operating expenses (excluding depreciation)	(6,507)	(4,644)	40.1%
Other operating expenses as % of revenue	6.7%	5.8%	(90)bps

Adjusted earnings before interest, tax, depreciation and amortisation ("adjusted EBITDA")

The Group achieved adjusted EBITDA in the year of £7.5m, £0.3m ahead of FY22. Margin decreased by 130bps to 7.7% from FY22 due to the following aforementioned points:

- 40bps in gross margin, following an increase in fuel costs, driver wages and interchange cost.
- 90bps as a result of a full year of plc costs, removal of business rate relief and investment in operational and buying teams.

² Source: Marks Electrical brand awareness surveys conducted by YouGov.

	2023 £'000	2022 £'000	Change %/bps
Statutory profit after tax	5,157	3,288	56.8%
Add back:			
Exceptional items	–	2,125	–
Underlying profit after tax	5,157	5,413	(4.7)%
Add back:			
Underlying tax charge	1,266	1,028	23.2%
Underlying profit before tax	6,423	6,441	(0.3)%
Add back:			
Finance costs	67	65	3.1%
Finance income	(71)	–	–
Share-based payments net of tax	304	75	305.3%
Fair value gains net of tax	(481)	(195)	146.7%
Adjusted EBIT	6,242	6,386	(2.3)%
Depreciation and amortisation	1,307	861	51.8%
Adjusted EBITDA	7,549	7,247	4.2%
Adjusted EBITDA margin	7.7%	9.0%	(130)bps

Statutory profit after tax

During the year statutory profit after tax was £5.2m, up £1.9m versus FY22 at £3.3m. This increase is primarily due to exceptional costs incurred in the prior year.

Share-based payments

The Group issued new awards under its long-term incentive plan during the year to senior and junior management. This, combined with the market value options and free shares awarded in FY22 resulted in a P&L charge of £0.3m (2022: £0.1m). This charge and related professional fees are removed from adjusted financial performance measures.

Depreciation and amortisation

Depreciation and amortisation increased by £0.4m to £1.3m during the year (2022: £0.9m), primarily due to the addition of 13 new vans, a full year of right-of-use lease depreciation, as well as investment in mezzanine flooring in the warehouse and general site improvements.

Taxation

The tax charge for FY23 is £1.3m with an effective tax rate of 19.7%, 0.7% higher than the statutory corporation tax rate. The difference is driven by a deferred tax charge, which was higher than usual in the year due to the Group utilising the 130% super deduction on capital additions, in combination with the increase in future headline corporation tax to 25.0%.

The current tax liability held on balance sheet at the year end is £0.3m (2022: £0.1m) with a deferred tax liability of £0.8m (2022: £0.5m).

Earnings per share

Basic earnings per share ("EPS"), which is calculated for both the current and comparative year based upon the weighted average number of shares in the year, is 4.91p per share (2022: 3.22p per share).

Adjusted EPS is 4.82p per share (2022: 5.01p per share), the key driver for the reduction during the year being an increase in the effective tax rate, moving from 6.0% to 19.7%. The table below shows the reconciliation between statutory and adjusted earnings per share. See Note 3 to the financial statements for further details.

	2023 £'000	2022 £'000	Change %
Profit for the financial year	5,157	3,288	56.8%
Add back:			
Exceptional items	–	2,676	–
Tax effect of exceptional items	–	(551)	–
Underlying profit for the year	5,157	5,413	(4.7)%
Charges relating to share-based payments net of tax	271	–	–
Fair value gains net of tax	(361)	(158)	128.5%
Adjusted profit for earnings per share	5,067	5,255	(3.6)%
Fully diluted number of ordinary shares	105,034	104,949	0.1%
Adjusted earnings per share	4.82	5.01	(3.8)%

Cash flow and statement of financial position

During the year the Group achieved an adjusted cash flow from operating activities of £9.9m (2022: £9.3m) with an adjusted operating cash flow for conversion of £8.9m (2022: £8.6m) at 118% (2022: 119%) and free cash flow of £7.1m (2022: £5.7m), resulting in a closing net cash position of £10.0m (2022: £3.9m).

The Group invested £0.5m in a new mezzanine floor in the distribution centre, along with general site improvements and other equipment. These additions improve the longevity of the current site by improving existing and future revenue capacity.

Investments were made into the fleet during the year, with the addition of 13 new vans, plus the re-branding of the existing fleet to showcase the Marks Electrical blue and improve brand awareness. The addition of the new vans and modernisation of the fleet totalled £0.5m.

The Group achieved working capital improvements of £2.3m during the year through improved credit terms with key suppliers leading to a £3.5m cash inflow, plus improved inventory days allowing inventory to remain broadly flat whilst delivering higher revenue. This was offset by an increase in receivables £1.3m, predominantly driven by increased manufacturer rebates due to higher revenue levels.

The Group finished the year in a net cash position of £10.0m (2022: £3.9m) with no debt or long-term lending facilities outside of its finance leases.

	2023 £'000	2022 £'000	Change %/bps
Underlying profit before tax	6,423	6,441	(0.3)%
Add back:			
Finance costs	67	65	3.1%
Finance income	(71)	–	–
Profit on disposal of fixed assets	(41)	(17)	141.2%
Depreciation and amortisation	1,347	878	53.4%
Revaluation of Investments	(481)	(195)	146.7%
LTIP costs	304	75	305.3%
Release of provision	–	(155)	–
Decrease/(increase) in inventories	189	(2,957)	(106.4)%
(Increase)/decrease in receivables	(1,345)	212	(734.4)%
Increase in payables	3,461	4,926	29.7%
Adjusted cash flow from operating activities	9,853	9,273	6.3%
Less:			
Outflows for lease payments	(967)	(657)	47.2%
Operating cash flow for conversion	8,886	8,616	3.1%
Operating cash conversion	118%	119%	(100)bps
Investing activities	(918)	(774)	18.6%
Tax paid	(784)	(2,042)	(61.6)%
Interest paid	(67)	(54)	24.1%
Underlying free cash flow	7,117	5,746	23.9%

Events after the reporting period

There have been no material events to report after the end of the reporting period.

Current trading and outlook

The positive trading momentum delivered in FY23 has continued into the new financial year, with growth of over 30% in April and May. Our disciplined approach to margin management, capital allocation and cash conversion provides the Group with solid foundations to deliver on our financial targets and strategic objectives in the year ahead, as we benefit from our enhanced scale, growing market share and operating leverage.

Dividend

We delivered an adjusted EPS of 4.82p during the year and are recommending a final dividend of 0.66p per share, representing a full year payout ratio of 20%. For further information on dividends, see Note 11 to the financial statements.



Josh Egan
Chief Financial Officer

Key Performance Indicators (KPIs)

We measure performance through a defined set of financial and operational KPIs.

Financial

1. Revenue

£97.8m

2023 £98m

2022 £80m

2021 £56m

Result

The Group has enjoyed another record year for revenue, delivering growth of 21.5% to £97.8m. Revenue is generated through the Group's website and telesales team, split 75% and 25% respectively.

Definition

The Group generates revenue through the sale of major domestic appliances and consumer electronics direct to consumers and to trade customers in the UK. Revenue is recognised on delivery to the customer.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- Climate change
- Cost of living crisis
- Laws and regulations

2. Adjusted EBITDA²

£7.5m

2023 £7.5m

2022 £7.2m

2021 £7.7m

Result

The Group has delivered an adjusted EBITDA of £7.5m at 7.7% margin, up £0.3m YoY.

Margin has fallen YoY primarily due to gross margin pressures, a full year of plc-related costs, the removal of COVID-19 business rate relief and inflationary increases such as fuel.

Definition

Adjusted EBITDA is a non-statutory measure defined as earnings before interest, tax, depreciation, and amortisation and adjusted for exceptional items, share-based payment charges and revaluation of investments.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- Climate change
- People-related risks
- Cost of living crisis
- Laws and regulations

1. Relevant risks are disclosed on pages 28 to 31.

2. Adjusted EBITDA, adjusted EPS, operating cash conversion and ROCE are alternative performance measures, definitions of which are set out on page 114.

3. Adjusted earnings per share

4.82p

2023	4.82p
2022	5.01p
2021	5.05p

Result

The Group has achieved an adjusted earnings per share of 4.82p. This is a marginal decrease YoY, mainly driven by an increase in the effective tax rate and increased depreciation.

Definition

Adjusted earnings per share is a non-statutory measure of profit after tax adjusted for exceptional items, share-based payment charges and revaluation of investments, over the total diluted number of ordinary shares in issue.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- Climate change
- People-related risks
- Cost of living crisis
- Laws and regulations

4. Operating cash conversion²

118%

2023	118%
2022	119%
2021	34%

Result

The Group has achieved an operating cash conversion of 118%. This has primarily been achieved through strong EBITDA performance, improved working capital efficiencies and disciplined capital allocation.

Definition

Operating cash conversion is defined as cash generated from operations less outflows for lease payments and exceptional items, divided by adjusted EBITDA.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- People-related risks
- Cost of living crisis
- Laws and regulations

5. Return on capital employed²

41%

2023	41%
2022	57%
2021	52%

Result

The Group has achieved a return on capital employed ("ROCE") of 41%, which represents a strong return on capital base for the retail sector, given the low level of capital employed in the business.

The key driver for the fall in ROCE YoY is the significant increase in cash holdings at the year end.

Definition

Return on capital employed is defined as adjusted EBIT divided by total assets less current liabilities.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- Climate change
- People-related risks
- Cost of living crisis
- Laws and regulations

Key Performance Indicators (KPIs) continued

Operational

1. Customer satisfaction: Trustpilot

4.8

2023	4.8
2022	4.8
2021	4.8

Result

The Group maintained an "Excellent" Trustpilot score of 4.8 during the year. Operational challenges were faced in the peak trading period when the score dropped to 4.7, but the team have worked hard to recover this back to 4.8.

Definition

Our star rating achieved on Trustpilot.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- People-related risks
- Laws and regulations

2. Returning customers

25%

2023	25%
2022	25%
2021	24%

Result

Returning customers remained flat during the year at 25%, demonstrating our continued focus on customer retention and market leading customer service.

Definition

Returning customers are defined as the percentage of customers in the last 12 months who have returned to Marks Electrical to complete a repeat purchase.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- People-related risks
- Laws and regulations

1. Relevant risks are disclosed on pages 28 to 31.
 2. Based on the Group's analysis of GfK Market Intelligence sales tracking GB data, Major Domestic Appliances. During the year GfK reclassified floorcare from Major Domestic Appliances to Small Domestic Appliances. As such the current year 2.5% is on the new definition and the prior year 1.6% has been restated and is now 2.0% and in 2021 from 1.2% to 1.5%.

3. MDA market share²

2.5%

2023	2.5%
2022	2.0%
2021	1.5%

Result

During the year the Group's share of the MDA market increased from 2.0% to 2.5%, reflecting our focus on brand awareness, product availability and excellent customer service.

Definition

Our share of the UK Major Domestic Appliances market, our primary sector.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- People-related risks
- Laws and regulations

4. Advertising as % of revenue

5.0%

2023	5.0%
2022	5.0%
2021	2.9%

Result

During the year the Group recorded advertising expenses at 5.0% (2022: 5.0%) of total revenue. This is a result of our investment in both our brand awareness and performance-based spend, in order to attract customers and grow revenue.

Definition

Total spend on advertising and marketing net of any marketing rebates received, as a percentage of total revenue.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Laws and regulations

5. Finance penetration

16.3%

2023	16.3%
2022	10.2%
2021	3.4%

Result

Finance penetration increased from 10.2% to 16.3% during the year. The wide selection of finance products the Group offers was utilised by customers during the cost of living crisis, enabling them to spread the cost of their purchases.

Definition

Percentage of revenue supported by third-party finance or buy-now-pay-later options.

Relevant risks¹

- Competitive pressures
- Supply chain disruption
- E-commerce platform disruption
- Business interruption
- Changing customer expectations
- Laws and regulations

Business Model

Centrally focused for greater strength

One central UK location is the key to our successful e-commerce business model

- Marks Electrical works out of one central location to minimise overheads, increase control of resources and maximise profits.
- One central site in Leicester, with its excellent motorway connections, enables the Group to offer next-day delivery of in-stock items to over 90% of the UK population.
- The Leicester HQ houses all management functions as well as one central warehouse which holds our entire inventory of electrical products.
- The Group operates its own vehicle fleet and employs its own highly-trained drivers and installers, whilst its on-site fuel depot and mechanics keep the wheels turning.
- The Marks Electrical website was designed and built by the Group's own team of developers to make online purchases easy for customers.
- Those same customers have access to a 7-day a week online and telephone customer service team to answer any technical questions and assist with enquiries.

Everything is centred on this simple and scalable model.



“ Here at Marks Electrical we're keen to avoid unnecessary complexities, which is why we work so hard to keep things simple and centralised.” – Mark Smithson, CEO

One single-minded e-commerce business model in action

Marks Electrical operates a vertically integrated business model that revolves around its central location in Leicester at the heart of England. The city of Leicester lies directly on the M1 motorway thereby providing excellent access to the UK road network.

The Group's streamlined distribution system focusses on one central warehouse to ensure next-day delivery to over 90% of the UK population. This single site is the Company's method of avoiding the high overheads and challenges incurred by the "hub and spoke" business models of its rivals.

Marks Electrical designed its own e-commerce website to make finding and buying the right electrical products easy for customers. For anyone who requires further advice, the Group operates a 7-day a week online, telephone and customer service team.

The Group sells a wide array of products – over 4,500 SKUs from 50+ manufacturers – with an emphasis on premium Major Domestic Appliances ("MDA") and Consumer Electronics ("CE"). Selling higher value, premium products enables the Group to maximise the value on delivery vans.

Marks Electrical manages its own warehousing operation and fleet of vehicles, whilst also employing its own skilled warehouse operatives, trained delivery drivers and qualified gas and electrical engineers. This gives Marks Electrical complete control over the entire distribution and delivery process.

Maximising operational capacity and efficiency under one roof

With all product inventories under one roof and an efficient operations team, Marks Electrical offers next-day delivery on in-stock items with no need for overnight trunking. This plays a key role in delivering a superior customer experience, giving the Group a keen competitive advantage over rivals.

The vehicle fleet is maintained by the Group's own on-site mechanics, which means minimum down time and maximum operational capacity. Marks Electrical employs over 150 delivery and installation drivers who are rigorously trained in the handling and basic installation of MDA and CE products.

Previously, Marks Electrical offered gas and electrical product installation through third-party providers. During the second half of 2022, the Group took the decision to bring its installation offering in-house. This move gave the Group complete control over the distribution process and provided significantly shorter wait times.

“The integrated structure of the Marks Electrical business model offers simple scalability. Strategic investment has therefore enabled us to grow the business rapidly and successfully.”

– Josh Egan, CFO



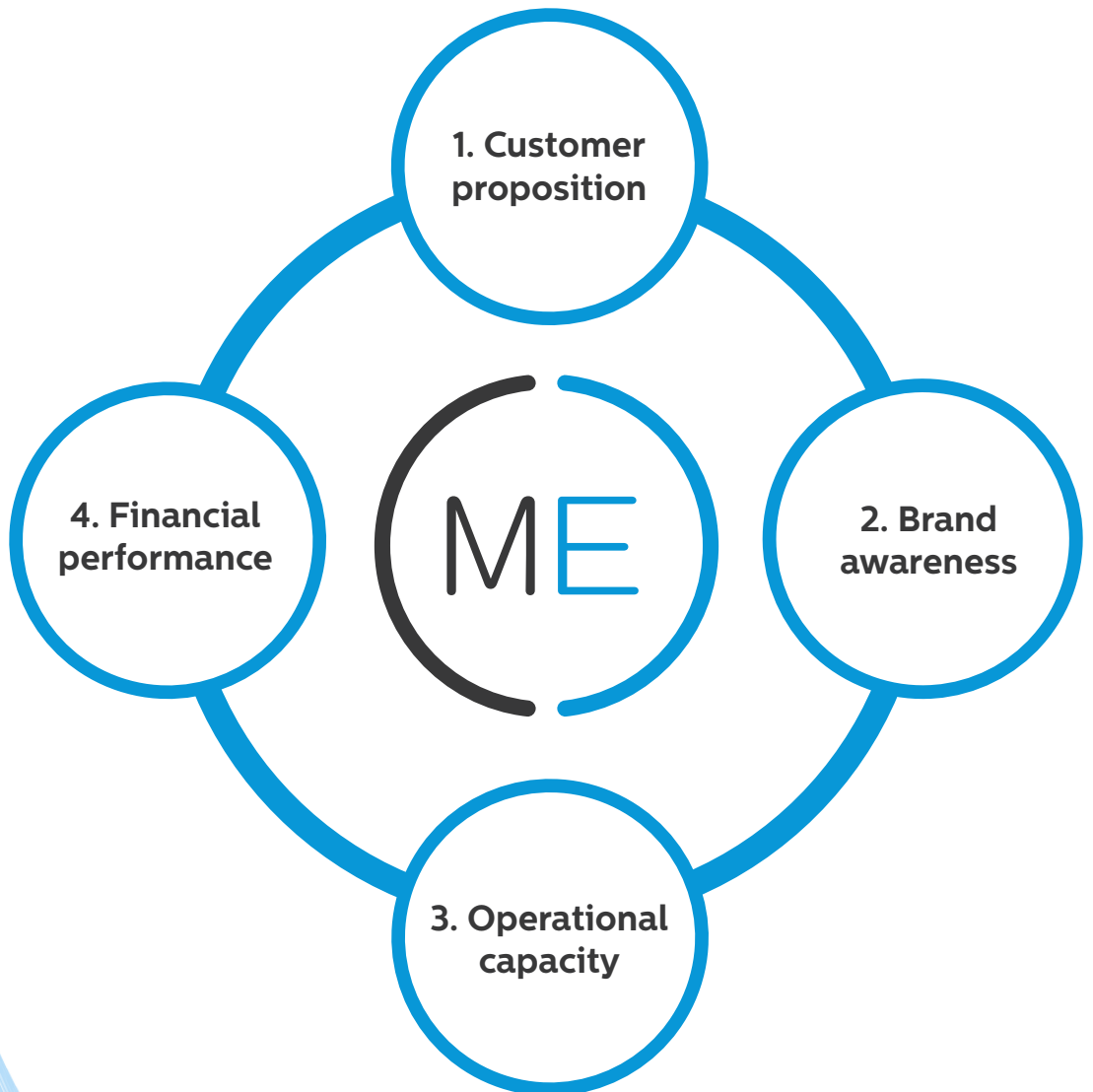
Business Strategy

How Marks Electrical is growing the business

The Group’s strategy for growth can be summarised using these four pillars of performance that are the focus of current and future activity.

Key business objectives

- ① Maintain and continue to develop a market-leading customer proposition.
- ② Continue to build brand awareness and drive sales.
- ③ Maximise operational capacity, whilst remaining efficient.
- ④ Deliver sustainable, profitable and cash generative growth.





1. Customer proposition

Exceptional customer service lies at the heart of the Group's customer proposition. Customers can access customer support seven days a week. All team members are employed directly by Marks Electrical and are given extensive training to ensure they have the relevant product knowledge to provide the appropriate assistance to customers.

There are two specialist teams: a sales team that primarily focusses on driving sales and assisting customers with product choices, and the customer service team that predominantly handles aftercare service.

Marks Electrical aims to be best-in-class when it comes to the customer experience and these teams play a key role in delivering that experience. Marks Electrical's superior customer experience is demonstrated by the Group's market-leading Trustpilot score of 4.8 which indicates customers' levels of satisfaction.

The Group offers the removal of old appliances, which are processed through an approved WEEE recycling plant, and can remove new product packaging, which is sorted and processed on site by the Group's own recycling plant, before being sold for repurposing. This provides an added level of convenience for the customer as well as supplying environmentally-friendly options for the disposal of waste.

A key differentiator of Marks Electrical is its ability to offer free next-day delivery for orders over £500. Marks Electrical's single site in Leicester is at the heart of England with excellent access to the M1. This central location enables the Group to offer next-day delivery to over 90% of UK consumers. All stock is located on-site, with each stage of the distribution process controlled by the Group, with minimum reliance on third parties.

During the year, Marks Electrical took the decision to employ and train its own team of gas and electrical installation engineers who are qualified to both deliver and install domestic electric and gas appliances across the UK. Although Marks Electrical has offered an installation service for many years, it was previously fulfilled by third parties. Bringing this service in-house enables the Group to improve its customer offering even further, creating a one-stop solution for the customer.

Having full control of the delivery and installation processes ensures customers receive highly efficient service levels, including a significant reduction in wait times for gas and electric installations. Marks Electrical's installation services are anticipated to grow in FY24 and we are excited about its potential.

Furthermore, during the year the Group added additional resource in customer services and introduced multiple technology enhancements to improve the customer experience. The introduction of enhanced tracking and response software now allows a more seamless and rapid interaction with customers when queries are received.

In addition, to improve the offering for customers, during the year Marks Electrical strengthened its credit payment options through its third-party providers, which have proved successful in the current economic climate. These options provide customers with more flexibility for their purchases, enabling them to spread the cost of high-value items over a period of up to 48 months, subject to relevant criteria.

The Group has continued to grow its customer marketing distribution list, with an increase of 45% during FY23. This growth offers further reach and a more attractive proposition for brand partners to promote their products to our customers through our weekly marketing emails. Emails are used to highlight the latest deals and offers from Marks Electrical as well as paid promotions from brands.



4.8-star Trustpilot rating – as voted by customers

Business Strategy continued



2. Brand awareness

During the year, Marks Electrical has been busy spreading the word and building brand awareness. The efforts deployed over the past 12 months have proved successful, with UK brand awareness growing from 7% in FY22 to 15% in FY23.

The Group spent 5.0% of revenue on marketing in FY23 and this is anticipated to remain at similar levels during FY24. Further investment has been made into "MRK1", the Marks Electrical mascot, who appears in TV ads, social media, website promotions and various out-of-home marketing campaigns.

Social media channels have been a particular focus during FY23. The Group has significantly grown its reach on various social media channels including Instagram, Facebook, Twitter, TikTok and LinkedIn.

A large-scale out-of-home marketing campaign was initiated during the year, with adverts being placed in and around central London and the wider travel network within the UK. This has included "mega rear" ads on London buses and trackside adverts on the London Underground, as well as digital adverts throughout the Transport for London network, motorway service stations, major airports and train stations.

London remains a key geographic location for Marks Electrical and the eye-catching out-of-home ads across the city, together with targeted TV ads, have extended brand recognition within the capital.

Another practical means of spreading awareness and getting the Marks Electrical name known to a wider audience is via the Group's fleet of delivery and installation vehicles. Over 80% of Marks Electrical delivery vehicles now feature the updated blue livery which carries the Marks Electrical message across the UK on a daily basis, further increasing brand reach.

As the business continues to grow, the absolute marketing budget will increase allowing for further advertising reach into key geographic locations across the country, and further enhancing sales growth through increased brand awareness.

“ Marks Electrical has been the UK's best kept secret in MDA and CE for too long and the rapid increase in brand awareness will unlock its potential for growth.”

– Mark Smithson



3. Operational capacity

Operational capacity is affected by numerous factors including people, shift patterns, warehouse size and layout, space optimisation, fleet size, fleet availability and routing capabilities.

Continuous improvements are being made to the Marks Electrical site to enhance operational capacity. During the year additional mezzanine flooring was installed in the warehouse adding 7,500 square feet of storage space whilst also improving accessibility to other mezzanine floors throughout the warehouse. Several modifications were made, such as widening doorways to enable the swifter manoeuvring of forklift trucks and products, whilst new racking units were installed to enable higher stacking of products and improved organisation.

Four on four off shift patterns were introduced to enable a true 24/7 operation, as well as increasing the number of warehouse operatives and van drivers to cope with growing customer demand. The fleet size grew from 45 vans to 50 vehicles, with some older vehicles being replaced, and capacity utilisation also being improved through higher delivery density and improved vehicle routing.

More warehouse changes are planned for FY24, further increasing storage capacity and the rate at which items can be picked and put away, including the introduction of Very Narrow Aisle forklifts.

There are currently 34 vans on order that will be delivered throughout FY24 to ensure the Group can service the height of demand during the peak season and to facilitate the further sales expansion expected. Marks Electrical runs and maintains its own fleet of delivery and installation vehicles, with in-house mechanics working to ensure that vehicles are kept on the road, thereby maximising operational capacity.

The Group expanded its buying team during the year, thereby permitting more frequent contact with suppliers and more in-depth buying based on an enhanced understanding of product features. Moving forward, this will ensure Marks Electrical continues to provide its customers with an excellent product offering by further extending the Group's range of SKUs and by maximising buying opportunities with brands.



4. Financial performance

The Group's objective is to continue to grow the brand and increase market share whilst remaining profitable and cash generative. Outside of the brand awareness activities, a key element of driving sales and achieving the desired financial performance is the Group's website. The clear design and simple-to-use site makes online shopping easy for the consumer, whilst delivering strong conversion rates for the business. The website is continually being improved, with usability updates as well as aesthetic enhancements. The Group uses the available space on the website for specific product and brand marketing.

The addition of our own installation team has significantly increased the customer uptake of installation services, further driving revenue, and with the increasing density of the delivery locations, future margin improvements can be realised through higher operational efficiency.

In line with providing a premium service, Marks Electrical is keen to promote premium electrical products to its consumers. By offering a wide array of the latest MDA and CE products and having over 70% of SKUs in-stock available for next-day delivery, the Group provides a truly superior premium product and service offering. Whilst premium products complement the market-leading service, they also enable the Group to maximise the value on the vehicle fleet each day, therefore enhancing profitability.

A tight focus on operational overheads is constantly maintained, ensuring operating leverage can be achieved as sales grow, leading to margin enhancements and mitigating unavoidable cost increases in other areas of the business, when they arise.

The Group achieved an adjusted EBITDA margin of 7.7% during FY23 with an operating cash conversion of 118%. Following this, we are wholly focused on maintaining our performance management discipline on revenue, profit and cash in order continue to demonstrate our differentiated financial proposition.



90%

of UK customers are within a four-hour travel radius of our Leicester HQ

Next-day delivery and installation

Our single and central site in Leicester puts us in the ideal position to make next-day deliveries to over 90% of UK customers with free delivery provided for orders over £500.

As well as delivery drivers, Marks Electrical employs and trains its own team of installers who use our branded vehicles to ensure both the rapid delivery of products and installation of appliances throughout the UK.

To keep the wheels turning, the Group operates its own vehicle maintenance facility plus an onsite fuel depot for the efficient operation of the Marks Electrical fleet.

Current plans include setting up a specialist academy at our Leicester headquarters to recruit and train yet more personnel as qualified gas and electric installation engineers.





Meet our people

Scott Freeman Installer

“ I began working for Marks Electrical as a delivery driver in 2021. I've always enjoyed driving and I love meeting new people, so travelling nationwide to deliver products was the ideal job for me.

Given the nature of the products we distribute, we are more than just delivery drivers and I take pride in delivering the services we offer to customers. I've now progressed within the company and joined our fast-growing gas and electrical installation team.

I believe that I still have capacity for progression within Marks Electrical and I look forward to what the future holds, as I've really enjoyed my time working with this company.

Market Review

Positive growth in challenging conditions

The cost of living crisis has created significant challenges for retailers making it harder to retain profit levels and maintain revenue growth. As a result, the MDA market as a whole has fallen by 5.7% and the CE market has fallen by 6.5% from FY22 to FY23. Despite this, the Group has achieved sales growth of 21.5% and increased market share from 2.0% to 2.5% in MDA and from 0.2% to 0.3% in CE.

This section explores the longer-term trends in the market and how the Group is responding to drive continued, sustainable growth in the business.

Making our mark in these major markets

The total current values of the UK markets for MDA and CE based on Marks Electrical estimates stand at approximately £4 billion¹ and £3 billion respectively. Marks Electrical has continued to increase its share in these two valuable markets as it has expanded its operations and broadened its brand awareness throughout the UK.

Total Addressable Markets (TAMs)

~£4bn

UK Major Domestic Appliances

~£3bn

UK Consumer Electronics

¹ Based on the Group's analysis of GfK Market Intelligence sales GB data.



Online shopping and competition

COVID-19 lockdowns brought a significant transformation in the online retail market, resulting in an unprecedented upturn in e-commerce market share. Although the market has reversed somewhat since bricks-and-mortar retailers reopened, the online market share remains significantly higher than pre COVID-19.

The change in consumer behaviour and the widespread use of smartphones and tablets for online shopping has intensified market competition.

The Group acknowledges the importance of providing the best customer experience to gain a competitive edge in this environment.

What Marks Electrical does

Pricing: In a fiercely competitive market where consumer loyalty is scarce, pricing plays a crucial role. To stay ahead, the Group operates a bespoke pricing tool, which our team of expert buyers uses to monitor prices throughout the day. The software is integrated with the retail website and can automatically adjust prices to ensure that the Group remains competitive.

Services: The Group provides options for customers to add on several services to their order, such as package unwrapping and recycling, collection and recycling of old products, extended warranties and installation services. These additional services make customers' lives easier and enhance the overall customer experience.

Online platform: The Group understands the importance of offering its customers an exceptional digital shopping experience, which is why the Group continuously improves its website and has invested in a redesign of its user interface during the year. In FY23, the Group dedicated considerable time to enhance the usability of its website.

Cost inflation

The current war in Ukraine has driven up oil and gas prices across Europe and affected the wider global economy. In turn, this has caused cost increases across various sectors and led to 10%+ inflation in the UK, a 40-year high. This market trend has impacted the business as well as its customers.

Inventory purchasing costs have increased during the year; consequently, this has led to higher prices for customers which can reduce their purchasing power.

The increase in demand for delivery drivers creates a competitive environment and the increases in National Living Wage all continue to cause labour cost inflation and challenges around labour availability. During the year we also saw a temporary increase in National Insurance costs.

Rising fuel and energy prices in the UK, coupled with other cost increases, impacted adjusted EBITDA margin during the year. Cost inflation can cause challenges in accurately budgeting and forecasting, which in turn can impact strategic decision making.

What Marks Electrical does

Manufacturer relationships: The Group maintains strong relationships with manufacturers and regularly monitors pricing. These relationships enable the Group to acquire stock at the best possible prices and retain a competitive edge. The Group monitors pricing daily to ensure it maximises its opportunity of acquiring consumer purchases.

Market analysis: The Group regularly monitors market trends and adjusts inventory holdings to meet consumer demands.

People: The Group offers competitive remuneration for drivers, ensuring retention and attraction of new talent in this area. Labour cost inflation has been a factor in the year but continuous benchmarking and the close management of costs has enabled the Group to control the impact.

Economies of scale: Although the Group's operating leverage has largely offset increased costs, other overheads have increased to 6.7% of revenue, marginally up YoY.

The Group recognises productivity is key to maintaining margin in a challenging environment and the lean nature of the cost base also offers increased agility to react quickly to changing environments.

Market Review continued



Sustainability and climate change

Climate change is a concern for individuals, corporations and governments. The industry in which the Group operates has a material role to play in reducing its carbon footprint and minimising its impact on the environment.

The Group recognises that consumers are more aware of the impacts of climate change and the importance of sustainability.

What Marks Electrical does

Business model: The Group believes its one-site, e-commerce model is less carbon intensive than a wider store footprint or hub-and-spoke delivery network, as fewer journeys are made in the supply chain and the trunking of stock between warehouses on heavy goods vehicles does not occur.

Recycling: The Group provides packaging recycling services to its customers and safe disposal of appliances, in line with WEEE regulations.

Carbon offsetting: Whilst a long-term objective is to be carbon net-zero, the Group continues to invest in carbon offsetting projects in the short term, to remain carbon-neutral.

Buy now, pay later (“BNPL”)

The introduction of BNPL has transformed the way consumers make purchases. It enables them to purchase items and pay for them gradually without any interest, providing payments are made on time, bringing more customers into an affordability window to purchase premium products.

In recent years, there has been a substantial increase in the use of BNPL, particularly for younger generations. Since these generations are expected to become the most prominent demographics in terms of purchasing power, it is anticipated that BNPL will continue to grow moving forwards.

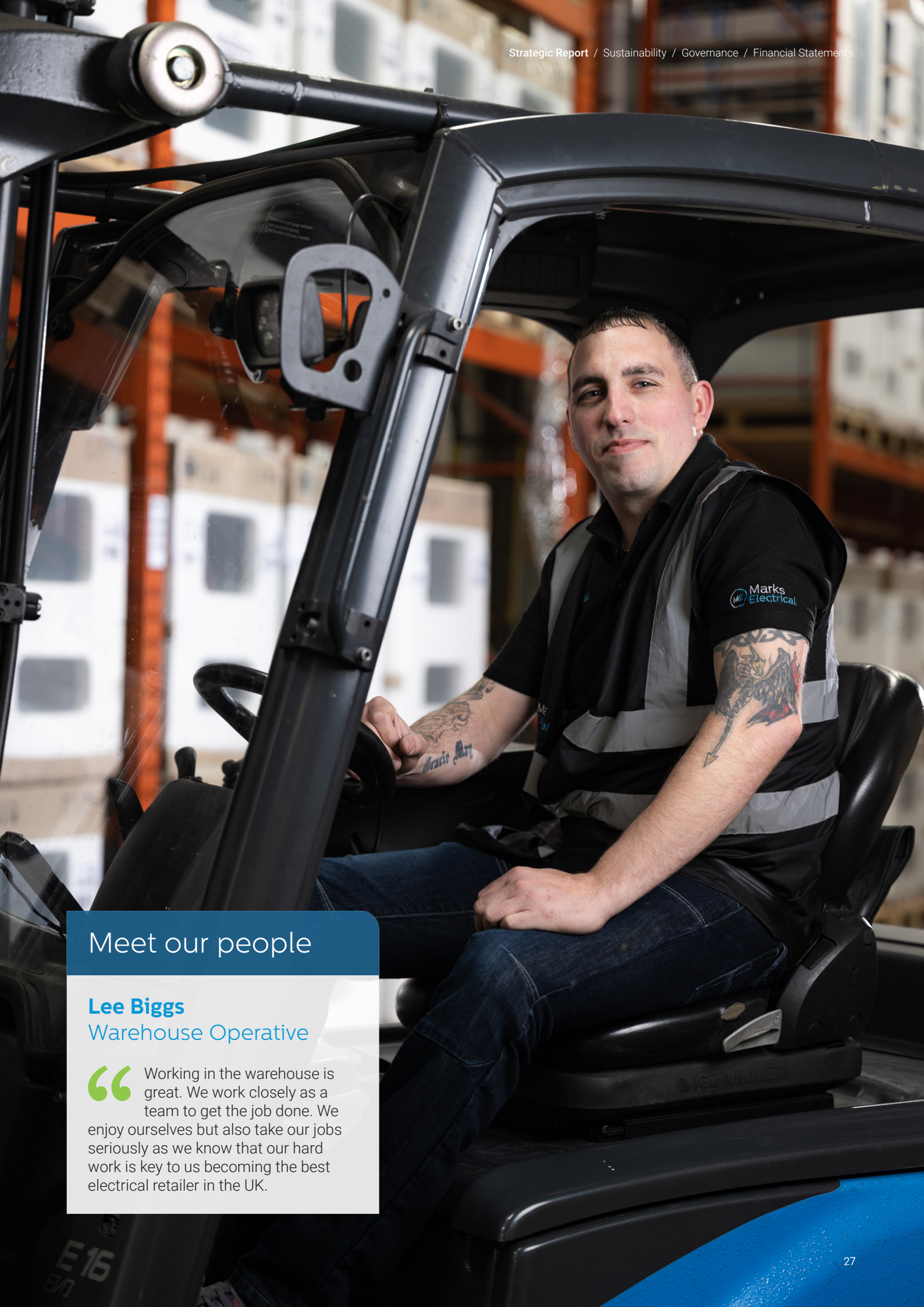
The Group anticipates that, as the cost of living rises, BNPL popularity will accelerate further, with more customers opting to divide their payments to aid affordability.

What Marks Electrical does

New offerings: The Group regularly monitors its BNPL offering as new options arise in the market and adapts its offerings frequently to meet market demands. Marks Electrical was the first nationwide MDA retailer to partner with Klarna in the UK, which demonstrates its belief in the future for BNPL.

Interest-free: During the financial year, various interest-free-credit campaigns were initiated, which were popular amongst consumers. This is a cost to the business but aids affordability for consumers, thereby giving them more confidence when it comes to making purchasing decisions.

Supplier relationships: The Group frequently collaborates with BNPL and finance providers to promote payment methods on the retail website. By supporting these new payment options, the Group can improve the customer proposition, drive sales and share mutual growth with its payment partners.



Meet our people

Lee Biggs
Warehouse Operative

“ Working in the warehouse is great. We work closely as a team to get the job done. We enjoy ourselves but also take our jobs seriously as we know that our hard work is key to us becoming the best electrical retailer in the UK.

Principal Risks and Uncertainties

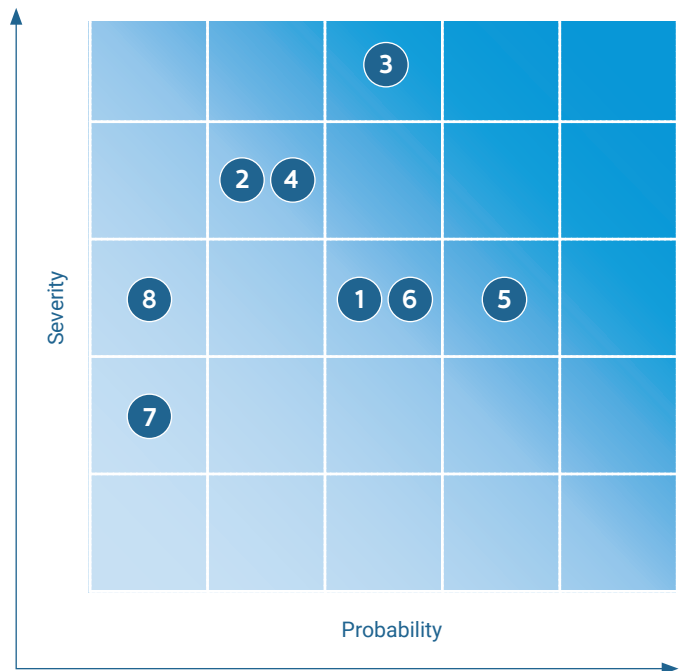
During the year, the Board undertook a detailed risk assessment to identify the threats faced by the Group and confirm what measures needed to be in place to mitigate those risks.

Principal risks and uncertainties that could affect the Group’s business model and future performance have been highlighted and discussed in the tables below, including the management and mitigation of the risks.

The risks are reassessed on an ongoing basis and the disclosures represent our current view of the potential threats, being a blend of severity and probability.

Degrees of Risk

- 1 Competitive pressures
- 2 Supply chain disruption
- 3 E-commerce platform disruption
- 4 Business interruption
- 5 Laws and regulations
- 6 People-related risks
- 7 Climate change
- 8 Cost of living crisis



Probability

Key: ■ Low ■ Medium ■ High

Risk

Mitigation

1

Competitive pressures

FY23 Risk rating: L M H

→ No change in risk level

Marks Electrical is continually focused on delivering contemporary, innovative products to UK-based customers, buying the right products at the right time and maintaining an understanding of customer preferences with a knowledge of the MDA and CE markets that has been built over the past 36 years. The Group faces strong competition from a range of retailers, including those which are also exploiting emerging technologies in the world of e-commerce.

The e-commerce market is continually changing. Following the rapid expansion in the online MDA and CE markets during the COVID-19 lockdowns, there has been a decline in those markets over the past 12 months. However, the market remains significantly up compared to pre-COVID-19 levels. There are many macro-economic factors which are having an impact on e-commerce, including the cost of living crisis, which has had a similar negative effect on bricks-and-mortar sales.

Failure to stay relevant in the face of competition, through a lack of online representation, lack of new products, or the wrong products may lead to reduced customer acquisition and lower sales.

Management keeps consumers' purchasing preferences under continual review and adjusts buying strategies appropriately. During the year the Group expanded its buying team, ensuring the ever-growing product range remains relevant and competitively priced as the business grows.

Brand awareness is key to unlocking the growth potential in Marks Electrical, which has managed to achieve accelerated growth in a declining market, with market share gains that provide protection from competitive pressures. Marketing spend has been focused on brand-building activities with our brand awareness moving from 7% to 15% during the year.

The Group is natively an e-commerce business which brings a natural competitive advantage over those traditional operators managing legacy real estate, whilst the single-site location ensures a lower cost base than those using hub-and-spoke models. These factors, along with an enhanced focus on under-served markets and new product lines, plus continued market-leading customer service and rapid installation options, mitigate the risks facing the Group in relation to competitive pressures.

2

Supply chain disruption

FY23 Risk rating: L M H

→ No change in risk level

Due to the wide range of brands and products that Marks Electrical sells, the risk of supply chain disruption for all products is low. However, the impact on the business could be acute. The business relies on over 50 brand partners as well as its buying group for the supply of products. If any key suppliers were to cease trading, have temporary shortages or cease supplying the Group following any form of dispute, there could be a material impact on the Group's revenue and profit.

The Group's growth and appointment of additional key personnel in supplier management is enhancing already strong relationships with our brand partners. The strength of these relationships allows quick resolution of any disputes that may arise and also puts the Group in a stronger position when bidding for limited stock. Suppliers recognise our growth and increasing sales volumes which promotes stronger business relations and a desire to forge even closer ties.

Following inventory shortages during COVID-19, product supply has returned to pre-pandemic levels.

The Group seeks to promote fair trading to protect long-lasting partnerships as opposed to driving hard bargains for short-term gain. The Group currently holds over 60 days' worth of inventory in the warehouse. This level of stock mitigates the risk of any short-term shortages. There is continual investment in new technology to improve the already market-leading delivery service and to maintain competitive advantage.

Principal Risks and Uncertainties

continued

Risk	Mitigation
<p>3 E-commerce platform disruption</p> <p>FY23 Risk rating: L M H</p> <p>The Group's website takes over 75% of all orders, with the remainder being taken over the phone and through the click and collect showroom. With such a high volume going through the online platform, there is significant reliance on third-party data centres and IT solutions, primarily Amazon Web Services ("AWS").</p> <p>Loss of platform availability or integrity would result in a short-term impact on commercial performance, including potential loss of customer confidence in the business. This loss of customer goodwill and revenue could have longer-term consequences for customer confidence in the Marks Electrical brand, especially during this growth phase of the business life cycle.</p> <p>Given the business is so reliant on its web platform, the threat of a cyber-attack is prominent. The Group finds itself operating in an ever-increasing and sophisticated cyber threat landscape, where ransomware, data breaches and targeted advanced cyber-attacks are becoming more commonplace.</p>	<p>→ No change in risk level</p> <p>As the platform is hosted on AWS, a considerable reliance is placed on its web application firewall ("WAF") Shield. The WAF Shield is a firewall that can protect from multiple types of attack and provides various options for whitelisting. AWS also operates various data centres all over the world to prevent loss of data should one centre be compromised. AWS data centres and WAF Shield are considered best-in-class and carry the latest protection from cyber- and data-related threats.</p> <p>There has been significant progress within the Group during the year with controls frameworks as well as internal control processes being substantially improved. These improvements, and focus on controls testing, act as preventative measures from both known and unknown threats.</p> <p>Along with additional controls, investments have been made in hardware and software, including upgrades to internal servers and cloud-based solutions. Cyber risk appears regularly on the Board and Audit and Risk Committee agendas and management reviews the performance of IT infrastructure on a continual basis.</p>
<p>4 Business interruption</p> <p>FY23 Risk rating: L M H</p> <p>A disastrous event occurring at Marks Electrical's sole distribution centre may affect the ongoing performance of operations and negatively impact the Group's finances and customers. At a macro level the risk of business interruption has increased with the impact of the COVID-19 pandemic. However, the Group has successfully continued to trade and thrive through the pandemic, with limited impact to its operations.</p> <p>The Group currently operates using a legacy Enterprise Resource Planning ("ERP") system that has limitations in capability for a business that is growing rapidly. There is a risk that the Group's growth could be hampered by back-end systems unable to meet front-end sales demand.</p>	<p>→ No change in risk level</p> <p>The Group works closely with its insurance brokers to ensure that its policies in place are up to date and provide adequate cover to mitigate the risk of loss of inventory and associated gross profit through any trading down time.</p> <p>Management is currently planning the implementation of a new ERP system to ensure the Group's growth can be sustained. The ERP is maintained by the in-house team of developers and is backed up several times daily, making the chances of failure low.</p> <p>There are no data limitations or indications the system may fail imminently nor in the foreseeable future. However, replacing the system will enable better controls, enhanced reporting, better accessibility, slicker operational practices, as well as removing the threat of transactional overload.</p> <p>A comprehensive disaster recovery and business continuity plan ensures that measures have been put in place to mitigate the impact of a disastrous event hampering business performance, should the business suffer such an event.</p>
<p>5 Laws and regulations</p> <p>FY23 Risk rating: L M H</p> <p>Given the speed and growth of employee numbers and operating activities, there is a heightened risk of not ensuring compliance across all areas of the business including but not limited to: health and safety, environmental law, road transport law, employment law, tax law and accounting legislation. Whilst the Group works with external advisers and in-house specialists across these areas and has implemented policies, processes and controls to mitigate the chance of non-compliance, there is still a heightened risk of not maintaining compliance in a rapidly-evolving business landscape.</p>	<p>↗ Increase in risk level</p> <p>The Group works closely with advisers and specialists to ensure that its policies, processes and controls are up to date to mitigate the risk of potential non-compliance, has a retained health and safety adviser, outsources payroll for additional expertise, and has a retained tax adviser. Specifically, during the year the Group has involved legal advisers to provide guidance on road transport and employment laws which the Group has used to refine policies and communications to drivers.</p>

Risk	Mitigation
<p>6 People-related risks FY23 Risk rating: L M H</p> <p>As the business develops it is reliant on key individuals throughout its operation, either at Executive level or in relation to specialist skills or volume of roles required. During this growth phase of the business, recruitment and retention of talent will be essential to enable the overall strategy. Loss of key individuals or failure to procure the required talent would likely lead to shortcomings in growth plans.</p>	<p>→ No change in risk level</p> <p>During the year considerable effort has gone into improving the HR operating model, with various new policies being implemented alongside a new code of conduct and robust processes for talent management and succession planning.</p> <p>An area of key reliance was on the CEO Mark Smithson, who held all supplier relationships and looked after all procurement activities. An experienced buying team now report into Mark who remains responsible for daily supplier management and purchasing. Each member of this buying team is experienced in the product categories they take care of and already hold strong relationships with their respective brands.</p> <p>Employment packages and benefits have been reviewed and continue to be improved. The Group aims to make the business a great place to work for all colleagues, enhancing the ability to attract and retain the right talent. Developing our employer brand will significantly support candidate attraction and colleague retention.</p>
<p>7 Climate change FY23 Risk rating: L M H</p> <p>The impacts of climate change on the Group are still in their infancy, with limited effects on the current operations. The phasing out of petrol and diesel vehicles could affect the current operating model given the heavy reliance on a diesel fleet. As clean air zones grow in size and quantity, there is a risk that minimum emission standards may become more stringent, leading to diesel vehicles no longer being able to travel into those areas. With the lack of development in alternative-fuelled freight vehicles, our ability to deliver to clean air zones could be affected.</p>	<p>→ No change in risk level</p> <p>The Group's fleet is continually renewed and updated to ensure the vehicles have the latest technology and therefore meet the required emission standards (currently Euro 6). The majority of the fleet are on 36-month hire purchase agreements with staggered end dates. This gives flexibility to react and change portions of the fleet in relatively short timeframes to respond to updated regulations. Management considers the risk of fossil-fuelled vehicles being ousted, before acceptable alternatives are available, to be low. However, the Group remains poised should regulations change.</p> <p>In addition, the Group is in regular contact with its vehicle supplier and is ready to trial alternative-fuelled vehicles as soon as they have the carrying capacity and distance capability that is required for our typical delivery routes.</p>
<p>8 Cost of living crisis FY23 Risk rating: L M H</p> <p>Customers The current economic downturn in the UK is causing a cost of living crisis that is affecting the level of disposable income for households across the nation. There is a risk that with less disposable income consumers may be unable or unwilling to purchase high-value items such as MDA and CE products, leading to a reduction in sales for the Group, thereby hampering growth.</p> <p>People As with customers, the cost of living crisis impacts the Group's employees and their ability to maintain accustomed living standards. This poses financial and people risks to the Group. There is a risk that people may start to leave the business in an attempt to earn more money elsewhere, causing flight risk and potentially losing key roles and responsibilities. There is a risk that to maintain remuneration in line with the increases in cost of living, the Group may experience rapid wage inflation, impacting profitability.</p>	<p>→ No change in risk level</p> <p>Customers With many of our products being "distressed purchases" (i.e. essential household appliances such as ovens and fridges, etc), economic downturns do not have such a material impact as they have on other retail businesses where goods are more discretionary in nature, thereby giving Marks Electrical an element of protection from reduced consumer spending.</p> <p>During FY23 Marks Electrical proved its resilience, delivering a 21.5% increase in sales within an overall shrinking market. Currently, the Group still only has a brand awareness of 15% and market share of 2.5%. With the Group's continued investment in brand-building activities and the delivery of a superior customer offering, there remains scope and opportunity to grow the business significantly, even during challenging market conditions.</p> <p>People Following the recent cost of living increase, the Group has reviewed all salaries and wages on a departmental basis, where the majority of employees were awarded a pay rise, with a few exceptions where new pay levels and structures had recently been implemented. The average pay lift during the year was 9.5%. The average pay lift effective from July 2022 was 3.6%. Pay levels have continued to be reviewed to ensure employees are remunerated appropriately for their duties, with adjustments being made on a continual basis. Given the Group's robust margin, it has the ability to absorb increases in wages costs without facing material financial impacts.</p>

Section 172 Statement

Engaging with our stakeholders

The Group relies on various resources and connections and acknowledges that engaging well with all stakeholders is crucial for achieving goals and strategic objectives in a sustainable manner. To do this, the Group needs to understand its stakeholders' viewpoints, establish and maintain positive relationships with them, and incorporate their opinions into management, Board, and Committee discussions and decision-making processes. The examples given illustrate the Group's adherence to the requirements outlined in Section 172 of the Companies Act 2006.

Section 172 statement

The Board confirms that it acted in a way that aimed to benefit the Group's shareholders whilst also considering the factors listed in section 172(1)(a) to (f) of the Companies Act 2006. During the reporting period, the Board made decisions based on good faith and judgment that were considered most likely to promote the Group's success.

Customers

The success of the Group depends heavily on its ability to comprehend customers. By doing so, the Group can enhance customer offerings and attract more sales, leading to greater profitability. Furthermore, this allows the Group to allocate resources towards developing new capabilities and seizing new opportunities.

Stakeholder Interests

- Premier customer service
- Competitive pricing
- Broad product range
- Data protection and compliance
- Environmental impacts

How Marks Electrical engages

- Commitment to exceptional customer service is reflected in the establishment of a specialised team of highly responsive representatives who leverage a range of digital communication channels, including AI-powered responses, to provide prompt assistance and resolution to simple queries. By streamlining the handling of routine enquiries, the customer service team is able to devote more attention and resources to addressing complex issues, allowing us to optimise operational efficiency and profitability without compromising on quality.
- Regular tracking and analysing of metrics and feedback related to customer satisfaction allows the Group to establish a continuous process of monitoring and improvement planning that ensures services consistently meet customer needs and expectations.
- To enhance the quality of services for B2B customers, the Group has established a dedicated account management program that provides personalised support and guidance throughout the entire customer journey.

People

Marks Electrical's success is greatly attributed to the business model, which creates an atmosphere that promotes a sense of belonging. This approach helps our teams to perform to the best of their abilities and consistently deliver to their peers, colleagues and customers.

Stakeholder Interests

- Culture
- Reward and benefits
- Career and development opportunities
- Well-being/health and safety

How Marks Electrical engages

- Commitment to talent management: the Group prioritises retaining current employees and promoting from within the organisation.
- Expanding HR team: the Group recognises the importance of the well-being of colleagues and addressing their queries and concerns. In line with the team's growth, the support network within HR has been expanded to better provide the necessary assistance.
- Comprehensive set of policies, procedures, and a code of conduct, which are outlined in the employee handbook.
- Developing the rewards and benefits package, including death in service benefits, private health insurance, and share options.
- Commitment to promoting diversity and fostering inclusion within Marks Electrical.
- Actively developing health and well-being initiatives to better support employees' physical and mental health.

Suppliers and partners

The Group places significant importance on relationships with suppliers and partners, recognising their critical role in overall performance. There is a strong belief that long-term, mutually supportive relationships with suppliers will lead to the most beneficial outcomes for both parties. The Group works closely with suppliers to ensure that shared standards and expectations of business conduct are met and upheld.

Stakeholder Interests

- Establishing enduring relationships that are mutually supportive and collaborative.
- Prospects for expansion and development.

How Marks Electrical engages

- Scheduled meetings with manufacturers to share perspectives on strategic planning and goal setting.
- Collaborative advertising initiatives involving suppliers and financial partners to promote shared growth.
- Expansion of the buying team to enable more regular and productive contact with suppliers.

Community

Over the years Marks Electrical has had a prominent presence within local communities. The Group considers the social and ecological consequences of its actions and is devoted to engaging in responsible retail practices.

Stakeholder Interests

- Enhancing community support and investment
- Positive health and safety record
- Sustainability initiatives and environmental performance

How Marks Electrical engages

- Growing support of local grassroots sports team, providing an important social outlet for children and young people, giving people a sense of belonging and pride in the community.
- Implementation of robust risk assessments and safe systems of work, enabling us to identify potential hazards and determine the necessary measures to mitigate those risks.
- Scheduled monthly site audits, helping us regularly assess and improve upon our Health and Safety processes.
- Encouraging and providing package recycling and WEEE disposal of old appliances to customers.
- Commitment to providing a carbon-neutral delivery service.

Shareholders

The Group's goal is to offer impartial, equitable, and easy-to-understand details to shareholders and analysts regarding strategy, business model, culture, performance, and governance.

Stakeholder Interests

- Financial performance
- Shareholders returns
- Accurate and timely operating and financial information
- Growth opportunities and strategic ambition
- Governance frameworks in place

How Marks Electrical engages

- Regular communication with shareholders through various channels, such as email updates, newsletters, timely financial results presentations and annual reports.
- Enhanced investor outreach through roadshows and meetings.
- Provision of clear and concise information on the Company's strategy, financial performance, and risk management practices.
- Attentiveness to enquiries and feedback, addressing shareholder concerns and suggestions promptly.
- Demonstration of good corporate governance practices and ethical behaviour, building trust and confidence with shareholders.

Section 172 Statement continued

Principal decisions taken in the year

	Decision	How the Board's engagement with stakeholders impacted the decision:
<p>Implementation of new Enterprise Resource Planning ("ERP") system</p>	<p>The Group currently operates using an ERP system that has limitations in capability for a business that is growing rapidly. There is a risk that the Group's growth could be hampered by back-end systems unable to meet front-end sales demand. For further information see Principal Risks and Uncertainties on page 30.</p> <p>The decision was taken in the year to move ahead with a new ERP implementation.</p>	<p>People</p> <p>The Board considered the impact on employees should the current system become unfit for purpose during this phase of growth. There will be an impact on employees during implementation, where resource and participation will be required to ensure the new system is designed appropriately. There will also be disruption to working practices during the changeover of systems. Efficiencies will be gained throughout the business with a new state-of-the-art ERP system. Better operational control and ease of use will be enabled for all users of the system.</p> <p>Customers</p> <p>Should the Group's growth be hampered by backend systems, the customer offering would be negatively impacted. The Board considered this impact and the potential longer-term impacts of customer retention that may come with a reduced customer offering.</p> <p>Shareholders</p> <p>The Board considered shareholders and the potential impacts of moving ahead with a new ERP system. Primarily, the key concern is business disruption and any impacts a restrictive system could have on the Group's ability to deliver sustainable returns for shareholders. The Board considered the significant cash outflows related to the implementation a new ERP and concluded, given high cash balances, it would not impact the Group's ability to pay dividends. With the implementation of a new ERP system the business will be future proofed for growth from a systems perspective and will enable more detailed reporting to shareholders.</p>

	Decision	How the Board's engagement with stakeholders impacted the decision:
Dividend policy	During the year, the Group considered amending the dividend policy to provide a greater return to shareholders given the strong cash generation of the Group. The decision taken was to maintain the dividend policy given the cash outflows linked to a new ERP system and future cash needs of the Group.	<p>Shareholders</p> <p>The Board considered the impact of providing a greater return to shareholders and the increased engagement and shareholder interest this may bring.</p>
Installation offering	During the year, the Group took the decision to employ its own team of gas and electrical installation engineers who are qualified to both deliver and install major electric and gas domestic appliances.	<p>Customers</p> <p>The impact of bringing this service in-house enabled the Group to further improve its customer offering, having full control of the process ensures customers receive the expected service levels, whilst significantly reducing wait times for gas and electric installations.</p> <p>Employees</p> <p>The Board considered the opportunities that were created by the addition of an installation team and also the recruitment challenges that came with it. Various opportunities were created within the workforce for current employees and new hires to become part of the installation team. Several drivers have become part of the installation team with training being provided and numerous administrative roles have been fulfilled by internal candidates to manage the installation process.</p>
Van wraps	During the year, the Group invested in rewrapping the fleet in the vibrant Marks Electrical blue. This decision was taken to increase brand awareness and aid in creating consistency across our branding and messaging.	<p>Customers</p> <p>The impact on customers was considered when deciding to invest in the wrapping of the fleet. The vans are an extension of the Group's marketing tools and having the colour schemes aligned with brand colours develops a greater degree of recognition with the customer base, whether this be from ordering on our website through to delivery or seeing a van on the road and making the link to the brand, creating these links leads to better customer engagement.</p> <p>Suppliers</p> <p>When developing the van wraps there was an opportunity to engage with suppliers and allow them to market their own products on our brands. This enhances supplier relationships, whilst building a connection between our brand and household brands.</p>

This strategic report, which includes the sustainability report on the following pages, was approved by the Board on 7 July 2023.

For and on behalf of the Board



Josh Egan
7 July 2023



Meet our people

Andy Swann Sales Manager

“ I've been working at Marks Electrical for over 19 years, starting in 2004 as part of the in-store sales team. I enjoyed the buzz of working with customers and my confidence built rapidly as I developed my knowledge and skills.

My long-time working relationship with founder Mark Smithson has been a major factor in my career and I've learnt many lessons along the way. Several years ago, I was given the opportunity to become the Sales Manager and I enjoy my job now as much as ever.

As I enter my 20th year of service, I'm looking forward to yet more success and being part of our extraordinary growth.

ME Marks
Electrical

SUSTAINABILITY REPORT

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Sustainability Report

Sustainability is at the very core of the Group's culture and values. Our focus on sustainability falls into four main areas:

1. Our People
2. Community
3. Health and Safety
4. Environmental Management

Our Ethos

- **Try your hardest:** Every day we strive to be better than yesterday. We are proud of our business and dedicated to its success.
- **Think like a customer:** Our team are fully committed to ensuring we listen to our customers, understand their requirements and meet their needs.
- **Move at pace:** As the business is constantly evolving, we must maintain a clear understanding of expectations and respond quickly and efficiently.
- **Be honest. Always:** We are trustworthy and honest in all that we say and do and take responsibility for our own actions.



1. Our People

Our people are the driving force behind strong business performance and financial success. Talent, hard work and dedication create a winning culture and generate valuable results.

Our employees are a critical component of the Group's success. We believe in the benefits of having a diverse range of competencies, expertise, and experience that can have a profound impact on the Company's performance.

Our people play a central role in defining the Company culture and its values, whilst their attitudes and behaviours can significantly influence the overall morale and motivation of the workforce. This, in turn, affects productivity, customer satisfaction and, ultimately, the financial outcomes of the business.

Employment policies

The Group's aim is to attract and retain the best talent whilst observing best practice in employment policies and procedures.

Encouraging diversity and inclusion

Marks Electrical is committed to promoting diversity, equality and inclusivity in the workplace. We believe that a diverse and inclusive work environment enhances our business and enriches the lives of our employees.

We are committed to treating all employees with respect and dignity and providing equal opportunities for all, regardless of age, race, gender, religion, sexual orientation, disability, or any other personal characteristic.



Oliver Smithson – Head of Purchasing and Stock Control

Training and development

Marks Electrical values the professional growth and development of our employees. We invest in our people by providing ongoing training and development opportunities that help them to achieve their full potential.

The Group believes in investing in employee well-being and professional development as these attributes can foster a positive workplace culture, increase employee engagement, and decrease turnover, which can lead to improved retention and long-term growth.

As part of our talent management and succession planning strategy, we look to develop our people and, where possible, encourage internal promotions. We offer equal opportunities for everyone by using progressive, consistent and fair selection methods.

The Group invests in external training courses and offers Class C HGV training and Certificate of Professional Competence qualifications to our transport team. For example, our Transport Manager has successfully completed a Driver Assessor course and Train the Trainer course, which will allow him to assess and train our new driver-installers. Meanwhile, our warehouse operators have received external forklift counterbalance training as well as on-the-job clamp truck training.

Pay and benefits

Marks Electrical prides itself on offering highly competitive salaries and a comprehensive benefits package to our employees, whilst conducting regular benchmarking exercises. These benefits include an attractive bonus structure, pension contributions and life insurance for all colleagues.

The Group believes strongly in common goals congruence and that the alignment of interests for all our colleagues will benefit the performance and financial success of Marks Electrical. At IPO in 2021, Marks Electrical awarded all its employees with 2,727 shares each. In the year, the Group has also granted share options to a number of employees as part of its managerial pay structure.

Marks Electrical believes that attracting and retaining top talent is essential to our success, and we are dedicated to ensuring that our team members are motivated and well-compensated for their hard work and contributions to the organisation.

Sustainability Report continued



2. Community

Community is at the heart of Marks Electrical. As a company that started from modest beginnings, Marks Electrical retains a strong emphasis on family values and local roots. We have a close-knit culture, where employees feel like they are part of a larger family and share a commitment to serving their communities.

The Group has a strong sense of purpose and mission that goes beyond just making a profit. We are motivated by a desire to serve our communities and make a positive impact. We sincerely believe that this can result in a more sustainable and socially responsible business model.

Marks Electrical has a keen interest in giving back to members of the local community in Leicestershire as they have been the driver behind the Group's success story since 1987, when the business was founded. This sense of belonging is demonstrated by our numerous community partnerships. During the year, we contributed at various levels to Leicestershire sporting communities, from professional clubs to local football teams.

Our most notable sponsorship is of Leicester City Football Club, where we are official community partners. We contribute funds directly towards the development and investment of sport within the local communities, whilst building strong partnerships with significant national sporting brands.

Beyond the professional clubs we are also proud sponsors of various grassroots sporting clubs. We believe in encouraging future generations to keep fit and consider that keeping active is an important part of building a stronger and better society. That is the reason why we help ensure that children and young people have access to safe and adequate sports facilities, equipment, and coaching.

Our largest grassroots sponsorship goes to Aylestone Park Football Club who run over 50 teams from under 4's to an adult first team, as well as being home to the oldest established ladies' team in the country, Leicester City Ladies FC.

As well as grassroots football, we have sponsored a local dodgeball team during the year, Leicester Mustangs, and Leicester Forest Rugby Club, a club local to our headquarters. In line with supporting the community, we also sponsored several social events, bringing communities together.

2023

£45k donated



Paul Nixon



Meet our people

Aaliyah Gohil Finance Assistant

“ I joined Marks Electrical as a Customer Service Adviser in July 2021 and progressed to Senior Adviser before being given the opportunity of a career in finance. I started studying AAT Level 2 in Accounting in March 2023 and I'm loving it”

Sustainability Report continued



3. Health and Safety

Health and Safety is a critical area that Marks Electrical is looking to continuously improve. We recognise that it can directly impact the well-being of employees, customers and the community.

It is therefore essential that we take proactive steps to address all concerns, not only to comply with regulatory requirements but also to create a safe and healthy working environment for all our employees.

To build the right culture we must ensure that our people work collaboratively at all levels to adhere to our Health and Safety policies and processes.

Working with our Health and Safety partner, we have been concentrating on areas throughout the warehouse, building a detailed action plan, to improve processes wherever improvements can and should be made.

This focused action plan includes:

- **Risk assessments and safe systems of work**
This has enabled us to identify potential hazards and determine the necessary measures to mitigate those risks.
- **Scheduled monthly site audits**
These have helped us regularly assess and improve upon our Health and Safety processes.
- **Training matrix**
This training matrix has been built to ensure all employees receive the necessary Health and Safety training.
- **Enhanced Health and Safety communication**
Improved communication reinforces our culture, ensuring that Health and Safety remains a top priority for all our colleagues.

Our long-term goal is to increase awareness of Health and Safety issues to ensure we build a safe and secure work environment for everyone, particularly as we continue to grow the business. We believe this can be achieved by implementing:

- **Health and Safety Committee**
This committee will guarantee that all employees have a voice in the decision-making process and are involved in promoting a culture of safety.
- **Management-specific training**
This training will ensure that management personnel understand the importance of Health and Safety and be enabled to lead by example.
- **Health and Safety metrics**
These metrics will help the Group measure the effectiveness of our initiatives and identify areas for improvement. This will aid the continuous improvement of the Health and Safety processes and create a safer work environment for all our colleagues.

We aim to roll out these procedures in the coming financial year as we continue to concentrate on building a strong culture of Health and Safety throughout the workforce as the foundations of our long-term goals.



Alan Graves – Head of IT



4. Environmental Management

We know that we must play our part in protecting our planet and we are committed to continue making carbon-neutral deliveries.

WEEE Recycling

As part of our customer offering, we promote the collection and recycling of old appliances, highlighting the importance of the proper disposal of appliances.

Each month over 2,500 appliances are collected from our site and are disposed of by specialist recycling businesses in line with the Waste Electrical and Electronic Equipment ("WEEE") regulations.

During the year we disposed of 2,321 tonnes of major domestic appliances (2022: 1,804 tonnes).

Each month

2,500

appliances are collected from our site

Packaging Waste

Our unwrap service is available on all deliveries. This service includes the unwrapping and disposal of packaging. We have an on-site recycling facility where we process all packaging including cardboard, polystyrene, low-density polythene ("LDPE"), wood and metal. The cardboard, polystyrene and LDPE is compacted into large bales, which are sold on to third parties who repurpose the waste for reuse.

During the year we recycled:

Tonnes of cardboard

94

(2022: 104 tonnes)

Tonnes of polystyrene

31

(2022: 24 tonnes)

Tonnes of LDPE

6

(2022: 4 tonnes)

Carbon-Neutral Fleet

From our first delivery in 1987 in a single Ford Transit van, our business has transformed significantly, now operating a fleet of over 50 vehicles. We are conscious that our ever-growing business also leaves an ever-growing carbon footprint, but we are proud to say we are a carbon-neutral business.

Through various carbon offset projects, we have offset 2,952 tonnes of carbon (2022: 2,311 tonnes) to neutralise our carbon footprint to zero.

With the lack of current viable substitutes for fossil fuel vehicles with an appropriate carrying capacity, we continued to add diesel vehicles to the fleet. We keep our vehicles up to date, enabling us to continually bring more efficient vehicles into the fleet. As our purchase agreements are staggered, we regularly have agreements that are coming to an end, meaning we can react swiftly to obtain the latest updated models. When electric or alternative fuel vehicles are available that can carry appropriate loads and travel appropriate distances, the Group will endeavour to build them into our fleet.

Sustainability Report continued



Streamlined Energy and Carbon Reporting

The Group has opted to use the operational control boundary definition to define its carbon footprint boundary. The reporting period for compliance is 1 April 2022 – 31 March 2023. Included within that boundary are scope 1, 2 and 3 emissions.

Scope 1 covers the Greenhouse Gas (“GHG”) emissions that the Group directly generates such as the fuel to power our vehicle fleet. Scope 2 are the emissions the Group indirectly generates through electricity supply to the warehouse and offices. Scope 3 relates to all other emissions the Group is indirectly responsible for, up and down its value chain. We do not currently report comprehensively on scope 3 emissions.

During the year ended 31 March 2023, Marks Electrical’s total energy usage and total gross GHG emissions amounted to 2,952 tonnes of CO₂e. The Group has chosen “Tonnes of CO₂e per millions turnover” and “Tonnes of CO₂e per FTE” (number of full-time employees) as appropriate intensity metrics. Marks Electrical will compare its performance over time using these metrics.

Emission Type	Activity	31 March 2023			31 March 2022		
		kWh	tCO ₂ e	% of Total	kWh	tCO ₂ e	% of Total
Direct (Scope 1)	Company Fleet	7,060.3	2,181.8	73.9%	5,367.2	1,656.4	71.7%
Indirect (Scope 2)	Electricity	437.6	114.5	3.9%	381.4	111.1	4.8%
Indirect Other (Scope 3)	Fuel and energy not in scope 1 & 2	1,838.3	560.7	19.0%	1,444.7	443.4	19.2%
Biomass	Biomass	306.5	94.7	3.2%	322.7	99.6	4.3%
Total energy use emissions		9,642.7	2,951.7		7,516.0	2,310.5	
Tonnes of Gross CO ₂ e per £m of revenue		98.6	30.2		93.4	28.7	
Tonnes of Gross CO ₂ e per FTE		44.2	13.5		47.9	14.7	
Offset Split							
Forest preservation			295			434	
Solar power			–			810	
Hydro			2,214			890	
Cookstoves			443			178	



Carbon offsetting

Marks Electrical is committed to reducing its carbon footprint and mitigating the impact of its operations on the environment. We recognise the importance of carbon offsetting as a means of compensating for our residual emissions and supporting projects that aim to reduce greenhouse gas emissions and promote sustainable development.

We have carefully selected carbon offset projects that align with our values and goals and have verified their authenticity and effectiveness through rigorous due diligence processes. Our carbon offset portfolio includes a variety of projects, ranging from renewable energy generation to forest conservation, that help to mitigate the impact of our operations on the environment.

Marks Electrical is proud to be part of the growing movement of companies taking action on climate change and is committed to continuing our efforts to reduce our carbon footprint and promote sustainability in all aspects of our business.

Forest preservation projects

In total the Group has offset 295 tCO₂e through two forestation projects, one to protect the Brazilian Amazon rainforest, which will in its entirety avoid 9.4m tCO₂e, and one to aid the preservation of the Keo Seima forest covering over 290,000 hectares in Cambodia.

Hydroelectric power

Hydroelectric power harnesses the natural energy of water in motion. The Group has offset 2,214 tCO₂e during the year through supporting the Asahan 1 hydroelectric power plant, which utilises run-of-river technology to generate renewable energy whilst preserving the surrounding habitat.

Cookstoves

The Group has offset 443 tCO₂e during the year through funding the manufacturing and distribution of efficient cookstoves that will be donated to local communities in Nigeria to reduce emissions from traditional over-fire cooking.





Meet our people

Toby Sharman Junior Buyer

“ When I think about my time at Marks Electrical, I feel grateful for the journey I've been on.

It all started with my first job in the warehouse, where I gained insights into the inner workings of the company.

I then worked in returns and on the vans delivering products, before starting a four-year stint in the sales team. This role helped me develop a deep understanding of our products and services, which enabled me to secure my current position as a Junior Buyer.

I am continuing to learn and I am excited for my continued career growth as part of an experienced buying team.

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Chair's Introduction to Governance



“ I take pleasure in introducing the Marks Electrical Group plc Corporate Governance statement, following another successful year of growth.”

– Marnie Millard OBE, Chair

Marks Electrical Group plc is committed to high standards of corporate governance and has chosen to comply with the Quoted Companies Alliance Corporate Governance Code (“QCA Code”). The main principles of the QCA Code are embedded into the corporate governance framework that the Group follows. The Board recognises the importance of high standards of corporate governance and believes that the success of the Group is enhanced by a strong corporate governance framework.

The Group’s Corporate Governance Statement, which comprises the reports and disclosures on pages 48 to 75, explains how the Group complies with the QCA Code. The 10 principles are detailed on our corporate website group.markselectrical.co.uk/governance.

The Board is committed to maintaining a strong ethical corporate culture that is aligned with the Group’s strategic objectives. This culture is driven through our core values and promoting “walk the talk” behaviours from the top down. During the year, the Board has taken the following actions to promote employee engagement:

- Active encouragement of diversity, inclusion and equal opportunities for all employees.
- Continued introduction of apprenticeships and learning and development opportunities.
- Numerous internal promotions demonstrating achievable career paths for all employees.
- Enhanced induction processes for all employees, clarifying our culture and behavioural expectations.
- Issued across-the-board pay rises to reflect the hard work and increased cost of living pressure on our employees.

The Board monitors the Group’s culture through a series of engagement surveys, which continued during the year following their launch in FY22. The results of these surveys are reviewed by management and the Board to identify areas that require improvement, with action plans being developed based on findings. A positive working culture and engaged workforce is essential to achieving our strategic objectives set out in the strategic report on page 39.

How we are governed

Whilst the Board is collectively responsible for the overall success of the Group, it is also inherently responsible for defining corporate governance arrangements and the Chair is ultimately responsible for corporate governance. The governance structures within the Group have been assessed by the Board and are considered appropriate for the size, complexity and risk profile of the Company. Furthermore, the Board considers that the QCA Code is the appropriate recognised UK corporate governance code for the Group to abide by. This is continually reviewed by the Board to ensure governance arrangements continue to be appropriate as the Group changes over time.

The Board aims to meet at least four times throughout the year and the Board and its Committees receive appropriate and timely information prior to each meeting. The Company Secretary has worked with the Board and Committees to develop annual agenda cycles to ensure appropriate time and focus is dedicated to relevant matters. Meetings are minuted by the Company Secretary and any specific actions arising are documented, with responsibility assigned and followed up at subsequent meetings until the matter is concluded. There is a formal schedule of matters reserved for the decision of the Board which are summarised on page 52.



Marnie Millard OBE
Independent Non-Executive Chair

Board of Directors

The Board considers its overall size and current composition to be suitable and have an appropriate balance of sector, financial and public markets skills and experience as well as an appropriate balance of personal qualities and capabilities.

A Nomination Committee has been established to review the structure, size and composition of the Board based upon the skills, knowledge and experience required to ensure that the Board operates effectively.

The Board consists of the Non-Executive Chair, the Chief Executive Officer, the Chief Financial Officer and two Non-Executive Directors. The biographical details of the Board members can be found both on the Group's AIM Rule 26 website and in the Group's Admission Document. The Non-Executive Directors bring key skills, experience and alternative viewpoints to the Board through their varied professional and personal experiences including listed company experience, financial acumen, and expertise in HR, online retail, marketing, and brand management.

The Board has determined that each of the Non-Executive Directors of the Company, namely Marnie Millard OBE (Chair), David Wilkinson and Alyson Fadil, are independent in character and judgement and satisfy the independence criteria under the QCA Code, being the recognised corporate governance code adopted by the Group. The Non-Executive Directors have undertaken to dedicate sufficient time to the Group to discharge their duties effectively.

All Directors are encouraged to continue to develop their skills and keep up to date with market developments and corporate governance matters. The Executive Directors remain current with industry news and developments as a matter of course, with input from third-party advisers where appropriate. The Non-Executive Directors keep their skills up to date through ongoing professional development as well as through Board presentations from advisers as relevant.



Marnie Millard OBE
Independent Non-Executive Chair



Appointed
5 November 2021

Marnie joined as Independent Non-Executive Chair in 2021. Marnie is an experienced public company Executive and Non-Executive Director, having previously acted as Chief Executive Officer of AIM-listed Nichols plc from 2013 to 2020. Marnie is also currently a Non-Executive Director of Finsbury Food Group plc since 2016 and Chair of its Remuneration Committee since 2019.

Marnie chairs the Nomination Committee and is a member of the Audit and Risk Committee.



Mark Smithson
Chief Executive Officer and founder

Appointed
14 July 2021

Mark is the founder of Marks Electrical and started the business in 1987 aged 21. Under his leadership, the Group has developed into a fast-growing nationwide online electrical retailer of major domestic appliances and consumer electronics in the UK. Since founding the business, Mark has built strong relationships with key manufacturers over a long period of time and continues to drive and develop the Group's strategy and daily business operations.



Josh Egan
Chief Financial Officer

Appointed
11 October 2021

Josh joined as Chief Financial Officer in April 2021. Josh is an experienced finance professional with strong listed company experience, having held regional CFO, Head of Investor Relations, and business development roles at Intertek Group plc and Inchcape plc. Prior to this, Josh worked at Greenhill & Co and, before joining Greenhill, qualified as a chartered accountant with Ernst & Young.



David Wilkinson
Independent Non-Executive Director

A R
Appointed
5 November 2021

David joined as Independent Non-Executive Director in 2021. David is an experienced Non-Executive Chair and Director and an ex-Big 4 senior partner with a specific background and experience in retail and entrepreneurial-led businesses. David is currently Deputy Chair and Audit Committee Chair at Saietta Group plc and Remuneration Committee Chair at RBG Holdings plc, as well as Chair of one private company.

David chairs the Audit and Risk Committee and is a member of the Remuneration Committee.



Alyson Fadil
Independent Non-Executive Director

R N
Appointed
5 November 2021

Alyson joined as Independent Non-Executive Director in 2021. Alyson has over 20 years' experience in recruitment, internal communications, talent development and building employee-engaged cultures. Alyson is the current Chief People Officer of online clothing retailer N Brown Group plc, a role she has held since 2018. Alyson has also worked in senior positions in other dynamic, fast-paced retail businesses, including Sofology and Selfridges.

Alyson chairs the Remuneration Committee and is a member of the Nomination Committee.

- A** Audit and Risk Committee
- R** Remuneration Committee
- N** Nomination Committee
- Chair

How the Board Operates

The Board is split between Non-Executive and Executive Directors, with the Executive Directors overseeing the day-to-day operations of the business and the Non-Executive Directors providing independent oversight and constructively challenging management on strategy.

The Chair and Chief Executive Officer lead the Non-Executive and Executive Directors respectively. Each have clearly defined roles and responsibilities, with the role of the Chair being to lead the Board and ensure it is operating effectively in setting and monitoring the strategic direction of the Group. The role of the Chief Executive Officer is to propose strategic direction to the Board and to execute the approved strategy by leading the executive team in managing the Group's business. The Board is supported by an Audit and Risk Committee, Remuneration Committee and Nomination Committee.

The Board aims to meet at least four times a year to, amongst other things, review performance, approve financial statements, and discuss strategy and key commercial matters. The Board operates on a revolving annual agenda to ensure all key matters reserved for the Board are covered during a financial year. The matters reserved for decision by the Board are shown below:

- Strategy and management
- Changes in share capital structure and dividends
- Financial reporting and controls
- Corporate governance, policy approval, internal control and risk management
- Major contracts and commitments
- Communication with major stakeholders
- Board membership and other appointments
- Remuneration of Executive Directors
- Delegation of authority
- Appointment of the auditor
- The Group's approach to ESG
- Policies

Meeting attendance

During the year, the Board held six scheduled meetings and the Audit and Risk Committee, Remuneration Committee and the Nomination Committee held three, two and one meetings respectively. The attendance of each Director, and each Committee member in respect of the Committees of which they are a member, is shown below:

	Board meetings	Audit & Risk Committee meetings	Remuneration Committee meetings	Nomination Committee meetings
M Millard	6/6	3/3	–	1/1
M Smithson	5/6	–	–	–
J Egan	6/6	–	–	–
D Wilkinson	6/6	3/3	2/2	–
A Fadil	6/6	–	2/2	1/1

In addition to the formal meetings disclosed above the Board convened two meetings at short notice during the period to consider ad hoc items which were attended by all Directors. Whenever a Director is unable to attend a meeting due to existing commitments, illness or otherwise, they are provided with the relevant papers in advance and invited to discuss their views with the Chair so these can be taken into consideration.

Board decisions and activity during the year*

Independent professional advice

Directors have access to the advice and services of the Group Secretary who is responsible for advising the Board on corporate governance matters. In addition, they have access to independent professional advice at the Group's expense.

Risk management and internal controls

The Board is responsible for determining the Group's risk appetite as part of its strategic planning, as well as establishing and maintaining the Group's system of internal controls.

The Audit and Risk Committee's role is to assist the Board in fulfilling its oversight responsibilities by reviewing and monitoring the Group's system of internal controls and risk management and how risk is reported internally and externally.

Internal financial control systems have continued to be reviewed and strengthened during the year to ensure the Group is appropriately placed to achieve its growth strategy, has relevant controls and governance to operate as a publicly traded Group, and is adequately armed to mitigate the risks to which it is exposed. Such internal financial controls include strategic planning, approval of annual budgets, regular monitoring of performance against budget (including full investigation of significant variances), control of capital expenditure, and ensuring proper accounting records are maintained.

In addition to financial control, IT and HR control frameworks have been developed during the year. Whilst several processes were already in place for both departments, the frameworks have formalised these processes and the relevant controls that surround them.

The IT controls framework has been focused towards systems and access, cyber security, data protection and GDPR compliance, IT processes surrounding starters and leavers, and maintenance of software to ensure stability for the day-to-day users of the systems.

The HR controls framework has been focused on ensuring there are appropriate processes for starters and leavers including formal induction processes, relevant checks performed prior to employment, relevant documentation being obtained and held on file, payroll data handling and checking, and IR35 checks.

Formal internal controls testing was performed for Finance, IT and HR three times during the year and reported to the Audit and Risk Committee for review. Notable improvements in the testing results have been highlighted in all three departments.

The Group maintains a risk register to assist the business and the Board in ensuring that risk is appropriately identified, managed and mitigated. The register is continually monitored and updated to ensure it is relevant. Input is provided by all senior management and functional heads and it is reviewed by the Audit and Risk Committee on a regular basis and approved by the Board.

Shareholder engagement

The Group is committed to listening and communicating openly with its shareholders and in doing so ensuring that the Group's strategy, business model and performance are clearly understood. The Executive Directors meet regularly with institutional shareholders and are responsible for ensuring that their expectations are understood by the Board. The Group's annual general meetings also provide opportunities for dialogue between the Board, who routinely attend annual general meetings, and the Group's shareholders.

As well as the scheduled meetings the Group also provides a range of corporate information about the business through its corporate website group.markselectrical.co.uk, including details surrounding the Group's approach to the QCA Code, corporate documents such as annual reports, regulatory news announcements, and insight into the Group's strategy.

Board effectiveness evaluation

During the year, the Board conducted its first formal annual evaluation of its own performance, as well as reviewing the performance of the Board Committees and individual Directors. The evaluation process assessed the balance of skills, experience, independence, and diversity, including gender and ethnicity, of the Directors as a whole, and also explored factors relevant to their effectiveness, such as how they work together. It is the Chair's responsibility to take action based on the results of the performance evaluations, which could include proposing new Board members or seeking the resignation of Directors in situ.

The individual evaluations aim to determine whether each Director continues to demonstrate commitment to the role, and contribute effectively, including the commitment of time for Board and Committee meetings and other duties. The performance evaluation was led by the independent Company Secretary.

The topics covered by the review included the following areas:

- Strategy development
- Operational challenges
- Risk management
- Stakeholder relationships
- Talent management and succession planning
- Purpose, values and culture
- Board role and dynamics
- Composition and engagement
- Board Committees

There were no material deficiencies highlighted through the Board effectiveness evaluation. Any follow up actions will be discussed and agreed at forthcoming Board meetings.

Annual general meeting ("AGM")

The Group's AGM will take place on 10 August 2023, with the Annual Report and Accounts and Notice of AGM being sent to shareholders within prescribed timescales.

* Please refer to the Section 172 Statement for detail on Board decisions taken during the year (see page 34)

Nomination Committee Report



Marnie Millard OBE

Chair of the Nomination Committee

I am pleased to introduce the Report of the Nomination Committee (“the Committee”) for FY23.

Alyson Fadil sits alongside me on the Committee and, as the QCA Code recommends the Committee is composed of a majority of independent Non-Executive Directors, we are both independent.

The Company Secretary acts as Secretary to the Committee, and by invitation, the meetings of the Committee may be attended by the Chief Executive Officer, Chief Financial Officer and other independent Non-Executive Directors.

Role of the Committee

The Committee reviews the structure, size and composition of the Board and its Committees, and makes recommendations to the Board for appointments to the Board. The Committee is responsible for ensuring that there are appropriate succession plans in place for the members of the Board.

Activities of the Nomination Committee

The Committee met once during the year, with both members present, in order to discuss the operating effectiveness of the Board, the skills provided by Board members and the succession planning, specifically in relation to the Executive Management team.

The Committee concluded that the Board and its Committees had the necessary skills and experience to continue to drive the business forward. Following due and careful consideration and noting the Directors, diverse range of capabilities, the Committee agreed that the current composition of the Board and its Committees were appropriate to the nature, size and complexity of the business. However, the Committee would keep this under review.









How the Committee operates

The Chair of the Board will chair all meetings of the Committee unless they relate to the appointment of her successor or such other matters in which she may have a potential conflict of interest. For those meetings, Alyson Fadil will be invited to take the chair, unless she too is in contention for the role or also has a potential conflict of interest. The Committee will meet at least once a year, and on an ad hoc basis as required. Only members of the Committee have the right to attend meetings; however, the Chief Executive Officer and Chief Financial Officer can attend by invitation so that the Committee can understand their views, particularly on key talent within the business.

Succession planning

The Committee believes that effective succession planning is critical to the Group's long-term success.

An overview of the skills and experience of the Board as at 31 March 2023:

Director	Retail	Marketing	People	Finance	Technology/ data/ AI	Remuneration	Previous/ current CEO	Risk management
								
Marnie Millard OBE	•	•	•		•	•	•	•
Mark Smithson	•	•	•		•		•	
Josh Egan	•			•		•		•
David Wilkinson	•			•		•		•
Alyson Fadil	•	•	•		•	•		

The Committee considered executive succession planning. It discussed the skills, qualities and leadership required by the executive team and their direct reports and it was decided, given the current stage of the business, it was not appropriate to consider executive succession.

During the coming year, the Committee will review and develop a formal succession plan, taking into account future skills required in the context of the Group's strategy, as well as recognising the importance of growing and developing our internal talent. Members of the Committee will continue to meet regularly with the executive team and their direct reports to further understand the talent mapping within the organisation.

Policy on appointments to the Board including diversity policy

A priority for the Committee is to ensure that members of the Board possess the range of skills, expertise, industry knowledge, and business experience necessary for the effective oversight of the Group. Appointments are to be made against objective criteria and with regard to the benefits of diversity on the Board and the required capacity for the role.

The Committee will take account of a variety of factors before recommending any new appointments to the Board, including relevant skills to perform the role, experience, knowledge and diversity, including gender and ethnic diversity. At the end of our financial year in March 2023, 40% of the Board Directors were women.

Board evaluation and re-election of Directors

In accordance with the QCA Code, all Directors will retire at the forthcoming AGM and offer themselves for re-election to the Board.

Following a formal review of the Board during FY23, the Committee and the Board are satisfied that all Directors continue to be effective and demonstrate commitment and the required capacity to their respective roles on the Board. The Board therefore recommends that shareholders approve the resolutions to be proposed at the 2023 AGM relating to the re-election of the Directors. I will be available at the AGM to answer any questions on the work of the Committee.



Marnie Millard OBE

Chair of the Nomination Committee
7 July 2023

Audit and Risk Committee Report



David Wilkinson
Chair of the Audit and Risk Committee

On behalf of the Board, I am pleased to present the Audit and Risk Committee (“the Committee”) Report for the year ended 31 March 2023 (“FY23”). This report outlines the activities of the Committee during FY23.

The Audit and Risk Committee’s primary role is to ensure that the Group’s financial reporting and audit processes are effective and that its risk management systems and controls are effective. These roles include oversight of:

- Financial reporting
- Narrative reporting
- Risk management
- Internal controls
- Internal audit
- External audit
- Whistleblowing
- Fraud
- Compliance

Audit and Risk Committee membership and meetings

During the year, the Audit and Risk Committee consisted of myself as Chair of the Committee, along with our Board Chair, Marnie Millard OBE.

The Committee met three times during the financial year and both members were present. Only members of the Committee are required to attend Committee meetings; however, other individuals such as the Chief Executive Officer, Chief Financial Officer and external auditor can attend by invitation. The Company Secretary acts as Secretary to the Committee.

Activities during the year

During the year, the Committee focused on the following areas:

- Review of the interim and annual financial statements for the Group.
- Review of the consistency and appropriateness of the accounting policies.
- Review of the methods used to account for significant transactions during the year, completeness of disclosures and material areas in which significant judgements have been applied.
- Review of the effectiveness of internal controls, risk assessment processes, the assurance process and changes to significant risks.
- The processes for compliance with laws, regulations and ethical codes of practice.
- Approval of the terms of engagement, strategy, scope and effectiveness of the external auditor and review of non-audit services and fees.

Role of the external auditor

The Audit and Risk Committee monitors the Company's relationship with the external auditor, BDO UK LLP, to ensure that external auditor independence and objectivity are maintained. As part of its review the Committee monitors the provision of non-audit services by the external auditor. The Committee notes that during the year there was no provision of non-audit services provided by BDO UK LLP.

The Committee concluded that, unless approved in advance by the Committee, the external auditor will not be permitted to perform any non-audit services for the Group during the year ending 31 March 2024.

The Committee also assesses the external auditor's performance. Having reviewed the external auditor's independence and performance, when considering the independence of the auditor, the Committee considered the time in office and the length of time senior members have been in role. The Audit and Risk Committee recommends that BDO UK LLP be re-appointed as the Company's external auditor at the next AGM.

Audit process

The external auditor prepares an audit plan that sets out the scope of the audit, key areas of audit focus, audit materiality and the timetable for audit work. This plan is reviewed and agreed in advance by the Audit and Risk Committee. Following the completion of its work, the external auditor presents its findings to the Audit and Risk Committee for discussion.

Risk management and internal controls

The Group has a framework of risk management and internal control systems, policies and procedures. The Audit and Risk Committee is responsible for reviewing the risk management and internal control framework and ensuring that it operates effectively. The Committee has reviewed the framework and its associated testing and is satisfied that the Group's approach to risk management is appropriate for the size of business; the internal control framework continues to evolve and remains a key focus in the coming year.

Day-to-day management of risk is delegated to senior management, which consists of the Chief Executive Officer, Chief Financial Officer, Commercial Director and the respective heads of HR, IT, Sales and Marketing, Operations and Financial Reporting.

The Group maintains a risk register, which is reviewed and updated regularly. The register is discussed as necessary, or a minimum of twice per year at the Committee meetings.

Whistleblowing

The Group has a whistleblowing policy in place which sets out the formal process by which an employee of the Group may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. Whistleblowing is a standing item on the Committee's agenda, and updates are provided at each meeting as necessary, or a minimum of twice per year. During the year, there were no incidents for consideration.

Financial and business reporting

The Committee is responsible for monitoring the integrity of the financial statements including the Group's annual and interim results. The underlying objective of the Committee is to ensure the financial statements give a true and fair view of the Group's performance during the reporting periods.

Significant matters

As part of the reporting and review process, the Committee has considered the significant issues in relation to the financial statements and how those issues were addressed. As part of this process, the Committee considered the following key risks, accounting issues and judgements:

Audit and Risk Committee Report continued

Significant Issue:	Action taken
<p>LTIP and share option accounting</p>	<p>An award of share options under the Marks Electrical Group plc Performance Share Plan was granted to the CFO and senior employees on 1 September 2022. Its targets are based on cashflow, adjusted earnings per share and total shareholder return ("TSR"). Each target represents one-third of the total payout. See Note 24 to the financial statements for further details.</p> <p>Management appointed Grant Thornton UK LLP to assist in the preparation of the valuation under IFRS 2 for the awards. A Monte Carlo simulation model was selected to perform the valuation on TSR, given it is subject to market conditions.</p> <p>The Committee reviewed the accounting principles proposed and challenged the assumptions assessed, concluding that these were appropriate.</p>
<p>Fixed asset investment valuation</p>	<p>The Group holds an investment in Combined Independents (Holdings) Limited, a buying consortium of which the Group is a member.</p> <p>The valuation of the investment is based on a brought-forward value, which is confirmed through actual results of the consortium, plus an estimated share of profit/loss during the year. The profit share is based on total purchases made through the consortium during the year. Significant judgement was required in estimating the valuation movement, given that the actual profit of the consortium was unavailable at the signing date of these financial statements. Management estimates the profit share in the year using historical data to derive assumptions. Prior year estimates have proven to be materially correct.</p> <p>The Committee reviewed the accounting principles proposed and challenged the assumptions assessed, concluding that these were appropriate.</p>

Significant Issue:	Action taken
<p>Going concern</p>	<p>Management has prepared detailed financial projections for a period to 31 July 2024. These projections are based on the Group's detailed annual business plan. Sensitivity analysis has been performed to model the impact of adverse trends in severe but plausible downside risks.</p> <p>The key sensitivity assumptions applied include:</p> <ul style="list-style-type: none"> • A material slow-down in e-commerce sales. • A significant decrease in gross margin. <p>Only in the most severe scenario, including lower sales than FY23 and a material decrease in gross margin, did the forecast determine the Group would move into a negative cashflow position. Mitigating actions would be available to the Group in this scenario to prevent a negative cashflow position, and could be swiftly implemented should trading take a downturn.</p> <p>The Committee concluded that the Board is able to make the going concern statements on page 74.</p>
<p>Tax arrangements</p>	<p>At the prior year end, the Group held net provisions on balance sheet for expected settlement figures relating to the historical tax arrangements of Mark Smithson, as detailed in the FY22 Annual Report. During the year all balances were settled with HMRC and Mark Smithson, confirming closure of the schemes.</p> <p>At the signing date of this Annual Report, the Committee is not aware of any other potential receivable or payable balances relating to historical tax schemes. An indemnity is in place between Mark Smithson and the Group ensuring the Group remains neutral to any issues that may arise.</p> <p>The Committee reviewed the final settlements in the year and concluded that these were appropriate and in line with prior year provisions that were assessed in detail.</p>



David Wilkinson
Chair of the Audit and Risk Committee
7 July 2023

Remuneration Committee Report



Alyson Fadil
Chair of the Remuneration Committee

On behalf of the Board, I am pleased to present our Directors' Remuneration Report for the year ended 31 March 2023 ("FY23").

This Directors' Remuneration Report has been prepared on behalf of the Board by the Remuneration Committee ("the Committee") in accordance with the Companies Act 2006, as well as with the principles of the Quoted Companies Alliance Remuneration Guidance.

This report is split into two sections with our Annual Report on Remuneration and my Annual Statement, subject to an advisory vote at the AGM:

- **The Directors' Remuneration Policy:** This sets out the Directors' Remuneration Policy; and
- **The Annual Report on Remuneration:** This sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the year to 31 March 2023. It also sets out how we intend to implement the policy for the year to 31 March 2024.

Remuneration outcomes for the year ended 31 March 2023

During the year the business performed well despite a difficult market backdrop. The executive management team has navigated a declining online Major Domestic Appliances and Consumer Electronics market, whilst continuing to gain market share, retain profitability and generate a strong cash outcome for continued future investment and to support shareholder returns.

The Executive Directors' annual incentive for the year to 31 March 2023 was based 50% on revenue and 50% on adjusted EBITDA targets. The maximum opportunity for the CEO and CFO was 100% of basic salary. As a result of robust performance during the year, adjusted EBITDA and revenue achieved were above target resulting in a payout of 70% of the maximum annual incentive opportunity.

In line with the policy, the CFO invests 25% of his total annual incentive payment in shares in the Company, to be held towards his minimum shareholding requirement, being 100% of basic salary.

The CFO was granted an LTIP award on 1 September 2022, subject to equally weighted performance conditions of operating cashflow, adjusted earnings per share and total shareholder return ("TSR"). Further details of the award are set out later in this report.

Directors' remuneration for the year to 31 March 2024

The basic salaries for Mark Smithson, our CEO, and Josh Egan, our CFO, were set at £300,000 and £250,000 at the IPO. Mark Smithson's salary will be increased by 2% taking it to £306,000 for FY24. This increase is less than the average pay rise across the workforce of 4.6% in FY24 and follows a 9.5% average workforce pay increase in FY23.

The Committee has carefully reviewed the remuneration of the CFO for FY24. The Committee has noted the CFO's strong performance since the IPO, and the skills and experience he brings to the role. The Committee also noted the CFO's critical role in successfully delivering on our targets set at IPO and executing our strategy for growth. The CFO's role has also developed since IPO with significantly increased responsibilities for broader operational activities. Acknowledging all of the factors set out above and to ensure a fair and appropriate level of reward for the CFO as well as ensuring he has a high level of alignment to the longer-term sustainable performance of the business and shareholder interests, the Committee has agreed to increase the CFO's salary to £280,000 and to increase his LTIP award level for FY24 to 150% of salary. The Committee is comfortable that the targets set for vesting of the LTIP award are sufficiently stretching taking into account the increased award level and the current challenging market environment. The CEO will not receive an LTIP award given his significant shareholding, but the Committee will keep this under review for future years. The performance conditions for the award are unchanged and will be based one-third on each of operating cashflow, TSR and adjusted earnings per share measured over a three-year performance period.

Pension contributions remain at 3% of salary, in line with the wider workforce, and benefits in line with the policy.

The maximum annual incentive opportunity remains at 100% of basic salary and will again be subject to stretching revenue and adjusted EBITDA targets. Under the policy, the CFO is required to invest 25% of his post-tax cash bonus in Company shares until the shareholding requirement is met.

Conclusion

The Committee has carefully considered the remuneration outcomes for FY23 and considers that they are appropriate in all the circumstances evidencing strong alignment between remuneration outcomes and business performance. The Committee continues to welcome any feedback from shareholders on our policy and its operation. We hope you will be supportive of the annual advisory vote to approve my Annual Statement and the Annual Report on Remuneration at the 2023 AGM.



Alyson Fadil

Chair of the Remuneration Committee
7 July 2023

Remuneration Committee Report

continued

The Directors' remuneration policy

Remuneration policy

The policy is designed to ensure that the Executive Directors are fairly rewarded for their individual contributions to the Group's overall performance and to provide a competitive remuneration package, including long-term incentive awards, to attract, retain and motivate individuals of the calibre required to ensure that the Group is managed successfully in the interests of shareholders. In addition, the policy ensures that a substantial proportion of the remuneration of the Executive Directors should ordinarily be performance related and that there is a strong link between remuneration and the sustained future success of the Group. The Committee sets the individual remuneration of the Executive Directors on an annual basis within the policy framework.

Executive Directors' policy table

Component	Purpose and link to strategy	Structure	Maximum potential	Performance metrics
Basic Salary	To attract and retain high-performing Executive Directors to lead the Group.	Paid in 12 equal monthly instalments during the year.	<p>Reviewed periodically to reflect experience, role, responsibility and performance of the individual and the Group and to take into account rates of pay for comparable roles in similar companies. When selecting comparators, the Committee has regard to, inter alia, the Group's revenue, profitability, market value and sector.</p> <p>There is no maximum salary amount nor annual increase. The Committee would normally expect to increase salaries in line with those awarded to the workforce unless exceptionally an alternative approach is required.</p>	Individual performance and overall business performance when salaries levels are reviewed.
Benefits	Provide benefits to ensure the well-being of the individual and provide a market competitive remuneration package.	Benefits include, but are not limited to, private medical insurance for the individuals and their dependants and life assurance cover for the CFO. Executive Directors can participate in any all-employee share plans operated by the Group on the same basis as all other employees.	The cost of providing the benefits is borne by the Company. The CEO is limited in his participation of the all-employee share plans due to the size of his shareholding and the prevailing HMRC rules.	None.

Component	Purpose and link to strategy	Structure	Maximum potential	Performance metrics
Annual incentive plan	Incentivises achievement of annual strategic plan and short-term financial objectives.	<p>Paid in cash following the end of the financial year to which the annual incentive relates.</p> <p>For the CFO, 25% of the post-tax annual incentive is to be invested into Company shares which must be retained until the shareholding requirement is met, being 100% of basic salary.</p> <p>Annual incentive payments are subject to recovery and withholding provisions which may be applied in the event of a material misstatement of the Company's financial results, error, circumstances that warrant the summary dismissal of the participant, or result in significant reputational damage to the Company, or where there has been a material failure of the Company's risk management or corporate failure.</p>	The annual incentive plan is capped at 100% of basic salary.	<p>The annual incentive may be based on the achievement of a mix of challenging financial, strategic or personal targets with financial measures accounting for the majority of the incentive. Performance metrics and their respective weightings may vary from year to year depending on financial and strategic priorities.</p> <p>The Committee may adjust the formulaic outcome of the annual incentive if it considers for example, that it is not representative of the underlying performance of the Company, investor experience or employee reward outcome.</p>
Long-term incentive plan ("LTIP")	Alignment of interests with shareholders and longer-term performance by providing long-term incentives delivered in the form of shares.	<p>Awards are normally granted annually in the form of nil-cost options or conditional share awards.</p> <p>Awards normally vest after three years subject to the achievement of stretching performance conditions and continued employment.</p> <p>Awards are subject to recovery and withholding provisions as for the annual incentive plan.</p> <p>Dividend equivalents may be payable for vested shares (normally in shares).</p>	Maximum award limit is 200% of salary. The current annual award level is 150% of basic salary.	<p>Awards may be subject to the achievement of various financial performance measures including, but not limited to, TSR, EPS and cash flow. Performance metrics and their respective weightings may vary from year to year depending on financial and strategic priorities.</p> <p>25% vests for threshold performance.</p> <p>The Committee may adjust the formulaic LTIP vesting amount if it considers for example, that it is not representative of the underlying performance of the Company or investor experience.</p>

Remuneration Committee Report

continued

The Directors' remuneration policy continued

Executive Directors' policy table continued

Component	Purpose and link to strategy	Structure	Maximum potential	Performance metrics
Pension	Provision of retirement benefits.	The Executive Directors can elect to join the Company's defined contribution pension scheme, receive pension contributions into their personal pension plan or receive a cash sum in lieu of pension contributions.	The Executive Directors have pension contributions in line with the wider workforce currently at 3% of basic salary, if the contributions of the wider workforce are increased, the Directors' contributions would be increased in line with this.	None.
Shareholding requirements	To align the interests of management and shareholders and promote a long-term approach to performance.	Executive Directors are expected to build and maintain a holding of shares in the Company of 100% of base salary within five years of appointment.	Not applicable.	None.

Notes to the policy table

Differences from remuneration policy for all employees

All employees of the Company are entitled to base salary or hourly rate and various other benefits. The opportunity to earn a bonus is made available to all management colleagues in the Group. The maximum opportunity available is based on the seniority and responsibility of the role.

Share incentive awards are granted under the LTIP described above to Executive Directors, senior management and senior employees.

Statement of consideration of employment conditions of employees elsewhere in the Group

The Committee will receive a report on an annual basis on the level of any pay rises awarded across the Group and will take these into account when determining salary increases for Executive Directors. In addition, the Committee will receive regular updates on the structure of remuneration below the Executive Directors and will use this information to ensure with management a consistency of approach across the Group. The Committee also approves the award of any long-term incentives and other share schemes.

The Committee does not specifically invite colleagues to comment on the Directors' remuneration policy, but it does take note of any feedback provided by colleagues.

Statement of consideration of shareholder views

The Chair of the Committee will consult with major shareholders from time to time or where any significant remuneration changes are proposed, in order to understand their expectations with regard to Executive Directors' remuneration and will report back to the Committee. The Committee also takes into account emerging best practice and guidance from major institutional shareholders and proxy advisers.

Approach to recruitment remuneration

The Committee's approach to recruitment remuneration is to offer a market-competitive remuneration package sufficient to attract high-calibre candidates who are appropriate to the role but without paying any more than is necessary.

Any new Executive Director's regular remuneration package would include the same elements and be in line with the policy table set out earlier in this Directors' remuneration policy including the same limits on performance-related remuneration. Targets for incentives for the year of joining may be different to the incumbent Executive Directors to take account of specific personal objectives and the timing of their joining the Board. Incentive awards and other elements of remuneration forfeited from the previous employer may be bought out as far as possible on equivalent terms, in respect of expected value, time horizons and structure of the replacement award.

Date of service contracts/letters of appointment

Director:	Date of service contracts/ letters of appointment
Mark Smithson	14 July 2021*
Josh Egan	11 October 2021
Marnie Millard OBE	5 November 2021
David Wilkinson	5 November 2021
Alyson Fadil	5 November 2021

* Mark Smithson has been the leader and founder of Marks Electrical since it was founded on 2 February 1987. He was appointed as Director of Marks Electrical Group plc on 14 July 2021 as part of the restructuring of the Group in preparation for admission. Copies of Directors' service contracts and letters of appointment are available for inspection at the Company's registered office.

Directors' service contracts, notice periods and termination payments

Provision	Policy
Notice periods in Executive Directors' service contracts	Six months by Company or Executive Director. Executive Directors may be required to work during the notice period.
Compensation for loss of office	In respect of the notice period, no more than six months' basic salary and benefits (including company pension contributions).
Treatment of annual bonus on termination	For good leavers, a pro-rated bonus would normally be payable, with the Committee having discretion in exceptional circumstances to adjust the bonus and to reduce the pro-rating.
Treatment of LTIP awards on termination	<p>Unvested awards will normally lapse on cessation of employment. However, for good leavers the Committee shall determine whether the award vests on the normal vesting date or on an alternative date.</p> <p>The extent of vesting will be determined by the Committee taking into account the extent to which the performance condition is satisfied and, unless the Committee determines otherwise, the period of time elapsed from the date of grant to the date of cessation relative to the vesting period.</p> <p>Good leaver circumstances comprise death, illness, injury, disability, retirement, transfer of employing business outside Group or exceptional circumstances at the discretion of the Committee.</p>
Outside appointments	Subject to approval, Board approval must be sought.
Non-Executive Directors	All Non-Executive Directors are subject to re-election every three years. No compensation payable if required to stand down.

Legacy arrangements

Payments may be made to satisfy commitments made prior to this remuneration policy. This includes the matters set out in the Admission Document including incentive arrangements or payments made to satisfy legacy arrangements agreed prior to an employee (and not in contemplation of) being promoted to the Board of Directors. All outstanding obligations may be honoured and payment will be permitted under this remuneration policy.

Remuneration Committee Report

continued

Non-Executive Directors' fee policy

The policy for the remuneration of the Non-Executive Directors ("NEDs") is as set out below. Non-Executive Directors are not entitled to an annual incentive, they cannot participate in the Company's share option scheme, and they are not eligible for pension arrangements.

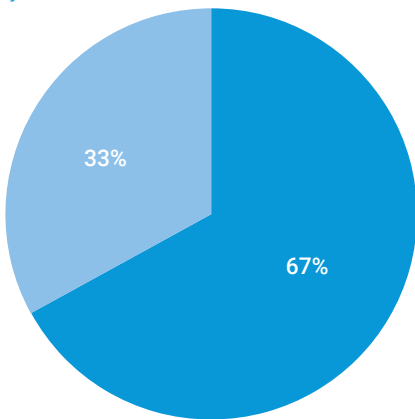
Component	Purpose and link to strategy	Structure	Maximum potential	Performance metrics
Fees	To attract NEDs who have a broad range of experience and skills to oversee the implementation of the Group strategy.	NED fees are determined by the Board within the limits set out in the articles of association and are paid in 12 equal monthly instalments during the year. Fees are set taking into account the skills and experience required for the role and fees payable in comparable companies.	<p>The Chair of the Board is paid a single fee to include all duties.</p> <p>Other NEDs are paid a basic Board fee with additional fees payable for example, for attending or chairing Board Committees or in respect of other specific roles and duties. Additional fees may be paid to recognise exceptionally additional time commitments from time to time. The annual rate is set out in the Annual Report on Remuneration for the current year and the following year. There is no prescribed maximum annual increase.</p> <p>The cost of meeting business expenses (grossed up for tax and social security where appropriate) is borne by the Company and varies from time to time.</p>	None.

Illustration of remuneration scenarios for Executive Directors

The charts below show the weighting between fixed, annual incentive and LTIP for each of the Executive Directors in FY24, under target and maximum performance scenarios.

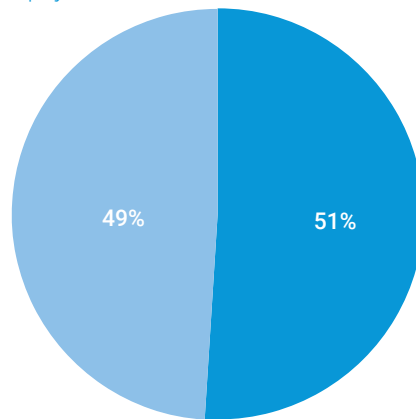
Chief Executive Officer

Target pay



■ Fixed pay ■ Annual incentive

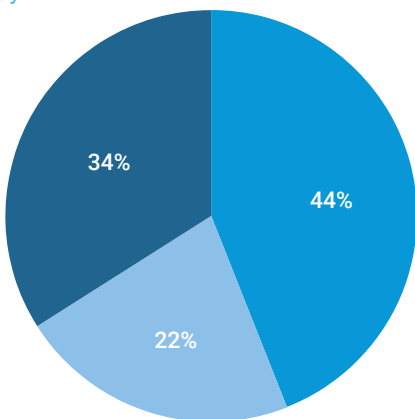
Maximum pay



■ Fixed pay ■ Annual incentive

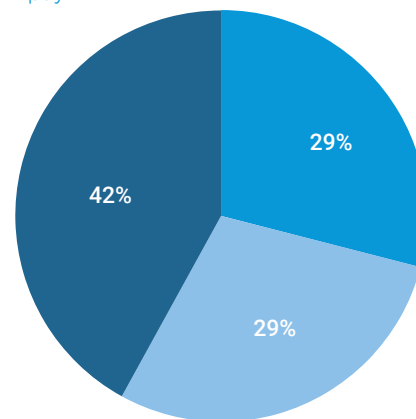
Chief Financial Officer

Target pay



■ Fixed pay ■ Annual incentive ■ LTIP

Maximum pay



■ Fixed pay ■ Annual incentive ■ LTIP

Notes to charts:

Fixed pay: Comprises fixed pay only using the salary for FY24, the value of benefits in FY23 and a 3% company pension contribution.

Target pay: Assumes the annual incentive plan of 50% of salary is payable (50% of maximum) for target performance and for the CFO, half the LTIP award vests (based on a grant value of 150% of salary).

Maximum pay: Assumes that the maximum annual incentive plan is paid (100% of salary) and for the CFO, the FY24 LTIP grant (150% of salary) vests in full.

Remuneration Committee Report

continued

The annual report on remuneration

This sets out payments and awards made to the Directors and details the link between Company performance and remuneration for the year to 31 March 2023 and how we intend to apply the policy for the year to 31 March 2024. The Annual Report on Remuneration is subject to an advisory shareholder vote at this year's AGM.

The sections that form this part of the report that are subject to audit have been highlighted.

Single total figure of remuneration

Year ended 31 March 2023

Director	Base Salary/ fees £	Benefits ¹ £	Pension benefits ² £	Total fixed £	Annual Incentive £	Long-term incentives £	Total variable £	Total remuneration £
Mark Smithson	300,000	1,428	9,000	310,428	210,000	–	210,000	520,428
Josh Egan	250,000	937	7,500	258,437	175,000	–	175,000	433,437
Marnie Millard OBE	75,000	–	–	75,000	–	–	–	75,000
David Wilkinson	40,000	–	–	40,000	–	–	–	40,000
Alyson Fadil	40,000	–	–	40,000	–	–	–	40,000

1. The benefits comprise private medical care and life assurance premiums.

2. Mark Smithson opted to take his 3% pension contribution (£9,000) as cash in lieu of pension contributions. All payments were subject to relevant taxes.

Year ended 31 March 2022

Director	Base Salary/ fees ¹ £	Benefits ² £	Pension benefits £	Total fixed £	Annual Incentive £	Long-term incentives £	Total variable £	Other ^{3,4} £	Total remuneration £
Mark Smithson	201,517	2,477	611	204,605	175,945	–	175,945	1,514,101	1,894,651
Josh Egan	114,919	912	3,985	119,816	143,445	–	143,445	203,000	466,261
Marnie Millard OBE	31,250	–	–	31,250	–	–	–	–	31,250
David Wilkinson	16,667	–	–	16,667	–	–	–	–	16,667
Alyson Fadil	16,667	–	–	16,667	–	–	–	–	16,667

1. The base salaries were increased on IPO. The prior base salaries were £250,000 and £200,000 respectively for Mark Smithson and Josh Egan.

2. Benefits relate to private medical insurance and life assurance premiums.

3. The payments in this column reflect a settlement to Mark Smithson (CEO) in relation to historical arrangements. Further details can be found in last year's Directors' Remuneration Report.

4. Josh Egan was paid an IPO bonus of £200,000 (the "IPO Bonus"). Josh received 50% of the IPO Bonus in cash in October 2021 of which a post-tax amount of £50,000 was used to purchase shares at the placing price of £1.10. The remaining 50% of the IPO Bonus was paid in cash subject to PAYE/NI post-admission. Josh Egan also received £3,000 of shares on float as part of an all-employee share plan; this amounted to 2,727 ordinary shares.

Pensions

The Group operates a defined contribution group plan for all colleagues. Both Mark Smithson and Josh Egan receive pension at 3% of annual basic salary in line with the wider workforce. Mark Smithson opted to take cash in lieu of pension and Josh Egan opted to have payments made into his personal pension plan.

Annual incentive performance

The annual incentive for each of the Executive Directors is earned by reference to performance in the financial year and paid following the end of the financial year. The annual incentive accrues once the threshold has been met, up to a maximum of 100% of base salary for each Executive Director.

For the financial year ended 31 March 2023, Executive Directors were able to earn an annual incentives of up to 100% of annual base salary subject to the achievement of stretching targets. The annual incentive is based on a combination of revenue and adjusted EBITDA targets and as a result of the business achieving revenue of £97.8m and adjusted EBITDA of £7.5m the Executives were awarded an annual incentive of 70% of maximum.

The annual incentives for FY23 were therefore £210,000 for the CEO and £175,000 for the CFO. Under the policy, the CFO is required to use 25% of his post-tax cash annual incentive to purchase company shares, which must be held towards the shareholding requirement.

Long-term incentive awards granted during the year

An award of nil-cost options equivalent to 100% of salary was granted to Josh Egan on 1 September 2022.

	Date of grant	Number of awards granted	Face value of awards granted ¹	% vesting at threshold performance	End of performance period
Josh Egan	1 September 2022	400,000	£250,000	25%	31 March 2025

1. Face value determined using a share price of £0.625 which was the share price on the dealing day preceding the date of grant.

The award will vest in three years subject to the achievement of the following performance conditions measured over a three-year performance period:

Performance condition	Weighting	Threshold (25% of element vests)	Maximum (100% of element vests)
Adjusted EPS	33.3%	5% CAGR	15% CAGR
Absolute TSR	33.3%	10% CAGR	20% CAGR
Cash flow	33.3%	£15m	£25m

Statement of Directors' shareholding and options

The Directors who held office at 31 March 2023 and their connected persons who had interests in the issued share capital of the Company as at 31 March 2023 are as follows:

Director	Number of shares held (including by connected persons) 31 March 2023	Unvested share options subject to performance conditions 31 March 2023	Unvested market value options not subject to performance conditions 31 March 2023	Shareholding at 31 March 2023 (% of salary) ³
Mark Smithson ¹	77,278,181	–	–	21,509%
Josh Egan ²	69,431	400,000	734,644	23%
Marnie Millard OBE	50,681	–	–	56%
David Wilkinson	9,091	–	–	19%
Alyson Fadil	5,586	–	–	12%

1. The interests of Mark Smithson include 3,000,000 ordinary shares held in his capacity as trustee of the Mark Smithson Family Trust, 1,002,727 ordinary shares held by his son Jack Smithson, and 1,002,727 ordinary shares held by his son Oliver Smithson.

2. The unvested share options for Josh Egan relate to long-term incentive plans issued to him on IPO and the 2022 LTIP. The IPO option has an exercise price of £1.10 per share and vests three years from 5 November 2021 with a seven-year exercise period from the date of vesting. The 2022 LTIP award vests three years from 1 September 2022, subject to the achievement of performance conditions, with a seven-year exercise period from the date of vesting.

3. Shareholding calculated using a share price of 83.5p at 31 March 2023 and salaries at year end.

Remuneration Committee Report

continued

The annual report on remuneration continued

Implementation of policy for FY24

Salaries and fees

The salary of the CEO will be increased by 2% for FY24, which is lower than the average salary increase across the workforce. The CFO's salary is increased by 12% to reflect the significant increase in responsibilities and skills and experience in role as set out in the Annual Statement of the Remuneration Committee Chair. There are no changes to the fees for the Chairman and Non-Executive Directors for FY24.

	Annual basic salary/fees effective from 1 July 2023 £'000	Annual basic salary/fees effective from 1 April 2022 £'000
Mark Smithson	306	300
Josh Egan	280	250
Marnie Millard OBE	75	75
David Wilkinson ¹	40	40
Alyson Fadil ¹	40	40

1. Fees comprise a base fee of £35,000 and an additional fee of £5,000 for Chairmanship of a Board Committee.

Pension and benefits

Pension is unchanged at 3% of salary for both Executive Directors and benefits will operate in line with policy.

Annual incentive

The annual incentive opportunity will be 100% of salary for FY24, payable in cash. The performance conditions are unchanged, with the annual incentive subject to equally weighted performance conditions of revenue and adjusted EBITDA. Under the policy, the CFO is required to invest 25% of his post-tax cash annual incentive in Company shares until the shareholding requirement is met.

Long-term incentive

The CFO will be granted an LTIP award of 150% of salary during FY24. Performance against the performance measures and targets set out below will be measured over a three-year performance period to 31 March 2026.

Performance condition	Weighting (% of award)	Minimum threshold (25% of element vests)	Maximum (100% of element vests)
Adjusted EPS growth over the performance period	33.3%	5% CAGR	15% CAGR
Absolute TSR	33.3%	10% CAGR	20% CAGR
Cashflow	33.3%	£15m	£25m

The Committee will have discretion to adjust the formulaic outturn of the annual incentive and LTIP if, for example, it is not deemed to be reflective of underlying performance and wider stakeholder considerations. Clawback and malus provisions will apply.

The Committee

The Remuneration Committee is responsible for reviewing and determining the framework and policy and determining the remuneration of the Executive Directors, in consultation with other Board members as appropriate. The Committee's terms of reference are available on the Group's website. The members of the Committee during the financial year were Alyson Fadil (Chair) and David Wilkinson. The Committee held two meetings during the year, at which both members were present. Korn Ferry was appointed as adviser to the Committee during FY22 and has continued to advise in FY23. Korn Ferry is a signatory to the Remuneration Consultants' Code of Conduct and has confirmed to the Committee that it adheres in all respects to the terms of the Code. Fees accrued for Korn Ferry during the period were £5,000. The Committee is satisfied that the advice it received from Korn Ferry is objective and independent.



Meet our people

Heather Southam
Head of Human
Resources

“ During my time at Marks Electrical, I have overseen significant changes in the employee base with numbers increasing from 130 to more than 250. It has been a pleasure to support the business on its growth journey.

Directors' Report

The Directors have pleasure in presenting the Annual Report and Accounts for the financial year ended 31 March 2023.

Directors

The Directors of Marks Electrical Group plc (the "Company" or "Group") who served during the year ended 31 March 2023 ("the year", "2023" or "FY23") and up to the date that this Directors' report was approved, were:

Marnie Millard OBE

Mark Smithson

Josh Egan

David Wilkinson

Alyson Fadil

Group results

The Group profit for the year, after taxation was £5.2m (2022: £3.3m) including a taxation charge of £1.3m (2022: £0.5m). The financial statements demonstrating the results for the year are set out on pages 84 to 105.

Dividends

In the prior year the Directors recommended a final dividend of 0.67p (£0.7m) per ordinary share, which was paid to shareholders in August 2022. An interim dividend in respect of FY23 was proposed and paid at 0.30p per share (£0.3m) in December 2022 and the Directors recommend a final dividend in respect of FY23 of 0.66p per share (£0.7m), subject to shareholder approval at the forthcoming annual general meeting ("AGM").

Articles of association

The Company's articles of association are available on the Group's website group.markselectrical.co.uk or alternatively available on request from the Company Secretary.

Share capital and significant shareholders

The Company has one class of ordinary shares, and each share entitles the holder to one vote at annual general meetings and other general meetings. Details of shares in issue are disclosed in Note 20 to the consolidated financial statements.

At 31 March 2023 the following significant shareholdings had been notified to the Company. No further notifications had been received as at 7 July 2023, being the latest practicable date prior to the publication of this report.

Shareholder	Number of Shares	%
Mark Smithson	77,278,181	73.6%
Cannacord Genuity Limited	5,750,000	5.5%
Stancroft Trust Limited	5,454,545	5.2%
Octopus Investments Nominees Limited	3,668,369	3.5%

The interests of Mark Smithson include 3,000,000 ordinary shares held in his capacity as trustee of the Mark Smithson Family Trust, 1,002,727 ordinary shares held by his son Jack Smithson, and 1,002,727 ordinary shares held by his son Oliver Smithson.

Directors' interests

Details of the Directors' interests in the Company are disclosed in the Directors' Remuneration Report on page 60.

Directors' indemnities

Directors' and officers' insurance cover has been maintained for all Directors to provide appropriate cover for their reasonable actions on behalf of the Company. The Directors have the benefit of an indemnity covering them, to the extent permitted by law, any third-party liabilities that they may incur as a result of their service on the Board. The provision, which is a qualifying third-party indemnity provision (as defined by section 234 of the Companies Act 2006), was in force during the year and remains in force for all current Directors of the Company.

Financial risk management

The Directors' assessment of the principal risks and uncertainties facing the Group are discussed on pages 28 to 31 under the Principal Risks and Uncertainties section.

Credit risk

In the opinion of the Directors, the financial instruments that are subject to credit risk are the trade receivables and rebates receivable. The Directors believe that the Expected Credit Loss provision as disclosed in Note 15 to the financial statements represents the Directors' best estimate of the maximum exposure to credit risk at year end.

Liquidity risk

The Directors believe that the receivables are not impaired and that the owing companies have sufficient net assets to repay the balances. Therefore, the Directors believe that liquidity risk is minimal.

Cash flow risk

The Directors maintain detailed cash flow forecasts which are frequently revised to actuals to ensure that the Group has sufficient liquid resources to meet its requirements.

Price risk

The Directors believe that pricing risk is low given the nature of products the Group sells and stability of the MDA market. Strong supplier relationships and bespoke pricing tools enable the Group to remain competitive and profitable.

Branches

The Group does not have any branches outside of the UK.

Matters included in the strategic report

As permitted by s.414C(11) of the Companies Act 2006 (the "Act"), the Directors have elected to include the following matters, which would otherwise be required to be disclosed in the Directors' report under section 416(4) of the Act, to be disclosed in the strategic report, as the Directors consider them to be of strategic importance to the Company:

- Chief Executive Officer's review pages 4 to 7
- Business model pages 16 to 17
- Strategy pages 18 to 23
- Market and Industry 24 to 27
- Key performance indicators pages 12 to 15
- Sustainability report pages 38 to 46
- Financial review and outlook pages 8 to 11
- Principal risks and uncertainties 28 to 31

Going concern

During the year, the Group faced a challenging backdrop with the total online MDA market being down 5.7%. Despite this, the Group has delivered 21.5% revenue growth and an adjusted EBITDA margin of 7.7%. Management have performed a detailed outlook, covering the period to 31 July 2024, to aid in assessing the Group's ability to report as a going concern.

A base-case financial forecast was prepared and was then stress tested through key sensitivities to assess the likelihood of cash flow issues and mitigating actions that could be taken to ensure the Group remains a viable business. In making these assessments the Directors have considered the following:

- The Group's financial position as at 31 March 2023;
- The projected trading cash flow in the forecast period;
- Financial commitments, including leases; and
- The flexibility of the Group's business model and working capital arrangements.

The Directors have reviewed management's detailed forecast to 31 July 2024, along with the sensitivities, and determine the Group is a going concern.

Directors' Report continued

Base-case scenario – The base-case scenario reflects market forecasts and current consensus and conforms to management's growth strategy. This scenario gives ample cash headroom without any mitigating action required by management.

Worst-case scenario – The worst-case scenario applies significant downside sensitivities on revenue and gross margin, both sensitivities being deemed remote by management. Under this scenario mitigating actions would be required by management but could be swiftly and easily achieved through working capital and marketing spend adjustments.

In total, eight stress tests were performed on the base case with varying severities and multiple combinations; the worst-case scenario referenced above was the only scenario where mitigating action would have been required. In the worst-case scenario revenue was forecast to be 4.6% lower than FY23 levels with a 5.0% reduction in gross margin and a 10% increase in distribution costs. The mitigating responses that would be necessary are short-term working capital management and short-term reduction in marketing spend, which are not considered to have any long-term impacts on the Group's performance.

In addition, management has not considered potential use of debt facilities in the form of term loans or revolving credit facilities. The Group does not currently have access to debt facilities, but it could be explored if necessary and should these be added, the cash flow mitigation actions may not be required if the downturn is temporary.

With reference to the considerations noted above, the Directors believe the likelihood of the worst-case scenarios occurring is remote and should this happen, the Group is well equipped to respond expeditiously to mitigate the impact. With reflection on these forecasts and having made appropriate enquiries, the Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and have therefore continued to adopt the going concern basis in preparing the financial statements.

Cautionary statement

This Annual Report and Accounts contains forward-looking statements. These forward-looking statements are not guarantees of future performance; rather, they are based on current views and assumptions as at the date of this Annual Report and Accounts and are made by the Directors in good faith based on the information available to them at the time of their approval.

Post-balance sheet events

No reportable post-balance sheet events have occurred at the point of signing these financial statements.

Change of control

The Directors are not aware of any arrangements in place that later may result in a change of control of the Company.

Political donations

The Group did not make any political donations or incur any political expenditure during the year ended 31 March 2023 or up to the date of signing these financial statements.

Stakeholder engagement

The section 172 statement on page 32 discusses the relationships and engagement with the Group's key stakeholders.

Streamlined Energy and Carbon Reporting

The Group's energy and carbon reporting is set out under the sustainability report on page 44.

Disclosure of information to the auditor

The Directors in office at the date this Directors' report was approved have each confirmed that, so far as they are aware, there is no relevant audit information of which the Group's auditor is unaware and each Director has taken all the steps he/she ought to have taken as a Director to make himself/herself aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Auditor

BDO LLP has signified its willingness to continue in office as auditor to the Group. The Group is satisfied that BDO LLP is independent and there are adequate safeguards in place to protect its objectivity. A resolution to reappoint BDO LLP as the Group's auditor will be proposed at the 2023 AGM.

This Directors' report was approved by the Board of Directors on 7 July 2023.

For and on behalf of the Board:



Josh Egan
Chief Financial Officer
7 July 2023

Directors' Responsibilities Statement

The Directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors are required to prepare the group and Company financial statements in accordance with UK adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and Company and of the profit or loss of the group for that period.

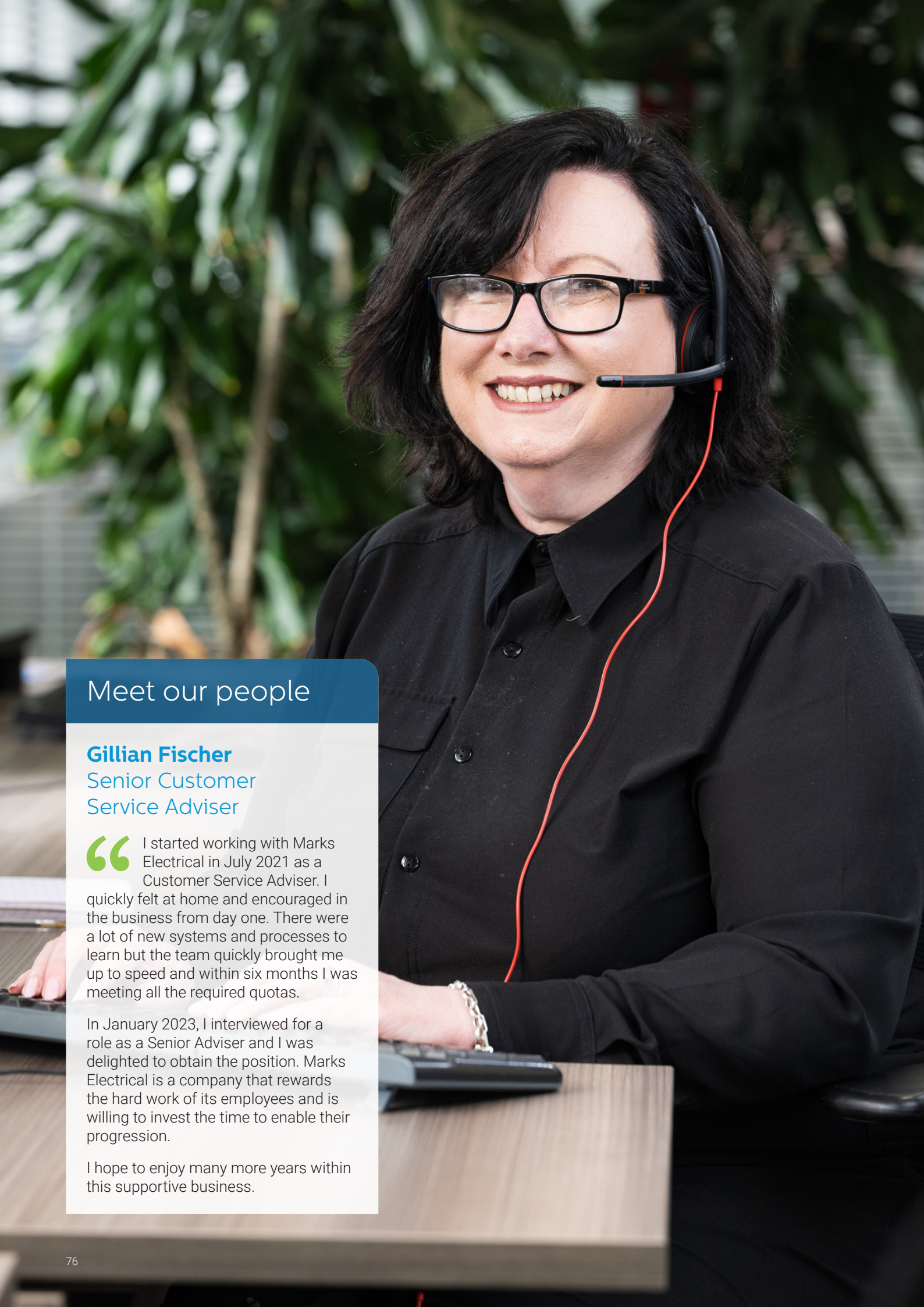
In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with UK adopted international accounting standards subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website publication

The Directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the Company's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the Company's website is the responsibility of the Directors. The Directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.



Meet our people

Gillian Fischer Senior Customer Service Adviser

“ I started working with Marks Electrical in July 2021 as a Customer Service Adviser. I quickly felt at home and encouraged in the business from day one. There were a lot of new systems and processes to learn but the team quickly brought me up to speed and within six months I was meeting all the required quotas.

In January 2023, I interviewed for a role as a Senior Adviser and I was delighted to obtain the position. Marks Electrical is a company that rewards the hard work of its employees and is willing to invest the time to enable their progression.

I hope to enjoy many more years within this supportive business.

FINANCIAL STATEMENTS

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Independent Auditor's Report

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 March 2023 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.

We have audited the financial statements of Marks Electrical Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 March 2023 which comprise the consolidated statement of comprehensive income, the consolidated and company statements of financial position, the consolidated and company statements of changes of equity, the consolidated cash flow and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and UK adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 *Reduced Disclosure Framework* (United Kingdom Generally Accepted Accounting Practice).

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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain 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.

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:

- We evaluated the Directors trading and cash flow budgets and forecasts, which covered the period to 31 July 2024. This included gaining an understanding of the key estimates and judgements and the evidence supporting them. In doing so, we specifically considered the principal trading and cash flow assumptions with reference to historic performance and post year-end trading results, and challenged the Directors on key aspects, including the revenue forecasts, margins and changes in the cost base. Our work also included an assessment of the potential impact of ongoing economic and geo-political events;
- We challenged the alternative scenarios modelled by the Directors to assess potential sensitivities, considering whether they were reasonable and appropriate and taking into consideration all reasonably foreseeable events and circumstances;
- We performed data verification and logic checks to confirm the mathematical accuracy of the forecast models; and
- We reviewed the disclosures in the financial statements to check that they are in accordance with the Directors' going concern assessment.

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 and 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.

Overview

Coverage	100% (2022: 100%) of Group profit before tax 100% (2022: 100%) of Group revenue 100% (2022: 100%) of Group total assets
Key audit matters	Valuation of fixed asset investments 2023 • 2022 •
Materiality	<i>Group financial statements as a whole</i> £297,000 (2022: £315,000) based on 5% (2022: 5%) of adjusted profit before tax

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

The Group manages its operations from one single location in Leicestershire, UK. At the statement of financial position date, the Group consisted of the Parent Company and one active subsidiary (Marks Electrical Limited, based in the UK).

The Group engagement team have carried out full scope audit procedures on Marks Electrical Limited, being the only significant component. This work provided the evidence required to form our opinion on the Group financial statements as a whole. In addition, a full scope audit was performed on the Parent Company for statutory reporting purposes.

Key audit matters

Key audit matters are those matters that, in our professional judgement, 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) that 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.

Key audit matter	How the scope of our audit addressed the key audit matter	
<p>Valuation of fixed asset investments</p> <p>The Group's accounting policy is described in Note 2 with further analysis of the Group's Investments balances included in Note 12</p>	<p>The Group's fixed asset investment of £1,716,000 relates to shares held in Combined Independents (Holdings) Limited ("CIH") in accordance with a membership agreement. This investment is unlisted and held at fair value, which is determined annually based on a statement received from CIH detailing the value of shares along with distributable income.</p> <p>We identified that the investment met the criteria for a Level 3 valuation under IFRS 13 Fair Value Measurement, based on the lack of quoted prices or other observable inputs (such as market corroborated inputs or implied volatilities). Changes in the assumptions used to determine the fair value of the investment may have a material impact on the financial statements.</p> <p>Due to the timing of the approval of the financial statements, Management have not been able to obtain the annual 'Members Funds Statement' from CIH which confirms the value of the investment as at 31 March 2023. Therefore, Management have used historical results to estimate a share of profits that the Group may be entitled to for the year-ended 31 March 2023.</p> <p>We identified the valuation of the fixed asset investment to be a significant risk of material misstatement and therefore a key audit matter due to the judgement and estimation uncertainty involved in determining the value of the investment as at 31 March 2023.</p>	<p>We obtained management's calculation to support the estimation of the Group's valuation of the investment in CIH at 31 March 2023. To test the accuracy of the calculations we agreed the inputs to the CIH Members Fund Statement as at 31 March 2022 and agreed CIH sales and profit figures to publicly available financial statements.</p> <p>To assess the reasonableness of management's calculations used in the estimation, a range of possible outcomes was determined by performing sensitivity testing on the assumptions in management's model. These alternative assumptions involved using the actual level of purchases made from CIH for the year ended 31 March 2023, and applying the average percentage profit share achieved by the Group relative to the historic level of purchases in prior years.</p> <p>We also assessed the historical accuracy of management's estimate by comparing the prior year valuation to the CIH Members Fund Statement as at 31 March 2022.</p> <p>Key observations:</p> <p>Based on the procedures performed, we are satisfied that the valuation of fixed asset investments is within a reasonable range.</p>

Independent Auditor's Report

continued

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent Company financial statements	
	2023 £	2022 £	2023 £	2022 £
Materiality	297,000	315,000	4,878,000	299,000
Basis for determining materiality	5% of adjusted profit before tax*		3% of net assets	Based on net assets, capped at 95% of Group materiality
Rationale for the benchmark applied	Adjusted profit before tax is considered an appropriate benchmark as it is the key performance measure used by stakeholders to assess the Group's performance.		Net assets is considered an appropriate benchmark given the parent company's principal activity is to manage the investment in Marks Electrical Limited which is eliminated in full on consolidation	Calculated as a percentage of Group materiality for Group reporting purposes, taking account of the aggregation risk.
Performance materiality	193,000	205,000	3,170,000	194,000
Basis for determining performance materiality	Performance materiality for the Group and Parent Company has been based upon 65% (2022: 65%) of materiality as there have been no significant changes in the Group's and Parent Company's operations and also taking into consideration the level of expected known and likely misstatements based on past experience and no history of significant internal control deficiencies.			

* Adjusted profit before tax is calculated as the Group profit before tax excluding gains on revaluation of fixed asset investments.

Specific materiality

We also determined that for Profit and Loss account balances in the Parent Company financial statements, which do not eliminate on consolidation, a misstatement of less than materiality for the financial statements as a whole could influence the economic decisions of users. As a result, we determined a specific materiality for these items capped at 95% of Group materiality, being £282,000. We further applied a performance materiality level of 65% of specific materiality to ensure that the risk of errors exceeding specific materiality was appropriately mitigated, being £183,000.

Component materiality

We set materiality for each significant component of the Group based on a percentage of Group materiality dependent on the size and our assessment of the risk of material misstatement in that component. Marks Electrical Limited was considered to be the only significant component and materiality was set at £282,000 (2022: £299,000) for this component, capped at 95% (2022:95%) of Group materiality.

We applied performance materiality levels of 65% (2022: 65%) to the component materiality for our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit and Risk Committee that we would report to them all individual audit differences in excess of £5,900 (2022: £10,000). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts 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.

Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> • 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. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> • 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, 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's 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 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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 extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

Independent Auditor's Report

continued

Non-compliance with laws and regulations

Based on:

- Our understanding of the Group and the industry in which it operates;
- Discussion with management and the Audit and Risk Committee about their own identification and assessment of the risk of non-compliance with laws and regulations;
- Obtaining and understanding of the Group's policies and procedures regarding compliance with laws and regulations; and
- Our understanding of the internal controls established to mitigate risks related to non-compliance with laws and regulations

we considered the significant laws and regulations to be UK adopted international accounting standards, UK GAAP, the Companies Act 2006, Corporate and VAT legislation and Employment Taxes.

The Group is also subject to laws and regulations where the consequence of non-compliance could have a material effect on the amount or disclosures in the financial statements, for example through the imposition of fines or litigations. In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Group and Parent Company's ability to operate or to avoid a material penalty. We identified such laws and regulations to be Health and Safety, Driver licensing, The Transport Act 1968, The Road Transport (Working Time) Regulations 2005, Road Transport Directive, Vehicle Excise Duty, Working Time Directive, Consumer Credit Act, Waste from Electrical and Electronic Equipment Directive and the Bribery Act 2010.

Our procedures to respond to the risks identified included the following:

- Review of correspondence with relevant authorities to identify any irregularities or instances of non-compliance with laws and regulations;
- Review of minutes of meeting of those charged with governance for any instances of non-compliance with laws and regulations;
- Review of financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations;
- Enquiring of management, the Audit and Risk Committee and in-house specialists and external legal counsel concerning potential litigation and claims;
- Review of the Group's accounting policies for non-compliance with relevant standards and;
- Review of legal expenditure accounts to understand the nature of expenditure incurred.

Fraud

We assessed the susceptibility of the financial statements to material misstatement, including fraud. Our risk assessment procedures included:

- Enquiry with management and the Audit and Risk Committee regarding any known or suspected instances of fraud;
- Obtaining an understanding of the Group's policies and procedures relating to:
 - Detecting and responding to the risks of fraud; and
 - Internal controls established to mitigate risks related to fraud.
- Review of minutes of meeting of those charged with governance for any known or suspected instances of fraud;
- Discussion amongst the engagement team as to how and where fraud might occur in the financial statements; and
- Performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud.

Based on our risk assessment, we considered the areas most susceptible to fraud to be management override of controls and revenue recognition via manipulation through the use of manual journals, incorrect recognition of customer advances and via fictitious sales invoices.

Our procedures in respect of the above included:

- Testing the appropriateness of accounting journals, including those relating to the consolidation process, and other adjustments made in the preparation of the financial statements. We used data assurance techniques to identify and analyse the complete population of all journals in the year to identify and test, through corroboration to supporting documentation, any which we considered were indicative of management override;
- Examining the revenue accounts to identify journals or other adjustments and corroborated these with supporting documentation to assess their validity;
- Testing the application of the revenue recognition policies, including vouching a sample of revenue transactions to supporting documentation and where relevant checking that amounts have been recognised as customer advances balances;
- Review of significant accounting estimates for evidence of misstatement or possible bias, including that set out in the key audit matters section of our report, and testing any significant transactions that appeared to be outside the normal course of business; and

- Performing data analytics procedures to gain assurance over the existence and accuracy of revenue, including a reconciliation of web sales to general ledger sales and agreeing a sample of sales transactions to delivery documentation.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members who were all deemed to have appropriate competence and capabilities and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed 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 are to become aware of it.

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.

Laurie Hannant

(Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor
Nottingham, UK

7 July 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated statement of comprehensive income

Year ended 31 March 2023

	Notes	Year ended	Year ended 31 March 2022		
		31 March 2023	Underlying	Non-underlying	Statutory
		Statutory	£000	£000	£000
		£000			£000
Revenue	4	97,754	80,478	–	80,478
Cost of Sales		(78,792)	(64,583)	–	(64,583)
Gross profit		18,962	15,895	–	15,895
Administrative expenses		(13,024)	(9,584)	–	(9,584)
Operating exceptional charges		–	–	(2,676)	(2,676)
Total administrative expenses		(13,024)	(9,584)	(2,676)	(12,260)
Operating profit		5,938	6,311	(2,676)	3,635
Finance income	9	71	–	–	–
Fair value gains	12	481	195	–	195
Finance expenses	9	(67)	(65)	–	(65)
Profit before income tax		6,423	6,441	(2,676)	3,765
Tax on profit	10	(1,266)	(1,028)	551	(477)
Profit for the financial year		5,157	5,413	(2,125)	3,288
Total comprehensive income for the period		5,157	5,413	(2,125)	3,288
Earnings per share					
Statutory basic and diluted earnings per share	3	4.91p			3.22p

The notes on pages 88 to 105 are an integral part of these consolidated financial statements.

All the results arise from continuing operations.

Consolidated statement of financial position

At 31 March 2023

	Notes	At 31 March 2023 £000	At 31 March 2022 £000
Assets			
Non-current assets			
Property, plant and equipment	13	1,559	841
Right-of-use assets	18	1,418	2,328
Investments	12	1,716	1,293
		4,693	4,462
Current assets			
Inventories	14	14,200	14,389
Trade and other receivables	15	3,982	2,627
Cash and cash equivalents	16	9,972	3,872
		28,154	20,888
Total assets		32,847	25,350
Liabilities			
Current liabilities			
Trade and other payables	17	(16,545)	(13,067)
Lease liabilities	18	(921)	(938)
Current tax liabilities		(302)	(145)
		(17,768)	(14,150)
Non-current liabilities			
Lease liabilities	18	(473)	(1,324)
Deferred tax	19	(782)	(466)
Total liabilities		(19,023)	(15,940)
Net assets		13,824	9,410
Shareholders' equity			
Called up share capital	20	1,049	1,049
Share premium	20	4,694	4,694
Treasury shares	20	(4)	(4)
Merger reserve	20	(100,000)	(100,000)
Retained earnings	20	108,085	103,671
Total equity shareholders' funds		13,824	9,410

The notes on pages 88 to 105 are an integral part of these consolidated financial statements.

The financial statements of Marks Electrical Group plc, company number 13509635, were approved by the Board on 7 July 2023 and signed on its behalf by:



Josh Egan
Chief Financial Officer

Consolidated statement of changes in equity

Year ended 31 March 2023

	Note	Called up share capital £000	Share premium £000	Treasury shares £000	Merger reserve £000	Revaluation reserve £000	Retained earnings £000	Total shareholders' equity £000
At 31 March 2021		100,000	–	–	(99,994)	1,235	9,132	10,373
Total comprehensive income for the year		–	–	–	–	–	3,288	3,288
Contributions by and distributions to owners:								
– Issue of shares		49	4,954	(4)	–	–	–	4,999
– Cost of share issue		–	(260)	–	–	–	–	(260)
– Dividends paid		–	–	–	–	–	(3,884)	(3,884)
– Dividends in specie		–	–	–	–	–	(5,175)	(5,175)
– Capital reduction		(99,000)	–	–	–	–	99,000	–
– Cancellation of eShares		–	–	–	(6)	–	–	(6)
– Share options and LTIP charge		–	–	–	–	–	75	75
Sale of property		–	–	–	–	(1,235)	1,235	–
At 31 March 2022		1,049	4,694	(4)	(100,000)	–	103,671	9,410
Total comprehensive income for the year		–	–	–	–	–	5,157	5,157
Contributions by and distributions to owners:								
– Dividends paid	11	–	–	–	–	–	(1,017)	(1,017)
– Share options and LTIP charge	24	–	–	–	–	–	274	274
At 31 March 2023		1,049	4,694	(4)	(100,000)	–	108,085	13,824

The notes on pages 88 to 105 are an integral part of these consolidated financial statements.

All the results arise from continuing operations.

Consolidated cash flow

Year ended 31 March 2023

	Notes	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Cash flows from operating activities			
Profit for the year		5,157	3,288
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	13	326	189
Depreciation of right-of-use assets	18	1,021	689
Profit on disposal of property, plant and equipment	7	(41)	(17)
Fair value gains	12	(481)	(195)
Share-based payment expense	24	304	75
Interest (income)/expense	9	(4)	65
Taxation charged	10	1,266	477
Release of provisions		–	(155)
Movements in working capital:			
Decrease/(increase) in inventories		189	(2,957)
(Increase)/decrease in receivables		(1,345)	212
Increase in payables		3,461	4,927
Cash flow generated from operations		9,853	6,598
Corporation tax paid		(784)	(2,042)
Net cash flow generated from operations		9,069	4,556
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(1,049)	(583)
Deposits on right-of-use assets		(33)	(304)
Proceeds from sale of property, plant and equipment		45	65
Income from investments	12	58	48
Interest received		61	–
Net cash used by investing activities		(918)	(774)
Cash flows from financing activities			
Interest paid		–	(11)
Issue of ordinary share capital		–	4,739
Repayment of borrowings		–	(1,537)
Interest paid on lease liabilities	18	(67)	(54)
Principal repayment of lease liabilities		(967)	(656)
Equity dividends paid	11	(1,017)	(3,884)
Net cash used by financing activities		(2,051)	(1,403)
Net increase in cash and cash equivalents		6,100	2,379
Cash and cash equivalents at the beginning of the year	16	3,872	1,493
Cash and cash equivalents at end of the year	16	9,972	3,872

The notes on pages 88 to 105 are an integral part of these consolidated financial statements.

Notes to the financial statements

Year ended 31 March 2023

1. General Information

The financial statements of Marks Electrical Group plc (the "Company") for the year ended 31 March 2023 were authorised for issue by the Board of Directors on 7 July 2023 and signed on its behalf by Josh Egan.

The Company is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 13509635). The Company is domiciled in the United Kingdom and its registered address is 4 Boston Road, Leicester, LE4 1AU. The Company's ordinary shares are listed on the AIM market, of the London Stock Exchange.

The principal activity of the Company and its subsidiaries (the "Group") throughout the period is the supply of domestic electrical appliances and consumer electronics in the United Kingdom.

2. Accounting policies

2.1 Basis of preparation

This consolidated financial information has been prepared in accordance with UK adopted international accounting standards.

There are no new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have a material effect on the Group's future financial statements.

The financial information has been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies. The financial information and the notes to the financial information are presented in thousands (£'000) except where otherwise indicated. The functional and presentation currency of the Group is pound sterling.

The policies have been consistently applied to all periods presented, unless otherwise stated.

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2 Going concern

The Group has traded positively during the year, delivering sales growth of 21.5%, whilst maintaining a 6.1% operating margin and net cashflow of £6.1m.

Management have prepared detailed financial projections for the period to 31 July 2024. These projections are based on the Group's detailed annual business plan. Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections in order to estimate the impact of severe but plausible downside risks.

The key sensitivity assumptions applied include:

- A material slow-down in e-commerce sales;
- A significant increase in input costs, including goods sold and distribution costs.

Mitigating actions available to the Group were applied and the Board challenged the assumptions used.

The Board of Directors has completed a rigorous going concern assessment and taken the following actions to test or enhance the robustness of the Group's liquidity levels for the period to 31 July 2024. As part of its assessment, the Board has considered:

- The cash flow forecasts and the revenue projections for the Group
- Reasonably possible changes in trading performance, including severe yet plausible downside scenarios
- An assessment of historical forecasting accuracy by comparing forecast cash flow to those actually achieved by the Group
- The Group's robust policy towards liquidity and cash flow management
- The Group's ability to successfully manage the principal risks outlined in this report
- The current cost of living crisis
- Inflation pressures facing the Group and its employees

In total, eight stress tests were performed on the base case with varying severities and multiple combinations, the worst-case scenario referenced above was the only scenario where mitigating action would have been required. In the worst-case scenario revenue was forecast to be 4.6% lower than FY23 levels with a 5.0% reduction in gross margin and a 10% increase distribution costs. The mitigating responses that would be necessary are, short-term working capital management and short-term reduction in marketing spend, which are not considered to have any long-term impacts on the Group's performance.

After reviewing the forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Group has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

2.3 New standards, amendments and interpretations

The Group has applied all UK adopted international accounting standards that are effective for the years ended 31 March 2023 and 31 March 2022.

New standards, amendments and interpretations not yet adopted

At the date of authorisation of these financial statements, the following standards and interpretations that are relevant to the Group, which have not been applied in these financial statements, were in issue but not yet effective.

	Effective for periods on or after
International Accounting Standards ("IAS")	
Classification of Liabilities as Current or Non-Current – Amendments to IAS 1	01 January 2023
Disclosure of Accounting Policies – Amendments to IAS 1	01 January 2023
Definition of Accounting Estimates – Amendments to IAS 1	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a single transaction – Amendments to IAS 12	01 January 2023
IFRS 16 Leases (Liability in a Sale and Leaseback)	01 January 2024
Presentation of Financial Statements, (classification of Liabilities as Current or Non-current) – Amendments to IAS 1	01 January 2024
Presentation of Financial Statements (Non-current Liabilities with Covenants) – Amendments to IAS 1	01 January 2024

2.4 Consolidation

The Group financial statements include those of the parent Company and its subsidiaries, drawn up to 31 March 2023. Subsidiaries are entities over which the Company obtains and exercises control through voting rights. Income, expenditure, unrealised gains and intra-Group balances arising from transactions within the Group are eliminated.

At the time of the IPO, the acquisition of the trading subsidiaries was achieved by way of share for share exchange and the difference between the par value of the shares issued and the fair value of the cost of investment was recorded as an addition to the merger reserve. The parent company statement of financial position shows a merger reserve of £59,999,999 and an investment of £159,999,998.

On a Group basis, an accounting policy was adopted based on the predecessor method as this is not a business combination but rather a group re-organisation and thus falls outside the scope of IFRS 3. IFRS does not specifically state how group re-organisations are accounted for. Therefore, in accordance with IAS 8, the Directors have considered the accounting for group re-organisations using merger accounting principles, as set out in FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under this method, the financial statements of the parties to the combination are aggregated and presented as though the combining entities had always been part of the same group. The investment by Marks Electrical Group plc in Marks Electrical Limited was eliminated and the difference between the fair value and nominal value of the shares was adjusted through the merger reserve in the Group statement of financial position.

2.5 Investments

The Group holds a fixed asset investment in a buying group of which the Group is a part, and from which it is entitled to a share of profit. The fixed asset investment is made up of an initial buy-in cost plus share of profits accrued since entering the buying group. Each year the buying group provides a statement of earnings for its members and the share of profit they are entitled to. The Group recognise this profit at fair value through the statement of comprehensive income.

2.6 Revenue recognition

Revenue from contracts with customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good or service to a customer. A good or service is transferred when the customer obtains control of that good or service. The transfer of electrical appliances and consumer electronics sold by the Group usually coincides with the delivery of the item to the customer and the customer taking physical possession. The Group principally satisfies its performance obligations at a point in time and recognises revenue on delivery to the customer.

Revenue is measured at the fair value of the consideration received, excluding sales taxes or duty. Revenue includes a provision for anticipated returns, which is based upon historical returns performance.

Amounts received in advance for electrical appliances sales are recorded as contract liabilities (net customer advances) and revenue is recognised as the performance obligations are met.

2.7 Supplier rebates income

Two types of supplier rebates are received from manufacturers, volume rebates and advertising rebates. These rebates are classified in the financial statements as follows:

- Advertising rebates are received from manufacturers for strategic programmes to market their brand. These rebates are recognised directly against advertising costs within administrative expenses.
- Volume rebates are based on a percentage of total purchases, usually linked to achieving agreed purchasing targets. These rebates are initially included with the cost of inventories and recognised in cost of sales upon sale of those inventories.

2.8 Net finance income/(expense)

Finance income/(expense) comprises of bank interest receivable and finance lease interest which are expensed in the period in which they are incurred and reported in finance costs.

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2.9 Current and deferred taxation

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated statement of comprehensive income, except that a charge attributable to an item of income or expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the UK where the Group operates and generates taxable income.

Deferred tax assets and liabilities are recognised where the carrying amount of an asset or liability in the consolidated statement of financial position differs from its tax base, except for differences arising on:

- The initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting or taxable profit.
- Investments in subsidiaries where the Group is able to control the timing of the reversal of the difference and it is probable that the difference will not reverse in the foreseeable future.

Recognition of deferred tax assets is restricted to those instances where it is probable that taxable profit will be available against which the difference can be utilised.

The amount of the asset or liability is determined using tax rates that have been enacted or substantively enacted by the reporting date and are expected to apply when the deferred tax liabilities/(assets) are settled/(recovered).

2.10 Tangible assets

Property, plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, over the shorter of the lease term and the estimated useful life, using the straight-line method. Depreciation is provided on the following straight-line basis:

- Plant and machinery between 3 and 10 years
- Leasehold improvements 10 years
- Freehold property 50 years

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the statement of comprehensive income.

Freehold property and improvements are recorded at fair value less accumulated depreciation. Depreciation is measured over 50 years, effective from the date of each valuation. Valuations are undertaken with sufficient regularity to ensure the carrying amount is not materially misstated. Revaluation movements, and associated deferred tax, are recorded through other comprehensive income to the extent they do not reverse a previous decrease recognised through statement of comprehensive income.

2.11 Leased assets

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether: an identified physically distinct asset can be identified; and the Group has the right to obtain substantially all the economic benefits from the asset throughout the period of use and has the ability to direct the use of the asset over the lease term being able to restrict the usage of third parties as applicable.

All leases are accounted for by recognising a right-of-use asset and a lease liability except for the following which are expensed through the P&L as the lease payments are made:

- Leases of low value assets; and
- Leases with a duration of 12 months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group incremental borrowing rate on commencement of the lease is used.

On initial recognition, the carrying value of the lease liability also includes:

- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option;

- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of the termination option being exercised; and
- right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:
 - lease payments made at or before commencement of the lease;
 - initial direct costs incurred; and
 - the amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. Right-of-use assets are amortised on a straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to make over the revised term, which are discounted at the same discount rate that applied on lease commencement. An equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and in hand and short-term highly liquid deposits which are subject to an insignificant risk of changes in value, including outstanding receipts with payment vendors. Cash in transit relates timing on orders paid for by card that take one working day to clear in the Group's bank account. The cash is recognised when the transaction is processed.

2.13 Inventory

Inventories are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items, as well as provisioning for rebates receivable. Cost is determined using the average costing method. The carrying amount of stock sold is recognised as an expense in the period in which the related revenue is recognised.

The Group holds a specific inventory provision for items that are highlighted as missing when rolling stock counts are performed.

2.14 Financial assets

The Group classifies its financial assets at amortised cost. Management determines the classification of its financial assets at initial recognition.

Financial Assets recognised at amortised cost

The Group's financial assets held at amortised cost comprise trade and other receivables excluding prepayments and cash and cash equivalents in the consolidated statement of financial position.

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold their assets in order to collect contractual cash flows and the contractual cash flows are solely payments of the principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net; such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

2.15 Financial liabilities

The Group measures its financial liabilities at amortised cost. All financial liabilities are recognised in the statement of financial position when the Group becomes a party to the contractual provision of the instrument.

Financial liabilities measured at amortised cost

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

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

Notes to the financial statements

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

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

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

2.16 Impairment of assets

Assets that are subject to depreciation or amortisation are assessed at each reporting date to determine whether there is any indication that the assets are impaired. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units or CGUs).

Where there is any indication that an asset may be impaired, the carrying value of the asset (or CGUs to which the asset has been allocated) is tested for impairment. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's (or CGU's) fair value less costs to sell and value in use. Non-financial assets that have been previously impaired are reviewed at each reporting date to assess whether there is any indication that the impairment losses recognised in prior periods may no longer exist or may have decreased.

2.17 Long-term equity incentive plans

Employees and directors receive remuneration from the Group in the form of share-based payment transactions, whereby they meet performance criteria required by the Group and in consideration receive equity instruments. The cost of the equity-settled transactions is measured by a reference to the fair value at the date of grant and is recognised as an expense in the statement of comprehensive income over the vesting period of the schemes.

Market Value Options and Free Shares (issued on IPO)

A Black-Scholes pricing model is used to measure the fair value of the employee share options using six variables, the volatility, type of option, share price on issue, time, strike price and the risk-free rate. Other conditions which are required to be met in order for an employee to become fully entitled are taken into consideration, such as employee attrition rates.

2022 LTIP

The 2022 LTIP is split into three tranches, EPS, cashflow and TSR. In estimating the EPS and cashflow, management have considered the likelihood of conditions being met based on current forecasts and performance. This has been applied to the share price at the valuation date after stripping out expected future dividends. For the TSR metric, a Monte Carlo simulation model has been used for the valuation, the model is appropriate given the share-based payments are subject to market conditions.

At each statement of financial position date before the vesting date, the cumulative expense is calculated, representing the expired vesting period and the best estimate of the number of equity instruments that will ultimately vest. The movement in the cumulative balance is recognised in the statement of comprehensive income.

2.18 Dividends

Dividends are recognised through equity on the earlier of their approval by the Group's shareholders or their payment. Dividends are distributed based on the realised distributable reserves (within retained earnings) of Marks Electrical Group plc and not based on the Group's retained earnings.

2.19 Operational exceptional charges

The Group presents as exceptional items on the face of the statement of comprehensive income those material items of income and expense which the Directors consider, because of their size or nature and expected non-recurrence, merit separate presentation to facilitate financial comparison with prior periods and to assess trends in financial performance. Exceptional items are included in Administration expenses in the consolidated statement of comprehensive income but not considered to be part of the underlying trading performance of the business.

2.20 Exceptional costs

Non-underlying costs are those that, in management's judgement, should be disclosed by virtue of their nature or amount.

These are exceptional expenses, which will typically include material items that are significant in nature, which are non-recurring and are important to users in understanding the business.

During the year ended 31 March 2022, the Group incurred exceptional one-off expenditure in administrative expenses in relation to historical arrangements (as disclosed in the Admission Document) and its admission to trading on the London Stock Exchange's AIM market. The nature of the costs incurred primarily relate to tax, legal and professional fees, linked to the various workstreams involved in the admission.

2.21 Significant accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Useful economic lives of property, plant and equipment and intangible assets

Property, plant and equipment are depreciated and intangible assets are amortised over their useful lives. Useful lives are based on management's estimates, which are periodically reviewed for continued appropriateness. Changes to estimates can result in variations in the carrying values and amounts charged to the statement of comprehensive income in specific periods.

Fixed asset investments

Estimates and assumptions are used to determine the carrying value of unlisted investments at fair value through statement of comprehensive income. The fixed asset in Combined Independents (Holdings) Limited ("CIH") entitles the Group to a share of profit based on purchases made during any given period. The fixed asset investment is made up of an initial buy-in cost plus share of profits accrued since entering the buying group. Due to the timing of CIH producing their annual results, the Group estimates the current periods profit share based on a percentage of total purchases from CIH. The profits from CIH are seldom distributed, however if the Group were to leave CIH, the total accrued profits including the initial buy-in cost would become payable in full.

Long-term equity incentive plans

In calculating the charge in the statement of comprehensive income for the share-based remuneration for employees and directors, estimates and judgements must be made on various inputs to valuation model to determine a theoretical fair value.

Market Value Options and Free Shares

A Black-Scholes pricing model is used to measure the fair value of the employee share options using six variables, the volatility, type of option, share price on issue, time, strike price and the risk-free rate.

Other conditions which are required to be met in order for an employee to become fully entitled taken into consideration, such as employee attrition rates.

2022 LTIP

In estimating the EPS and cashflow, management have considered the likelihood of conditions being met based on current forecasts and performance. This has been applied to the share price at the valuation date after stripping out expected future dividends. For the TSR metric, a Monte Carlo simulation model has been used for the valuation, the model is appropriate given the share-based payments are subject to market conditions.

Notes to the financial statements

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3. Earnings per share

Statutory earnings per share

(a) Earnings

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Statutory earnings	5,157	3,288

(b) Number of shares

	Year ended 31 March 2023	Year ended 31 March 2022
Basic weighted average number of shares	104,949,050	101,979,620
Dilutive effect of share options and awards	85,183	–
Diluted weighted average number of shares	105,034,233	101,979,620

(c) Earnings per share

	Year ended 31 March 2023	Year ended 31 March 2022
Statutory earnings		
Basic statutory earnings per share	4.91p	3.22p
Diluted statutory earnings per share	4.91p	3.22p

Non-Statutory earnings per share

(a) Earnings

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Statutory earnings	5,157	3,288
Add:		
Exceptional costs net of tax	–	2,125
Share-based payments net of tax	271	–
Less:		
Fair value gains net of tax	(361)	(158)
Adjusted earnings	5,067	5,255

(b) Number of shares

	Year ended 31 March 2023	Year ended 31 March 2022
Basic weighted average number of shares	104,949,050	104,949,050
Dilutive effect of share options and awards	85,183	–
Diluted weighted average number of shares	105,034,233	104,949,050

(c) Earnings per share

	Year ended 31 March 2023	Year ended 31 March 2022
Adjusted earnings		
Basic adjusted earnings per share*	4.83p	5.01p
Diluted statutory earnings per share	4.82p	5.01p

Adjusted earnings per share is a non-statutory measure the Group is using to provide comparability and ease of understanding to the users of the financial statements. This includes adjustments to the earnings and the number of shares.

Adjusted earnings exclude all exceptional items, expenses relating to share-based payments, plus the add back of the revaluation in the investment of the Group's buying group disclosed in Note 12. Adjusted earnings per share for the year ended 31 March 2022 did not exclude the share-based payment charge of £75,000, the impact of excluding this charge would have increased adjusted earnings per share to 5.08p. This earnings measure is consistent with other adjusted measures and is disclosed in the definitions on page 114.

The number of ordinary shares as at 5 November 2021 through to 31 March 2022 have been used as the basis for the prior period's adjusted earnings per share calculation. The shares in issue since IPO represents an indication of the future weighted average number of ordinary shares for evaluating the performance of the Group.

The number of ordinary shares during the year ended 31 March 2023 have remained constant.

The 85,183 shares that have been treated as potentially dilutive, relate to employee share options. The options are dependent on contingent criteria being met and this tranche had met the criteria at the year end. No further options had met the performance criteria at the year end therefore no further dilution is required. See Note 24 for further details on share options.

4. Revenue

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
United Kingdom	97,754	80,478

All of the Group's revenue is recognised 'at a point in time', with none recognised 'over time' for each of the years presented. The revenue throughout the year relates to the sale of major domestic electrical appliances, consumer electronics, warranty products, the provision of installation and connection services and delivery fees.

All revenue was derived in the UK and the Group had no customers with revenue greater than 10% of total revenue in each reporting period.

In all material respects, contract liabilities in the form of customer advances at 1 April 2021 and 1 April 2022 were recognised as revenue during the respective following years. Other than business-as-usual movements there were no significant changes in contract liability balances during the year.

See point 2.6 in the accounting policies for further detail of revenue recognition policy under IFRS 15.

5. Operating segments

IFRS 8 'Operating Segments' requires the Group to determine its operating segments based on information which is provided internally. Based on the internal reporting information and management structures within the Group, it has been determined that there is only one operating segment, being the Group, as the information reported includes operating results at a consolidated Group level only. There is also considered to be only one reporting segment, which is the Group, the results of which are shown in the consolidated statement of comprehensive income.

Management has determined that there is one operating and reporting segment based on the reports reviewed by senior management which is the chief operating decision-maker. Senior management is made up of Executive Directors and heads of departments. Senior management is responsible for the strategic decision-making of the Group.

6. Employee Remuneration

Employee benefit expenses (including Directors) comprise:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Wages and salaries	8,269	5,648
Social security contributions and similar taxes	758	442
Pension benefits	169	107
Share-based payment charge (see Note 24)	274	75
	9,470	6,272

The average number of persons employed by the Group (including Directors) by activity amount to:

	Year ended 31 March 2023	Year ended 31 March 2022
Administration	56	45
Operations	35	27
Distribution	137	85
	228	157

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Note 6 continued

Key management personnel compensation

Key management personnel include all Executive Directors and Non-Executive Directors of the Company, who together have authority and responsibility for planning, directing, and controlling the activities of the Group. There are no key management personnel other than the Directors of the Company.

The disclosures below include the Directors' salary for the current and prior year, where they were employed by the Company. The Directors' remuneration specific to Marks Electrical Group plc is disclosed on pages 60-70 within the Directors' Remuneration Report.

An analysis of the Company's Directors' remuneration is as follows:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Director emoluments	1,024	494
Exceptional emoluments ¹	294	1,386
Share-based payment charge	115	37
Social security contributions and similar taxes	187	258
Benefits in kind	2	3
Pension benefits ²	17	13
	1,639	2,191

Remuneration disclosed above includes the following amounts paid to the highest paid Director:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Director emoluments	476	273
Exceptional emoluments	294	1,186
Social security contributions and similar taxes	112	201
Benefits in kind	1	2
Pension benefits ²	9	1
	892	1,663

1 Exceptional emoluments paid in the year amounted to £294,000. This was a one-off payment to Mark Smithson for Section 455 tax returned to Marks Electrical Limited in relation to overpaid corporation tax when Mark Smithson was 100% shareholder. This amount was fully accrued and expensed in the year ended 31 March 2022 with a corresponding credit within corporation tax.

In the prior year, this included a one-off payment to Mark Smithson of £1,186,000 in line with an indemnity agreement for historical tax schemes (see the Directors' Remuneration Report on pages 60-70 for further details) and a one-off bonus of £200,000 paid to Josh Egan in relation to the IPO.

2 Mark Smithson opted to take his 3% Company pension contribution (£9,000) as cash in lieu of contributions to a pension scheme. All payments were subject to relevant taxes.

7. Other operating expenses

Operating profit is stated after charging/(crediting):

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Depreciation of property, plant and equipment	326	189
Depreciation of right-of-use assets	1,021	689
Profit on disposal of property, plant and equipment	(41)	(17)

8. Auditor's remuneration

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Audit Services		
Statutory audit of parent Company and consolidated financial statements	27	43
Statutory audit of the Company's subsidiaries pursuant to legislation	118	90
Total audit service fees	145	133
Non audit services		
Reporting accountant fees	–	250
Total non-audit service fees	–	250
Total fees	145	383

9. Finance income and expense

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Finance Income		
Bank interest receivable	71	–
Total finance income	71	–

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Finance Expense		
Interest on bank loans and overdrafts	–	11
Interest on lease liabilities	67	54
Total finance expense	67	65

10. Taxation

Income tax expense is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year applied to the pre-tax income of the period. The income tax expense for the year ended 31 March 2023 is £1,266,000 (2022: £477,000). The Group's adjusted consolidated effective tax rate for the year ended 31 March 2023 is 19.7% (2022: 13.0%).

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Analysis of expense in year		
Current tax on profits for the year	1,002	966
Adjustments in respect of previous years	(51)	(338)
Total current tax	951	628
Deferred tax		
Origination and reversal of temporary differences	247	(148)
Adjustments in respect of prior years	68	(3)
Total deferred tax	315	(151)
Total tax charge	1,266	477

The tax expense for the periods presented differ from the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Profit on ordinary activities before tax	6,423	3,765
Corporation tax at standard rate 19% (2022: 19%)	1,220	715
Effects of:		
Expenses not deductible for tax purposes	58	302
Income not taxable for tax purposes	(91)	(37)
Fixed asset capital allowances and restructuring	(53)	(11)
Capital gains/(losses)	80	(263)
Adjustments to tax charge in respect of previous periods	17	(341)
Temporary difference not recognised in the computation	(24)	
Effect of tax rate change on deferred tax	59	112
Total taxation charge	1,266	477

The Finance Act 2021, which received Royal Assent on 10 June 2021, increased the corporation tax rate from 19% to 25% from 1 April 2023.

Notes to the financial statements

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11. Dividends

	Year ended 31 March 2023 £000	Year ended 31 March 2022 £000
Dividends paid during the year:		
Final dividend for 2022: 0.67p (2021: 3.88p)	703	3,884
Interim dividend for 2023: 0.30p	314	–
Dividend in Specie ¹ (2022: 5.18p per share)	–	5,175
Dividends paid ²	1,017	9,059
Final dividend for 2023 ³ : 0.66p (2022: 0.67p)	693	703

- The dividend in specie in the prior year related to a group restructure prior to Admission, the consideration for the dividend in specie was the transfer of 100% of the share capital of Mavrek Properties Limited (previously an indirect subsidiary of the Group).
- Dividends paid and issued during the period totalled £1,017,277 (2022: £9,059,471). All dividends paid and issued in the prior year, were done so by Marks Electrical Limited not Marks Electrical Group plc and have been disclosed due to first year reporting under merger accounting, refer to the accounting policies for further details.
- The Board is recommending a final dividend of 0.66p per share (£692,664) that will be subject to final approval by shareholders at the 2023 AGM. A dividend payout of 0.96p represents a pay out ratio of 20%, with the 0.66p being a typical two-third share of the annualised amount. The dividend has not been accrued into the consolidated statement of financial position.

12. Investments

	Total £000
At 31 March 2021	1,146
Revaluation gain	195
Distribution received	(48)
At 31 March 2022	1,293
Revaluation gain	481
Distribution received	(58)
At 31 March 2023	1,716

The investment's fair value is determined by Combined Independents (Holdings) Limited in accordance with the membership agreement to which Marks Electrical Limited is party. Please see Note 23 for further details on the fair value measurement.

13. Tangible assets

	Freehold Property £000	Leasehold Improvements £000	Plant and Machinery £000	Total £000
Cost				
At 31 March 2021	5,208	–	776	5,984
Additions	5	20	558	583
Disposals	(5,213)	–	–	(5,213)
At 31 March 2022	–	20	1,334	1,354
Additions	–	131	918	1,049
Disposals	–	–	(10)	(10)
At 31 March 2023	–	151	2,242	2,393
Accumulated depreciation and impairment				
At 31 March 2021	–	–	361	361
Charged in the year	37	–	152	189
Depreciation on disposals	(37)	–	–	(37)
At 31 March 2022	–	–	513	513
Charged in the year	–	27	299	326
Depreciation on disposals	–	–	(5)	(5)
At 31 March 2023	–	27	807	834
Net book value at 31 March 2023	–	124	1,435	1,559
Net book value at 31 March 2022	–	20	821	841

14. Inventories

	At 31 March 2023 £000	At 31 March 2022 £000
Finished goods and goods for resale	14,200	14,389

No impairment loss (2022: £nil) was recognised during the year against inventories.

During the year, the cost of inventory recognised as an expense was £70,668,000 (2022: £58,603,000).

15. Trade and other receivables

	At 31 March 2023 £000	At 31 March 2022 £000
Amounts falling due within one year:		
Trade and other receivables	3,368	2,257
Prepayments	614	370
Total trade and other receivables	3,982	2,627

There are no expected credit losses for the year ended 31 March 2023 (FY22: £nil).

Included within trade and other receivables is, rebates receivable of £3,196,000 (2022: £2,139,000), other debtors of £103,000 (2022: £50,000) and trade debtors of £69,000 (2022: £68,000).

16. Cash and cash equivalents

	At 31 March 2023 £000	At 31 March 2022 £000
Cash at bank and in hand	9,301	3,365
Cash in transit	671	507
Total cash and cash equivalents	9,972	3,872

17. Trade and other payables

	At 31 March 2023 £000	At 31 March 2022 £000
Amounts falling due within one year:		
Trade payables	12,286	8,331
Other payables	1,856	2,359
Accruals	1,290	1,487
Other taxation and social security	1,113	890
Total trade and other payables	16,545	13,067

Other payables consists of net customer advances £1,811,000 (2022: £2,248,000), wages and pension liability £45,000 (2022: £68,000) and other payables of £nil (2022: £43,000).

18. Right-of-use assets and lease liabilities

The Group leases a number of assets in the jurisdictions from which it operates, with all lease payments fixed over the lease term.

	At 31 March 2023 £000	At 31 March 2022 £000
Number of active leases	33	35

On a case-by-case basis, the Group will consider whether the absence of a break clause would expose the Group to excessive risk. Typically, factors considered in deciding to negotiate a break clause include:

- The length of the lease term;
- The economic stability of the environment in which the property is located; and
- Whether the location represents a new area of operations for the Group. The Group does not expect to exercise any break clauses in any of its leases.

Notes to the financial statements

continued

Note 18 continued

The Group uses an incremental borrowing rate of 4% at the commencement date of each lease for freehold property. The Group uses the implicit interest rate of the lease for motor vehicles.

Right-of-use assets	Property £000	Motor Vehicles £000	Total £000
Cost			
At 31 March 2021	616	841	1,457
Additions	1,353	933	2,286
Disposals	–	(89)	(89)
At 31 March 2022	1,969	1,685	3,654
Additions	–	111	111
Disposals	–	(255)	(255)
At 31 March 2023	1,969	1,541	3,510
Accumulated depreciation and impairment			
At 31 March 2021	171	507	678
Charged in the year	385	304	689
Depreciation on disposals	–	(41)	(41)
At 31 March 2022	556	770	1,326
Charged in the year	566	455	1,021
Depreciation on disposals	–	(255)	(255)
At 31 March 2023	1,122	970	2,092
Net book value at 31 March 2023	847	571	1,418
Net book value at 31 March 2022	1,413	915	2,328

Cash deposits for right-of-use assets totalled £33,000 (2022: £304,000).

Lease liabilities	At 31 March 2023 £000	At 31 March 2022 £000
Year 1	965	1,009
Year 2	476	930
Year 3	6	441
Year 4	–	–
Year 5	–	–
Impact of discounting	(53)	(118)
Total liability	1,394	2,262
Presented as:		
Current	921	938
Non-current	473	1,324

Finance costs recognised in the statement of comprehensive income in relation to lease liabilities:

	Year ended March 2023 £000	Year ended March 2022 £000
Interest expense on leases	67	54

19. Deferred tax liabilities

Deferred tax assets and liabilities are offset where they relate to the same tax authority and the Group has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset):

	At 31 March 2023 £000	At 31 March 2022 £000
Accelerated capital allowances	392	146
Disallowable provisions	(36)	–
Revaluation of investments	426	320
Total	782	466
		£000
Deferred tax liability 31 March 2022		466
Origination and reversal of temporary timing difference		189
Adjustments in respect of prior period		68
Effect of tax rate changes on the opening balances		59
Deferred tax liability 31 March 2023		782

The deferred tax liability set out above in relation to accelerated capital allowances is expected to reverse within 24 months. The Finance Bill 2021, published March 2021, announced an increase to the corporation tax rate from 19% to 25% from 1 April 2023. Deferred tax has been recognised at 25%.

20. Share capital and reserves

	At 31 March 2023 Number	At 31 March 2023 £	At 31 March 2022 Number	At 31 March 2022 £
Allotted, called up and fully paid				
Number of ordinary shares of £0.01 each	104,949,050	1,049,491	104,949,050	1,049,491
Total share capital	104,949,050	1,049,491	104,949,050	1,049,491

Share Capital

Share capital comprises the nominal value of the Company's ordinary shares of £0.01 each.

Share premium

The share premium reserve is the premium paid on the Company's £0.01 ordinary shares. During the year ended 31 March 2022 4,545,454 shares were issued for £1.10 each, resulting in a net premium of £4,694,000 consisting of £4,954,000 premium paid less £260,000 placing costs.

Merger reserve

The merger reserve relates to the merger relief under section 612 of the Companies Act 2006, on the acquisition of Marks Electrical Limited, a 100% owned subsidiary of the Company.

On 8 October 2021, Marks Electrical Group plc acquired the 100 ordinary shares (100% of the share capital) in Marks Electrical Limited, in return for the issue of 99,999,999 ordinary shares with a nominal value of £1.00 each, at a price of £1.60 each, bringing the total consideration to £160,000,000. This transaction falls under section 612 of the Companies Act 2006 and merger relief was applied. On consolidation under the predecessor method a merger reserve of £100,000,000 is recognised.

Treasury shares

Treasury reserve relates to shares acquired by the Group's employee benefit trust. At the year end the Group held 403,596 treasury shares (2022: 403,596). Total consideration for the treasury shares was £4,036.

Retained earnings

Retained earnings are the accumulated profits and losses of the Group net of dividends and other adjustments.

21. Commitments and contingencies

The Group had capital commitment of £nil for the acquisition of tangible fixed assets for the year end 2023 (2022: £nil).

Notes to the financial statements

continued

22. Financial instruments

Financial assets

Held at amortised cost

Financial assets measured at amortised cost comprise trade receivables, other receivables and cash. It does not include current tax receivable and prepayments.

	At 31 March 2023 £000	At 31 March 2022 £000
Trade and other receivables	3,368	2,257
Cash and cash equivalents	9,972	3,872
	13,340	6,129

Held at fair value

Financial assets measured at fair value comprise of investments in equity instruments, which are not subsidiaries, associates or joint ventures. See Note 23 for further details on the fair value hierarchy.

	At 31 March 2023 £000	At 31 March 2022 £000
Investments	1,716	1,293
	1,716	1,293

Financial liabilities

Financial liabilities measured at amortised cost comprise trade payables, other payables, accruals and lease liabilities. It does not include other taxation and social security, contract liabilities and current tax payable.

	At 31 March 2023 £000	At 31 March 2022 £000
Trade payables	12,256	8,331
Other payables	1,856	2,359
Accruals	1,290	1,487
Lease liabilities	1,394	2,262
	16,796	14,439

Financial risk management

The Group is exposed through its operation to the following financial risks: credit risk, interest rate risk, foreign exchange risk and liquidity risk. Risk management is carried out by the directors of the Group. The Group uses financial instruments to provide flexibility regarding its working capital requirements and to enable it to manage specific financial risks to which it is exposed.

The Group finances its operations through a mixture of debt finance, cash and liquid resources and various items such as trade receivables and trade payables which arise directly from the Group's operations.

Credit risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial asset or liability fails to meet its contractual obligations. The counterparties to the Group's trade and other receivables are predominantly suppliers in the form of rebates due. The majority of the Group's suppliers are household brands and are subject to a robust selection and verification process. The expected credit losses ("ECL") balance has been determined based on historical data available to management, forward-looking information on macro-economic factors affecting the suppliers and the probability of default. As a result of this information and very low historical occurrence of supplier related credit losses no ECL has been recognised on other receivables the Group predominantly operates on a cash-on-order basis, as a result credit risk is limited and as a result has very few credit losses. Credit risk is factored in the measurement approach for all financial assets held at fair value, such that their carrying value includes any expected credit loss impairment.

Credit risk also arises on cash and cash equivalents and deposits with banks and financial institutions. For banks and financial institutions, the Group mitigates the risk by using reputable banks with a good credit rating.

Interest rate risk

Interest rate risk is the risk that movement in the interbank offered rates increase causing finance costs to increase. The Group's only interest rate risk arises from hire purchase agreements for new vehicles, as all current agreements are fixed until the end of their terms.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations as they fall due. To manage liquidity risk, the Group prepares short-term, medium-term and long-term forecasts, including cash flow, which are reviewed regularly and challenged to ensure the Group has sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions without risking damage to the Group's reputation. All major investment decisions are considered by the Board and management of the Group in line with the Group's authority matrix.

Capital Disclosures

The Group's current objectives when maintaining capital are to:

- Safeguard the Group's ability as a going concern so that it can continue to pursue its growth plans.
- Provide a reasonable expectation of future returns to shareholders.
- Maintain adequate financial flexibility to preserve its ability to meet financial obligations, both current and long-term.

The Group sets the amount of capital it requires in proportion to risk. The Group manages its capital structure and adjusts it in light of changes in economic conditions and the risk characteristics of underlying assets. In order to maintain or adjust the capital structure, the Group may issue new shares or sell assets to reduce debt.

23. Fair value

The fair value measurement of the Group's financial assets utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

Level 1: Quoted prices in active markets for identical items;

Level 2: Observable direct or indirect inputs other than Level 1 inputs; and

Level 3: Unobservable inputs, thus not derived from market data.

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

Investments

Investments measured at fair value comprise investments in equity instruments, which are not subsidiaries, associates or joint ventures and are deemed to meet the definition of Level 3 measurement. The fair value of the investment is calculated based upon the price that would be achieved on exit of the membership agreement. There were no changes in the valuation techniques during the period.

The Group holds a fixed asset investment in a buying group Combined Independents (Holdings) Limited ("CIH") which the Group is part of and is entitled to a share of profit from. The fixed asset investment is made up of an initial buy-in cost plus share of profits accrued since entering CIH. Each year CIH provides a statement of earnings for its members and the share of profit or loss they are entitled to. The Group recognise this profit or loss at fair value through the statement of comprehensive income. If the Group left the buying Group, the share of profit would be receivable in full.

There are two key inputs when determining the Group's share of CIHs' profit in a given period. The first input is the total purchases the Group has made from CIH in the year, this is a known input. The second input is the value of CIHs' profit. At the time of preparing these financial statements, CIH had not yet finalised their year end profit number and therefore the profit must be estimated. The Group has used historical averages to forecast the current year's profit share. The profit share is reported to the Group as a percentage of total purchases made during the year. Based on historical averages, the Group has assumed 0.46% of total purchases made, to be returned as a share of profits.

Sensitivity has been performed on this assumption to evaluate the potential impact of variations in this assumption:

- A 0.1% increase in return of profits results in a £74,000 uplift in the valuation
- A 0.1% decrease in return of profits results in a £(74,000) reduction in the valuation
- A 0.2% increase in return of profits results in a £149,000 uplift in the valuation
- A 0.2% decrease in return of profits results in a £(149,000) reduction in the valuation

Notes to the financial statements

continued

24. Equity-settled long-term incentive plans

The Group operates three separate incentive plans, a Market Value Option ("MVO") scheme under which awards were issued to the management team and Executive Directors only, plus a share incentive plan ("SIP") under which free shares were issued to all employees present at the IPO date. During the year the Group issued share option awards under the Marks Electrical Group plc Performance Share Plan ("LTIP") to the management team and Executive Directors only.

Incentive plan	At 31 March 2023		At 31 March 2022	
	Options outstanding	£000 Charge	Options outstanding	£000 Charge
Market Value Options	1,222,915	146	1,241,097	62
Free Shares	281,000	61	360,000	13
Long-term incentive plan (LTIP)	1,025,276	67	–	–

Market Value Options

The MVOs were issued to management on 4 November 2021, with the values linked to a seniority-multiple of base salary. In total 1,241,097 options were granted with an exercise price of £1.10 per share and a three-year vesting period, with an additional seven years from the vesting date where the options can be exercised. Under the terms of the options, there is a performance obligation of being an employee at the vesting date or the options are forfeited, subject to discretion. During the year 18,182 options were forfeited due to leavers; no shares were exercised nor expired. At the year end 1,222,915 (2022: 1,241,097) options were still outstanding with a weighted average contractual remaining life of 585 days (FY22: 949 days) and none being exercisable at 31 March 2023.

During the year ended 31 March 2023 a charge of £146,000 (2022: £62,000) has been recognised as an expense in the statement of comprehensive income in respect of the MVO awards.

Free shares

The SIP shares were issued to all 148 employees of Marks Electrical Group plc who had an active employment on 4 November 2021. In total 403,636 shares were granted with a three-year vesting period at a £nil price. Under the terms of the SIP, there is a performance obligation of being an employee at the vesting date or the shares are forfeited, subject to discretion. During the year, 33 beneficiaries of the free shares scheme terminated employment with the Group. Four of the 33 leavers were considered "good leavers" giving rise to 10,908 being exercised and transferred into private brokerage accounts. The remaining 29 leavers resulted in 79,083 shares being forfeited from the scheme. At the year end 280,909 (2022: 360,000) shares were still outstanding with a weighted average contractual remaining life of 585 days (FY22: 949 days) and none being exercisable at 31 March 2023.

During the year ended 31 March 2023 a charge of £61,000 (2022: £13,000) has been recognised as an expense in the statement of comprehensive income in respect of the SIP awards.

LTIP

The LTIP options were issued to management on 1 September 2022, with the values linked to a multiple of base salary. In total 1,055,276 options were granted with 1,005,276 at an exercise price of 62.5p per share and 50,000 at 73.0p per share, all with a three-year vesting period. The holders have seven years from the vesting date where the options can be exercised. Under the terms of the LTIP, the awards vest based on three conditions, which are weighted equally on determining the payout of the award:

- Adjusted earnings per share
- Cashflow
- Total shareholder return

During the year 30,000 options were forfeited due to leavers; no options were exercised nor expired. At the year end 1,025,276 options were still outstanding with a weighted average contractual remaining life of 885 days and none being exercisable at 31 March 2023.

During the year ended 31 March 2023 a charge of ££67,000 (2022: £nil) has been recognised as an expense in the statement of comprehensive income in respect of the LTIP awards.

25. Related party transactions

Dividends totalling £751,000 (2022: £3,884,000) were paid in the year in respect of shares held by Directors and connected persons.

The Group operates from premises owned 62% by Mavrek Properties Limited, a company owned 100% by Mark Smithson, the Company's majority shareholder, and 38% by the Trustees of The Smithson Pension Fund of whom Mark Smithson is a trustee. During the year, rent was paid to Mavrek Properties Limited and The Smithson Pension Fund amounting to £372,000 (2022: £186,000) and £228,000 (2022: £223,146) respectively. The Group also recharged £6,000 to Mavrek Properties Limited in respect of staff time (2022: £3,000). At the year end no amounts were owed to or from either party (2022: £nil).

In the prior year, prior to the Group's admission to AIM, the principal and only property of the Group was sold to a related party company outside of the Group but controlled by Mark Smithson in a sale and leaseback transaction. The transaction was determined to be a sale under IFRS 15 and was conducted at market value. As a result of applying the IFRS 16 requirements in respect of sale and leaseback

transactions where the transfer of the asset is a sale at fair value, a £1.0m right-of-use asset and lease liability were recognised. No profit or loss was recorded as a result of the transaction. The consideration received was shares in the related party company acquiring the asset equating to the fair value of the asset transferred. In a group restructure, a new holding company was then incorporated and received shares in the entity that had transferred the property in exchange for issuing shares in itself to the previous shareholders in that entity. Finally, the investment acquired in the related company in consideration for the transfer of the property was transferred to the new holding company via a dividend in specie. The lease term is for 52 months from 6 June 2020 to 30 September 2024 and the annual rental charge is £600,000. No cash was transferred in this sale and leaseback transaction.

Subsidiaries included within the consolidation:

	Acquisition date	Ownership %
Marks Electrical Limited	8 October 2021	100%

Related parties:

	Link
Mavrek Properties Limited	100% owned by Mark Smithson
Mavrek Properties Holding Limited	100% owned by Mark Smithson

During the year, the Group received a refund of £336,162 in relation to historical arrangements previously disclosed in the Admission Document dated 5 November 2021. This was then paid to Mark Smithson and was subject to PAYE and NIC. All balances were fully provided for in the Financial Statements for the year ended 31 March 2022. This settlement brings to a close the aforementioned historical arrangements which were detailed in a regulatory news announcement to the market on 1 April 2022 and 17 November 2022.

Company financial statements

Company statement of financial position

At 31 March 2023

	Notes	At 31 March 2023 £000	At 31 March 2022 £000
Assets			
Non-current assets			
Investments	3	160,349	160,000
Other receivables	4	2,600	3,060
		162,949	163,060
Total assets		162,949	163,060
Net assets		162,949	163,060
Shareholders' equity			
Called up share capital	5	1,049	1,049
Share premium	5	4,694	4,694
Treasury shares	5	(4)	(4)
Merger reserve	5	60,000	60,000
Retained earnings		97,210	97,321
Total equity shareholders' funds		162,949	163,060

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income is not presented. The profit/(loss) for the year amounted to £632,000 (2022: £(1,754,000)).

The financial statements of Marks Electrical Group plc, company number 13509635, were approved by the Board on 7 July 2023 and signed on its behalf by:



Josh Egan

Chief Financial Officer

Company statement of changes in equity

Year ended 31 March 2023

Note	Called up share capital £000	Share premium £000	Merger reserve £000	Treasury shares £000	Retained earnings £000	Total shareholders' equity £000
On incorporation 14 July 2021	–	–	–	–	–	–
Total comprehensive loss for the period	–	–	–	–	(1,754)	(1,754)
Contributions by and distributions to owners:						
Issue of shares	100,049	4,954	60,000	(4)	–	164,999
Capital Reduction	(99,000)	–	–	–	99,000	–
Share options and LTIP charge	–	–	–	–	75	75
Costs relating to equity raise	–	(260)	–	–	–	(260)
At 31 March 2022	1,049	4,694	60,000	(4)	97,321	163,060
Contributions by and distributions to owners:						
Total comprehensive income for the year	–	–	–	–	632	632
Share options and LTIP charge	–	–	–	–	274	274
Equity dividends paid	–	–	–	–	(1,017)	(1,017)
At 31 March 2023	1,049	4,694	60,000	(4)	97,210	162,949

Notes to the Company financial statements

Year ended 31 March 2023

1. General Information

Marks Electrical Group plc (the "Company") is publicly listed on the AIM market of the London Stock Exchange. The Company is domiciled in the UK and its registered office is 4 Boston Road, Leicester, LE4 1AU.

The principal activity of the Company during the period was to manage its investment in Marks Electrical Limited.

2. Accounting policies

2.1 Basis of preparation

These separate financial statements of Marks Electrical Group plc were prepared in accordance with Financial Reporting Standard 101, Reduced Disclosure Framework (FRS 101).

The Company's financial statements are presented in GBP and rounded to thousands ("£000") unless otherwise stated.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to:

- share-based compensation;
- financial instruments;
- capital management;
- presentation of comparative information in respect of certain assets;
- presentation of cash flow statements;
- standards not yet effective;
- certain related parties transactions; and
- business combinations.

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income is not presented. The profit for the year amounted to £632,000 (2022 loss: £1,754,000).

Auditor remuneration for the period was £27,000 (2022: £43,000), further detailed in Note 8 to the consolidated financial statements.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are the same as those set out in Note 2 to the consolidated financial statements except as set out below.

The financial information and the notes to the financial information are presented in thousands ("£'000") except where otherwise indicated. The functional and presentation currency of the Group is pound sterling.

2.2 Treasury shares – own shares

Treasury shares held by the employee benefit trust are classified in capital and reserves as 'Capital reserve – own shares' and recognised at cost. No gain or loss is recognised on the purchase or sale of such shares.

2.3 Amounts owed to/by Group undertakings

Amounts owed to/by Group undertakings are recorded at amortised cost. The terms of the intercompany balances are at nil interest and are repayable on demand.

2.4 Financial assets held at amortised cost

Impairment provisions for trade receivables are recognised based on the simplified approach within IFRS 9 using the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

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

2.5 Critical accounting judgements and key sources of estimation uncertainty

The only critical accounting judgement that would have a significant effect on the amounts recognised in the financial statements, is the impairment of investment in Marks Electrical Limited. Indicators of impairment are present given the current market capitalisation of the Company; however, given the current consensus share price and the net present value of a discounted cash flow, the Company has determined, no impairment is necessary. Please refer to note 3 for the impairment testing and sensitivity analysis of the investment in Marks Electrical limited.

3. Investments

	Total £000
Investment in subsidiary	
At 31 March 2022	160,000
Additions in year	349
At 31 March 2023	160,349

On 8 October 2021 Marks Electrical Group plc acquired the entire share capital of Marks Electrical Limited.

Additions in the year relate to share-based payments to employees of the subsidiary.

The Company's subsidiaries, as at the period end are shown in the table below. All subsidiaries have been in existence for the whole of the reporting period.

As at the period-end the Group has the following subsidiaries.

Subsidiary name	Nature of business	Place of incorporation and operation	Registered address	Proportion of ownership interest	Proportion of voting power held
Marks Electrical Limited	Retailer	England	4 Boston Road, Leicester, LE4 1AU	100%	100%

Impairment testing

The impairment assessment of the investment has been based on a discounted cash flow model using a weighted average cost of capital ("WACC") at 12.3%.

The key assumptions underlying this model include:

- A six-year cash-flow projection period has been used to reflect the business's forecast growth and the timing of the Group's maturity
- Revenue growth of between 19% and 14% across the six year period
- Cash flows beyond the six-year period were extrapolated using an estimated long-term growth rate at 2%, a generally accepted rate of inflation.

IFRS 13 fair value measurement

The following table sets out the valuation technique used in the determination of fair value within Level 3 including the unobservable inputs used and the relationship between unobservable inputs to fair value IFRS 13.93 (d)(h)(i)(ii).

Item and valuation approach	Key unobservable inputs	Relationship between unobservable inputs to fair value
Unlisted equity securities	Weighted average cost of capital	WACC of 12.1% would indicate the fair value of the investment would be £175m indicating there would be £15m of headroom compared to the current fair value.
Fair value is determined by discounted cash flow		WACC of 12.3% would indicate the fair value of the investment would be £171m indicating there would be £11m of headroom compared to the current fair value.
		WACC of 12.5% would indicate the fair value of the investment would be £168m indicating there would be £8m of headroom compared to the current fair value.

4. Other receivables

	At 31 March 2023 £000	At 31 March 2022 £000
Amounts owed by Group undertakings	2,600	3,060
	2,600	3,060

The terms of the intercompany balance receivable is at nil interest, payable on demand.

Notes to the Company financial statements

continued

5. Share capital and reserves

	At 31 March 2023 Number	At 31 March 2023 £	At 31 March 2022 Number	At 31 March 2022 £
Allotted, called up and fully paid				
Number of ordinary shares of £0.01 each	104,949,050	1,049,491	104,949,050	1,049,491
	104,949,050	1,049,491	104,949,050	1,049,491

Share Capital

Share capital comprises the nominal value of the Company's shares of £0.01 each.

Share premium

The share premium reserve is the premium paid on the Company's £0.01 ordinary shares. During the year ended 31 March 2022 4,545,454 shares were issued for £1.10 each, resulting in a net premium of £4,694,000 consisting of £4,954,000 premium paid less £260,000 placing costs.

Merger reserve

The merger reserve relates to the merger relief under section 612 of the Companies Act 2006, on the acquisition of Marks Electrical Limited, a 100% owned subsidiary of the Company.

On 8 October 2021, Marks Electrical Group plc acquired the 100 ordinary shares (100% of the share capital) in Marks Electrical Limited, in return for the issue of 99,999,999 ordinary shares with a nominal value of £1.00 each, at a price of £1.60 each, bringing the total consideration to £160,000,000. This transaction falls under section 612 of the Companies Act 2006 and merger relief was applied. On consolidation under the predecessor method a merger reserve of £100,000,000 is recognised.

Treasury shares

Treasury reserve relates to shares acquired by the Group's employee benefit trust. At the year end the Group held 403,596 treasury shares (2022: 403,596). Total consideration for the treasury shares was £4,036.

Retained earnings

Retained earnings are the accumulated distributable earnings of the Company.

6. Related party transactions

The Company has utilised the exemption to not disclose related party transactions with wholly-owned subsidiary companies. Related party transactions with key management personnel (which are the Directors) are shown in Note 25 to the consolidated financial statements.

Company information

Marks Electrical Group plc

Marks Electrical Group plc

Registered in England and Wales number: 13509635

Company Secretary

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London
EC4Y 0DT

Corporate website

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Nominated Adviser and Broker

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Financial and Corporate PR

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EC4M 7WS

Legal Advisers to the Company

Travers Smith LLP
10 Snow Hill
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EC1A 2AL

Auditor

BDO LLP
Water Court
116-118 Canal Street
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NG1 7HF

Registrar

Link Group
Central Square
29 Wellington Street
Leeds
LS1 4DL

Definitions

Adjusted measures are included within the financial statements to assist the users of the financial statements to understand underlying performance of the Group.

Earnings per share for the financial year ended 31 March 2022 is calculated on the number of shares in issue post the IPO on 5 November 2021 and is not representative of the number in issue 31 March 2021. See Note 3 to the financial statements for further details.

Adjusted EBITDA is a non-statutory measure defined as earnings before interest, tax, depreciation, and amortisation and adjusted for exceptional items (FY22 only), share-based payment charges and related costs, and revaluation of investments.

Adjusted EBIT is a non-statutory measure defined as earnings before interest, tax, and adjusted for exceptional items (FY22 only), share-based payment charges and related costs, and revaluation of investments.

Adjusted EPS is a non-statutory measure of profit after tax, adjusted for exceptional items (FY22 only), share-based payment charges and related costs, and revaluation of investments, over the total diluted ordinary number of shares in issue.

For the year ended 31 March 2022, the number of ordinary shares as at 5 November 2021 through to 31 March 2022 was used as the basis for the adjusted earnings per share calculation. This gave a more understandable representation of EPS as the share in issue prior to 5 November 2021 did not give an accurate indication of the future weighted average number of ordinary shares for evaluating the performance of the Group.

Operating cash flow for cash conversion is defined as cash generated from operations less outflows for lease payments and exceptional items (FY22 only).

Net cash/(debt) represents cash and cash equivalents less financial liabilities (excluding lease liabilities).



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